MERGE

MEASURING WHAT MATTERS

Policy pathways to sustainable and inclusive wellbeing

Deliverable D8.1

Beyond GDP: A Policy Playbook for Sustainable and Inclusive Wellbeing in Europe

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About

These Policy Guidelines provide a compass for steering governance and policies towards the overarching goal of Sustainable and Inclusive Wellbeing (SIW). They build on the research and co-creation activities undertaken within the MERGE project, including work conducted in sibling projects: ToBe, SPES, WISE Horizons, and REAL.

The Guidelines are intended for European, national, regional and local policymakers, as well as for other public authorities and stakeholders committed to promote wellbeing for all, today and in the future. They aim to offer a stable reference framework to support the continued evolution of policymaking towards SIW, structured as both a strategic pathway and a hands-on tool for designing, implementing, and evaluating policies.

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NAVIGATING THE POLICY GUIDELINES: STRUCTURE, PURPOSE AND USE

These Policy Guidelines provide a compass for steering European policy processes toward the overarching goal of **Sustainable and Inclusive Wellbeing (SIW)**, i.e., "**Wellbeing now**" (ensuring a good life for all today), "**Wellbeing for all**" (limiting inequalities across social groups), and "**Wellbeing in the future**" (preserving conditions for future generations). The Guidelines are intended for European, national, regional and local policymakers, as well as other public authorities and stakeholders involved in designing, implementing or assessing policies. Their objective is to provide a compass for steering policy processes toward SIW, and to demonstrate how policymaking would differ and how economic wellbeing and security would also improve if SIW were taken as the overarching goal and SIW metrics were used to inform decisions.

The Guidelines build on the research and co-creation activities undertaken within the MERGE project. MERGE is a Horizon Europe Coordination and Support action project funded by the European Union, bringing together innovative research and insights from four EU-funded research projects: ToBe, SPES, WISE Horizons and REAL.

These Policy Guidelines are complemented by a parallel set of Technical Guidelines, which provide a methodological and statistical framework for measuring Sustainable and Inclusive Wellbeing, and offer guidance on data sources, indicators, analytical methods, modelling tools, and institutional implementation across European, national, regional, and local contexts.

Together, both Guidelines offer a stable reference framework to support the continued evolution of policy-making towards Sustainable and Inclusive Wellbeing.

The Policy Guidelines are structured as both a strategic pathway and a hands-on tool for designing, implementing, and evaluating policies. While chapters follow a logical progression from the conceptual foundation to the governance infrastructure and policy instruments, each section and chapter is self-contained. This means users can consult individual sections or chapters independently without missing key information.

The chapters are interconnected and collectively provide a comprehensive framework for advancing Sustainable and Inclusive Wellbeing. Each chapter addresses a specific component:

- Chapter 1 introduces the conceptual foundations of Sustainable and Inclusive Wellbeing, discussing the limitations of an extractive economic approach currently anchored in productivity and growth measured by GDP and making the case for SIW as an overarching policy goal for Europe, in line with the need to ensure greater resilience for a sovereign and secure Europe in the future.
- Chapter 2 provides guidance on governance for SIW, outlining key enabling principles, presenting a framework for using SIW metrics and models in policymaking, offering recommendations for advancing SIW in EU governance, and showcasing four governance

instruments – Wellbeing Budgeting, Future Generations Acts, Citizens' Assemblies, and Living Labs.

- Chapter 3 provides concrete policy guidance across five interconnected pillars – Transforming Economic Systems; Labour, Care and Economic Democracy; Universal Basic Services and Social Protection; Ecological Justice; and Transforming the International Economic Order – aligning with the Roadmap for Eradicating Poverty Beyond Growth developed under the mandate of the UN Special Rapporteur on extreme poverty and human rights. For each pillar, it presents a General Policy Objective and illustrative policy instruments, offering design and assessment insights tailored to the European context within a SIW perspective.
- Chapter 4 focuses on moving from policy fragmentation towards an integrated policy approach, discussing the importance of policy coherence, the role of modelling co-benefits and trade-offs, and issuing a call for integrated action through policy mixes that combine mutually reinforcing measures for SIW.

The instruments and objectives presented are illustrative rather than exhaustive, as policymakers may pursue a broader range of measures to advance SIW depending on their specific contexts.

Throughout the document, each chapter is accompanied by a set of boxes offering supplementary material, including evidence drawn from the MERGE project and its sibling projects, contributions from external experts, and practical case studies illustrating policy implementation in real-world settings. Depending on their needs, readers can choose to read the Guidelines from start to finish for a comprehensive overview of the SIW policy framework or turn directly to specific chapters for guidance on specific aspects of policy design or governance. Since individual chapters are intended to stand alone, the Guidelines deliberately include some repetition of core concepts, definitions, and policy principles. This ensures that anyone consulting a single chapter can grasp the information it provides without having to read earlier parts of the document.

While the Guidelines are primarily designed for the European Union and its Member States – spanning supranational, national, and subnational levels – the governance approaches, policy objectives, instruments, and analytical tools discussed are also applicable in other OECD countries and in the Global South, albeit with due consideration for differences in institutional, socioeconomic, and political contexts.

Disclaimer

To ensure smooth readability for policymakers and practitioners, we do not use standard academic in-text citations in these guidelines. Instead, at the end of each section, we provide the full list of references and background material we have used to provide arguments, evidence, and operational insights, suggesting readers consult them to learn more.

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1. INTRODUCTION: SUSTAINABLE AND INCLUSIVE WELLBEING AS A VISION FOR EUROPE

Promotion of wellbeing and social fairness, protecting democracy and protecting the natural environment are at the heart of European values. Indeed, Article 3 of the Treaty on European Union makes explicit that "**The Union's aim is to promote peace, its values and the wellbeing of its peoples**". This is reflected in European citizens valuing the promotion of Sustainable and Inclusive Wellbeing.

A representative survey conducted by MERGE with 6000 Europeans across six countries (France, Germany, Italy, Finland, Poland and Spain) finds that:

- 81% wish that their governments would measure personal wellbeing, social and environmental factors rather than solely focusing on economic growth to measure national progress and guide policy;
- The citizens value health, safety, jobs, education and housing as the most important topics for their governments to focus on when tracking wellbeing, considering them as more important than income;
- 72% believe their economy should prioritize people's and nature's wellbeing over profits, and 85% value the wellbeing of future generations as equally or more important to the wellbeing of current generations.

At the same time, according to several scholars, organisations and social movements, a Sustainable and Inclusive Wellbeing world is not only desirable and necessary, but also feasible (see EXPERT FOCUS 1).

To show it, this introductory chapter is composed of four sections:

- Section 1.1 illustrates the reasons for a paradigm shift from GDP growth to a Sustainable and Inclusive Wellbeing world;
- Section 1.2 presents the notion of Sustainable and Inclusive Wellbeing and the increasing convergence of global scientific and advocacy efforts towards it as the overarching policy goal and conceptual framing;
- Section 1.3 discusses how to achieve change towards Sustainable and Inclusive Wellbeing;
- Section 1.4 introduces key arguments on how it would be possible to finance wellbeing without continuous economic growth.

1.1 From GDP growth to a Sustainable and Inclusive Wellbeing world

Despite the ongoing efforts and some positive steps taken, human development progress is seriously at risk across the world, along with a limited capacity to ensure social foundations for our societies while respecting planetary boundaries. No country is immune to the disruptive impacts of the complex, interconnected risks that are now a defining feature of our era. For instance, recent research shows that although global GDP has more than doubled over the 2000–2022 period, there was only a modest achievement in reducing human deprivation. The progress would have to accelerate fivefold to meet the needs of all people by 2030. Meanwhile, the increase in ecological degradation would have to stop immediately, while accelerating in reverse at a median rate of regeneration that is nearly two times faster than it has been, to safeguard Earth-system stability and eliminate ecological overshoot by 2050.

Focusing on Europe, data show that economic development is not translating into lived wellbeing for many Europeans. While macroeconomic indicators suggest a continent on the mend from half a decade of cumulative shocks – a global pandemic, the return of war to the continent, and a punishing cost-of-living crisis – data on household realities and the state of nature reveal a profound contradiction. Economic wellbeing is in crisis.

Indeed, the Eurofound data show that, in 2025, 61% of low-income respondents from the "Living and working in the EU e-survey" reported difficulties in making ends meet, up from 40% in 2023. Meanwhile, high-income households have remained largely stable, showing that the benefits of macroeconomic stability are failing to reach the middle and bottom half of the income distribution. A squeezed middle is emerging, with nearly 40% of those aged 35 to 64 – the traditional backbone of the workforce and tax base – reporting difficulties managing monthly expenses. Financial buffers have all but evaporated, with a full quarter of respondents reporting having no savings at all, and another quarter having only enough to last three months. In addition, Eurofound describes that mental wellbeing remains a critical concern. 57% of respondents are classified as being at risk of depression, and optimism about the future is failing to recover to pre-2022 levels. Data from Eurofound also highlight that European youth have experienced a sharp decline in mental well-being and a surge in social isolation following a decade of overlapping economic, health, and social crises

The takeaway from these trends is that aggregate growth figures are insufficient to measure the health of a society. A narrow focus on macroeconomic indicators, such as GDP, is eroding the social contract and moving Europe away from its Treaty objective to improve the wellbeing of its peoples. Consistently, respondents in vulnerable positions – unemployed people, low-paid workers, and those with disabilities – report the lowest levels of trust in national governments and the legal system. On this matter, the results of the G20 survey conducted in 2026 by Earth4All with Ipsos report that only 31% of respondents believe their government will make decisions that benefit people 20 or 30 years from now, thus showing that across these societies, people – regardless of their economic status and voting preferences – have stopped believing the state will act in their long-term interest.

Finally, when it comes to the natural environment, the European Environment Agency reports that climate change is a rising threat in Europe. Since the 1980s, Europe has been warming twice as fast as the global average, making it the fastest-warming continent. Heatwaves are becoming more frequent and severe, while extreme rainfall is leading to catastrophic floods, and glaciers continue to melt, as made evident by C3S/ECMWF and WMO. Biodiversity continues to decline. Only 14% of habitat assessments and 27% of non-bird species are in 'good' conservation status, with pollinator habitats – fundamental for well-functioning food systems – having even worse conservation status and trends than other habitats.

The costs of climate change are mounting, with weather- and climate-related extremes causing economic losses estimated at 822 billion euros in 1980-2024. The costs are rising, and this rise has been accelerating and will continue to accelerate if warming continues. A fourth of the costs (208 billion euros) of the 24-year measuring period occurred only in the latest four years (2021-2024). From 2009 to 2024, the losses have increased twice as fast as GDP. Worsening climate impacts could cut EU GDP by 7% by the end of the century, with estimated losses of EUR 2.4 trillion from 2031 to 2050 if warming surpasses 1.5°C. The real damages to economic wellbeing are even greater than these figures show, as they capture only the direct physical damage and do not include indirect effects such as lost productivity, disrupted supply chains, or the added strain on health services during a heatwave, as well as other visible and invisible human and environmental costs.

Moreover, in a context of public finance difficulties, the increase in military spending in Europe is occurring at the expense of other public spending items, leading Europe onto a trajectory of lower job creation and worse quality of development. Recent research shows that an expenditure of 1,000 million euros for the purchase of weapons leads to 6,000 additional jobs (full-time) in Germany, 3,000 in Italy and 6,500 in Spain. Instead, when the 1,000 million euros are spent on education, health and the environment, the employment impact is greater. In Germany, in terms of employment opportunities, €1,000 million could create 11,000 new jobs in the environmental sector, almost 18,000 jobs in education or 15,000 jobs in health services. In Italy, the equivalent figures range from 10,000 jobs in environmental services to almost 14,000 in education. In Spain, the employment effect would range between 12,000 new jobs in the environmental sector and 16,000 in education. Overall, the employment impact is between two and four times greater than that expected from increased arms procurement.

The situation provides a complex puzzle for policymakers, who need to resolve urgent short- and long-term crises, while also alleviating societal concerns and uncertainty.

Amidst the global turbulence and interconnected social, economic, and environmental challenges, Europe needs a clear vision, an overarching goal for all its strategies and policies, and the right instruments that enable reaching it. Nowadays, there is still an overemphasis on GDP in political and socio-economic narratives and, therefore, in the public debate, which couples with the structural challenges within government bureaucracy, often characterised by an organisational culture where siloing and short-termism in budget structures prevail over integrated and long-term perspectives. From a governance perspective, the growing loss in trust and well targeted efforts and narratives of fear and growth pledges by radical right parties have increasingly enabled the shift in voting towards right leaning governments.

However, it is increasingly clear that a focus on economic growth entirely measured by GDP is counterproductive to achieving economic wellbeing and long-term prosperity (see Box 1.1). Rather than striving for competitiveness and economic growth anchored purely in extractivism, productivity, and shareholder value, it is crucial to consider: how we define growth, economic and financial stability and for what and whom? What are we competing for and whom will it benefit?

BOX 1.1

FOCUS ON GDP GROWTH IS FAILING TO DELIVER WELLBEING

Societies are currently overly invested in striving for economic growth measured in gross domestic product (GDP). Crucially, GDP was never designed to be a measure of societal and planetary wellbeing. It tracks only market transactions, leaving unpaid care work invisible; it does not capture social and environmental costs and benefits; it ignores the distribution of income. These are all failings that many policymakers, NGOs and researchers have already noticed. Indeed, research shows that focusing on GDP growth on its own does not deliver wellbeing:

- ***Production and income per se do not increase wellbeing, and ever-increasing growth in income is not sufficient for wellbeing**. What matters is the satisfaction of human needs that can be achieved also with lower personal income levels. Moreover, many aspects of wellbeing cannot be bought since they are not delivered via markets, e.g., social relationships.*
- ***Those countries which are more effective at turning capital and labour into GDP are not better at transforming their inputs into SIW.** This contradicts the common belief that greater economic efficiency necessarily leads to better lives.*
- ***The current economic system is over-financialized**. Global and national financial sectors grow disproportionately larger than the real economy, with financial capital turning inward toward speculation, stock buybacks, real estate bubbles, and high household debt rather than funding productive business investments, job creation, or infrastructure, among others.*
- ***Increasing income and wealth inequalities** both in Europe and globally – along with existing poverty – demonstrate that the economy does not automatically benefit everyone.*
- ***The GDP growth imperative based on the neo-liberal model that puts productivity first is counterproductive to achieving ecological sustainability**. No evidence exists for successful decoupling of economic growth from material footprint at the necessary speed and scale. The decoupling rate of greenhouse gas emissions is insufficient to meet the Paris Agreement.*
- ***The current economic system rests on unequal trade relations** between countries of the Global South and Europe, among other Global-North countries.*

Various societal and environmental problems that occur with prioritisation of economic growth can be summarised in eight highlights:

- ***Job-less Growth:** Economic output increases without a corresponding rise in employment opportunities, meaning that growth does not translate into improved livelihoods or broader participation in the labour market.*

- ***Voice-less Growth:*** *Economic expansion occurs alongside weakened democratic institutions, limited civic participation, and the marginalisation of workers' rights, including restrictions on labour unions and collective bargaining.*
- ***Ruth-less Growth:*** *The benefits of growth are concentrated among wealthier segments of society, contributing to widening income and wealth inequalities through the structural exploitation of the poorest, thus leaving large portions of the population excluded from economic gains.*
- ***Root-less Growth:*** *Processes of economic globalisation and rapid development erode local cultures, traditions, and community structures, weakening social cohesion and diminishing cultural diversity.*
- ***Future-less Growth:*** *Economic progress relies on the unsustainable exploitation of finite natural resources, degrading ecosystems and shifting environmental costs onto future generations.*
- ***Health-less Growth:*** *Economic activities expand in ways that undermine public health, whether through pollution, deteriorating working conditions, or underinvestment in healthcare systems.*
- ***Peace-less Growth:*** *Economic development is accompanied by rising social tensions, instability, or conflict, including competition over resources and increased militarisation.*
- ***Connection-less Growth****: Economic growth is strived for at the expense of social relations, increasing the sense of loneliness and social isolation of people.*

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Complementary insights are also presented in the MERGE Technical Guidelines.

As the economic system focused on GDP growth is driving current societal crises in human, environmental, social, and political terms, what is crucially needed is a new overarching goal: a shared institutional anchor for policy decisions. Here, it is argued that **Sustainable and Inclusive Wellbeing (SIW)** – wellbeing for all, now and in the future – offers an overarching policy goal Europe should advance for the long-term prosperity of its people and the planet. In this scenario, the economic system is a means – not the goal – in the pursuit of wellbeing for all people and ecosystems. The socio-economic and environmental policies need to be evaluated according to their capacity to improve people's capabilities and allow human flourishing within planetary boundaries.

To foster SIW, it is necessary to imagine how to place the SIW goal at the heart of policymaking, how policies should be reshaped to pursue it, as well as what implemented policies can already point in such a direction, even before SIW has been agreed on as a new overarching goal.

These Guidelines provide concrete and operational insights for advancing the overarching policy goal of Sustainable and Inclusive Wellbeing and provide recommendations for:

- Governance that effectively advances the overarching SIW goal;
- Designing and implementing policy instruments to pursue five key policy objectives for SIW:
    1. Changing wealth generation and distribution;
    2. Building quality employment and decent work;
    3. Expanding social protection;
    4. Ensuring fair ecological sustainability;
    5. Building just international relations.
- Embracing an integrated policy approach to deal with co-benefits and trade-offs among multiple dimensions and domains.

Their content is based on the research and co-creation activities undertaken within the MERGE project. MERGE is a Horizon Europe Coordination and Support action project funded by the European Union, bringing together innovative research and insights from four EU-funded research projects: ToBe, SPES, WISE Horizons and REAL.

The Guidelines align with the scope, structure, and contents of the Roadmap for Eradicating Poverty Beyond Growth and its pillars, a multi-stakeholder process realized within the mandate of the UN Special Rapporteur on extreme poverty and human rights, in which the research projects behind these Guidelines took part.

Eradicating multidimensional poverty through dismantling of social exclusion and without overstepping planetary boundaries echoes the goal of advancing Sustainable and Inclusive Wellbeing: they both focus on improved living conditions for current and future generations. The Roadmap for Eradicating Poverty Beyond Growth was co-developed by more than 400 contributors across academia (including scholars from the MERGE project), the UN system, trade unions, and civil society; it offers 80 concrete policy measures to transform the global economy to ensure human and ecological wellbeing by design.

Building on the strong alignment between the respective frameworks of the MERGE project and the Roadmap (and also to avoid further fragmentation in the beyond-GDP debate), these Guidelines aim to complement the Roadmap's process and its end result by providing concrete insights on governance, policy pillars and related objectives, and selected policy instruments in the European context within a SIW perspective.

The complementary MERGE Technical Guidelines provide recommendations for building and maintaining metrics and macroeconomic models that underpin SIW as overarching goal of policies.

Figure 1 summarises the content of the Guidelines.

Figure 1. Governance and policies for Sustainable and Inclusive Wellbeing

Source: Authors.

EXPERT FOCUS 1

A SUSTAINABLE AND INCLUSIVE WELLBEING WORLD

by Robert Costanza (University College London)

What would success look like?

A Sustainable and Inclusive Wellbeing (SIW) world is one in which the ultimate purpose of the economy is to enable people and the rest of nature to flourish together (as they are one system and their mutual survival depends on each other), rather than to maximise the production and consumption of goods. Economic activity is recognised as a means to an end, not an end in itself. Success is measured by improvements in sustainable wellbeing, health, equity, resilience, and ecological integrity rather than by growth in GDP alone.

In this future, societies operate within planetary boundaries while ensuring that everyone has 'enough' and access to the resources and opportunities needed for a good life. Natural, social, human, and built capital are all recognised as productive assets that must be maintained in a balanced way and enhanced for future generations. Economic decisions account for the full value of ecosystem services, unpaid care, community contributions, and long--term social and environmental impacts.

Governments, businesses, and communities evaluate policies according to whether they improve sustainable wellbeing. Public investment prioritises health, education, renewable energy, ecosystem restoration, affordable housing, affordable, sustainable and nutritious food, public transport, and other investments that build long-term wellbeing and resilience rather than short-term consumption.

Markets continue to play an important role, but they operate within institutions designed to promote fairness, cooperation, and stewardship (i.e., the careful, ethical, and responsible management of resources entrusted to one's care). Taxes, subsidies, and regulations reward activities that create genuine social value and discourage pollution, resource depletion, speculation, and inequality. Property rights recognise common assets such as ecosystems, the atmosphere, and shared knowledge, and institutions promote stewardship of these assets for the long-term common good.

Communities are more connected and participatory. Citizens have meaningful opportunities to shape decisions affecting their lives, strengthening trust, democratic legitimacy, and social cohesion. Deliberative democracy and citizens' assemblies are a popular way to engage the public and make better collective decisions. Work increasingly focuses on activities that improve quality of life, creativity, care, education, and ecological restoration rather than simply increasing material throughput.

How does this differ from today?

Today's dominant economic model largely treats GDP growth as the primary objective, often assuming that more production and consumption automatically improve wellbeing. Many environmental costs, social inequalities, and the depletion of natural capital remain external to economic decision-making. Success is frequently judged by how fast economies grow, even if that growth only benefits a small elite, rather than by whether ordinary people's lives improve.

A Sustainable and Inclusive Wellbeing world reverses this logic. Rather than asking "How can we grow the economy?", it asks "How can we improve sustainable wellbeing within planetary boundaries?" Growth may occur where it genuinely enhances economic wellbeing, but it is no longer the goal. Instead, the economy becomes a tool for achieving healthy people, thriving communities, a resilient society, and a flourishing natural world. This represents a shift from an economy centred on *more* for the few to one centred on *better* for the many.

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1.2 The overarching goal of Sustainable and Inclusive Wellbeing

SIW provides an overarching policy goal to guide governance and policy choices in accordance with European values and for the benefit of Europe's long-term prosperity and resilience. At its core, the SIW framework brings together three interconnected conceptual dimensions: wellbeing, inclusion, and sustainability (Figure 2).

Figure 2. Sustainable and Inclusive Wellbeing

Source: Policymaking for Sustainable and Inclusive Wellbeing. 2026. Sustainable Prosperity. https://sustainable-prosperity.eu/trainings/policymaking-for-sustainable-and-inclusive-wellbeing

All three policy goals should be promoted simultaneously to avoid trade-offs between current and future wellbeing or situations in which wellbeing is achieved unevenly across social groups and countries.

- **"Wellbeing": Ensuring a good life for all today.** Enhancing key determinants of wellbeing and human capabilities, both monetary and non-monetary, as well as material and immaterial, such as health, education, air quality, water, employment, social relationships, income, housing, security, environmental health, and peace.
- **"Inclusion": Limiting inequalities across and within social groups and countries.** Advancing inclusive distribution of wellbeing determinants and opportunities across spatial scales and social groups, both within and between countries; including gender equality, income and wealth equality, and eradication of poverty and discrimination. Considering cross-border spillovers to ensure that improvements in wellbeing in one country do not

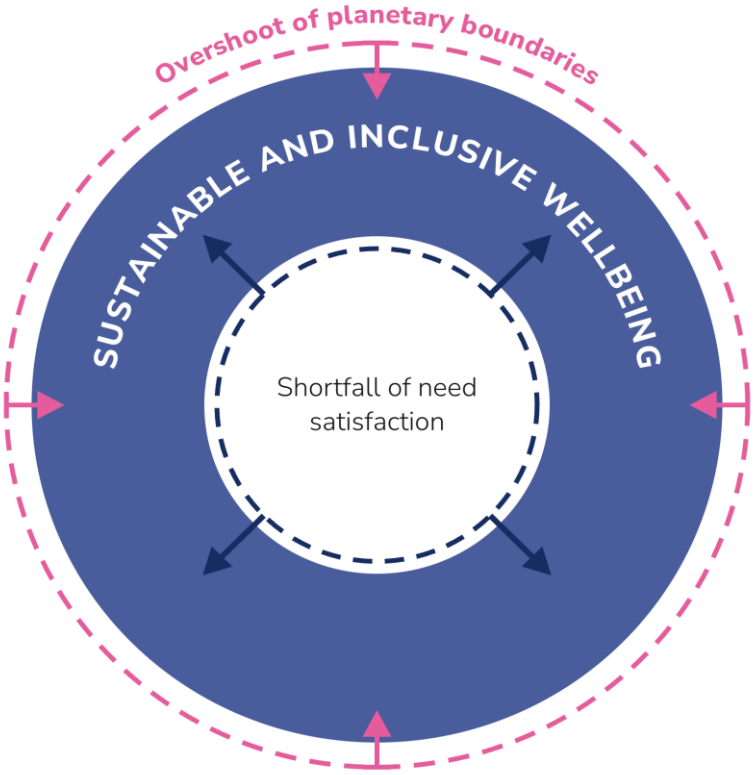
come at the expense of wellbeing elsewhere, for example through the externalisation of environmental pollution and other social or environmental costs.

- **"Sustainability": Preserving and improving living conditions for future generations, including other species.** Encompassing sustainable biophysical and social conditions, including climate, biodiversity and other planetary boundaries, demographic pressures and innovation capacity, while also recognising that nature has value beyond its contributions to human wellbeing.

More information on these 3 dimensions is available in Section 2.3 of MERGE Technical Guidelines.

Together, these dimensions provide a common language for articulating a broader conception of societal progress and provide a basis for assessing whether progress is not only improving current wellbeing, but also inclusive and sustainable over time. These three dimensions resonate with the notion of sustainable development, but they differ from the traditional three dimensions of environmental, social and economic development by acknowledging that the economy is only a means for sustainable and inclusive wellbeing. Although different concepts and frameworks are used, these three dimensions are at the focus when advancing "a safe and just space for humanity", "doughnut" or "sufficiency" (see Figure 3).

Figure 3. Sustainable and Inclusive Wellbeing providing a safe and just space



Source: Authors.

In a nutshell, SIW aims to ensure a good life for all within planetary boundaries. It acknowledges that wellbeing is dependent on functioning ecosystems. Respecting and restoring ecosystems by limiting the material scale of the economy is thus a precondition for current and future wellbeing. It also reflects a shift from an ego-system based on the notion of *Homo oeconomicus*, to an eco-system based on the notion of *Homo integralis*, where individual and collective action is spurred by the feeling of being part of a larger whole, interconnected with the wellbeing of many others and being part of nature, living in unity with it.

Moreover, SIW emphasises that wellbeing is relational, multidimensional and requires meeting essential human needs. These include material needs (such as food and housing) as well as the need for social relations, learning and meaningful activities. It is crucial to remember that needs can be satisfied, and thus wellbeing can be provided, in various ways, including immaterial aspects. The key goal is to provide adequate need satisfaction with minimal emissions and resource use, and without exploitation.

SIW explicitly considers the distributive aspects of wellbeing and the issues of interspecies, intergenerational and intragenerational justice. It is essential to prevent significant harm to other species and to ensure that future people do not suffer unnecessarily from the decisions of the current generation. Intragenerational justice requires sufficiency: conditions in which all people have access to adequate resources and services and can participate in decision-making, and that no one has unjustly or unnecessarily too much while others are going by with too little.

Research has demonstrated increasing convergence of global scientific and advocacy efforts towards the SIW goal and conceptual framing, building from the Limits to Growth report of 1972, the Brundtland report of 1987 and the Stiglitz-Sen-Fitoussi report of 2009. For instance, around two-thirds of OECD countries have developed a national wellbeing framework in the last two decades, as made evident also by the Wellbeing Economy Governments partnership (WEGo). Similarly, many international institutes and initiatives of the European Commission, the OECD and the United Nations have adopted it. In the EU, the SIW goal is featured in a SIWB dashboard that measures Sustainable and Inclusive Wellbeing and various Strategic Foresight Reports (see also EXPERT FOCUS 2). At the OECD level, there is a long-lasting tradition of work based on the OECD wellbeing framework and associated measurement, including an online database, How's Life? report series, country notes, and methodological developments, along with public outreach activities and the World Forums on Wellbeing, the creation of the OECD Centre on Wellbeing, Inclusion, Sustainability, and Equal Opportunity (WISE), and the Knowledge Exchange Platform on Wellbeing Metrics and Policy Practice. At the global level, starting with the groundbreaking experience of the Human Development Reports by the UNDP since 1990, the latest culmination of the convergence towards SIW is demonstrated in the final report of the UN High-Level Expert Group on Beyond-GDP, as well as in the Roadmap for Eradicating Poverty Beyond Growth, which both promote measuring wellbeing, inclusion and equity, and sustainability. These efforts by international and supranational bodies go hand in hand with, and are shaped by, a strong and increasing community of knowledge and advocacy, including Earth4All, the Doughnut Economics Action Lab, the work by MERGE and sibling projects (ToBe, SPES, WISE Horizons, and REAL), just to mention a few.

Want to know more about the evolution of beyond-GDP metrics and about SIW convergence among institutions? These topics are extensively addressed by Sections 1.1 and 1.2 of MERGE Technical Guidelines.

A lot is already happening to embed a SIW perspective into policymaking processes and measurement frameworks, with several countries, organisations and actors increasingly utilising similar approaches. Yet, they have often been applied in a fragmented and inconsistent way in policymaking processes, still used mostly ad hoc rather than systematically. Therefore, **what is proposed by the SIW goal is not a wholly radical or new approach, but rather an alignment of existing practices and evidence that have already shown their feasibility, effectiveness and public acceptability**.

EXPERT FOCUS 2

EUROPEAN POLICIES PROMOTING SUSTAINABLE AND INCLUSIVE WELLBEING

by Enrico Giovannini (University of Rome "Tor Vergata"), Peter Benczur (Joint Research Centre), Jessica Cariboni (Joint Research Centre)

The triple planetary crisis (climate change, biodiversity loss, and pollution), societal polarisation, financial crises, persisting poverty, social isolation, and increasing inequality, in a context of sharply decreasing birth rates, all call for political objectives beyond economic growth measured as the change in gross domestic product (GDP) alone.

In this context, people's wellbeing has been gaining political traction as an explicit and transversal political objective for the EU. It is enshrined in the Treaty on European Union, which states that "[t]he Union's aim is to promote peace, its values and the wellbeing of its peoples." There is a wide range of related activities across the Commission, reflecting the political attention given to wellbeing: the SDGs and the European Pillar of Social Rights are reflected in the European Semester; the 8th Environment Action Programme aims to ensure wellbeing for all within the planetary boundaries; and the recently launched EU Intergenerational Fairness Strategy is looking at the balance between the wellbeing of current and future generations. The series of Strategic Foresight Reports has been advancing the agenda of complementing GDP with sustainable and inclusive wellbeing metrics in EU policymaking.

This builds on a long-standing engagement of the EU in 'beyond GDP'. The European Commission played a key role in promoting the milestone 2007 Conference on Beyond GDP, co-organised with the European Parliament, OECD, the Club of Rome, and the WWF. In 2009, the Commission presented a roadmap to move towards beyond GDP in the EU, with the adoption of the 2009 Communication on 'GDP and beyond: measuring progress in a

changing world'. It was followed by the 2013 'Progress on 'GDP and beyond' actions' document. The European Pillar of Social Rights was proclaimed in 2017, with the Social Scoreboard monitoring its key principles that underpin a strong social Europe that is "fair, inclusive and full of opportunity". The EU SDG indicator set also points in this direction. In 2023 the largest ever, multi-party conference was hosted by the President of the European Parliament on beyond growth, gathering stakeholders from across, the EU including the Commission President, Ursula von der Leyen. Finally, the Beyond GDP website provides an overview of progress in the EU and beyond, including the 2025 release of the Sustainable and Inclusive Wellbeing dashboard and indices.

The core of beyond GDP, however, is not measurement, but societal and political agenda setting. The broad global proliferation and adoption of GDP (among other objectives) was largely due to the political intention to demonstrate that the 'Western economic system' was superior to the 'soviet economic system'. It defined a broad societal objective and created a highly visible and clear signal for all actors (producers, financial sector, governments) to prioritise economic growth. It has become an institutional driver. For long it has played a mostly positive role, for guiding production and innovation decisions in a dominantly 'inclusive institutional direction' (using the terminology of Acemoglu, Johnson and Robinson). By now it seems to have reached its limits, both from a social and an environmental perspective, especially given the new geopolitical reality. An ideal indicator or metric should play the same role, but for those activities (and costs) that matter for us now and in the future: equitable, inclusive, and sustainable wellbeing.

Using such a different metric, no surprise that global comparisons of prosperity would change, in favour of the European approach to prosperity. This message could reignite the self-esteem of EU citizens and give a tool for strategic communication on the European model in a "global battle of narratives". In the context of the UN initiative on beyond GDP, the recently released report of the High-Level Expert Group, and the approaching post-2030 agenda, Europe could join forces with 'like-minded countries' – be they middle powers like Canada, or countries from the Global South – and lead the way in adopting new, distribution- and sustainability-sensitive wellbeing metrics. This would lead to a 'rewiring' of global institutional foundations, enabling more inclusive and balanced economic policies that also respect planetary boundaries, and guaranteeing the "wellbeing of all people of the current and future generations, and of the planet".

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1.3 How to achieve change towards Sustainable and Inclusive Wellbeing?

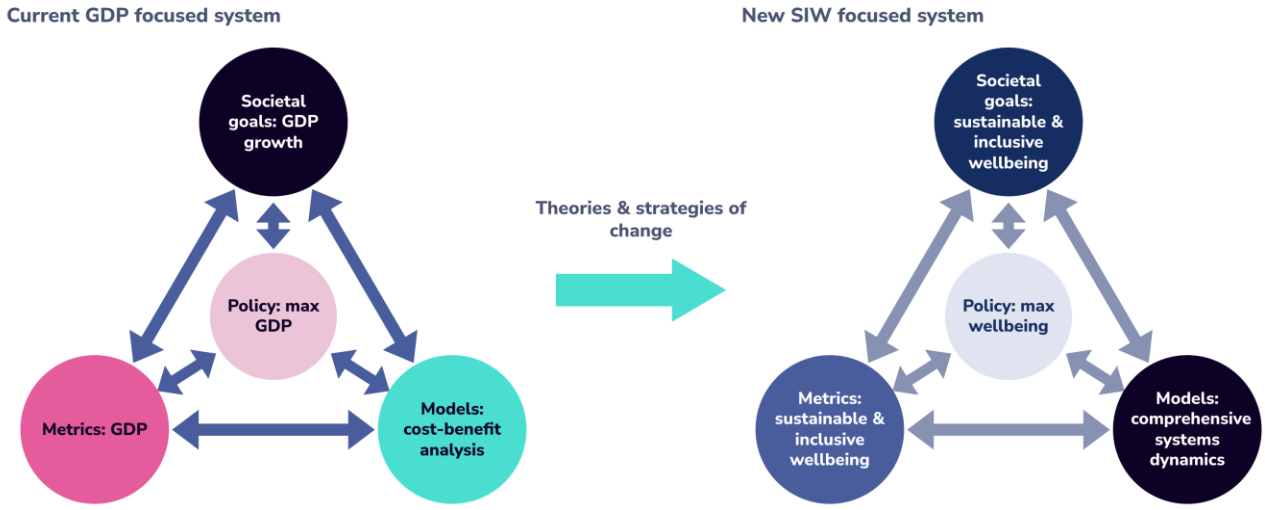
Despite SIW not yet being mainstream at the political level, there is a strong demand from the majority of people, with more than 80% of European citizens across six countries (France, Germany, Italy, Finland, Poland and Spain) supporting the adoption of Sustainable and Inclusive Wellbeing indicators to guide the assessment of national performance and the design of policies. A strong majority believes that economies should prioritise the wellbeing of people and nature over profit, and many are willing to express personal commitment, even financial, to support this change.

Many people are angry, frustrated, and disappointed by current economic systems, in light of trends characterised by lower economic and societal wellbeing, increasing human insecurity weaker social and governmental trust, growing inequality and poverty, and higher social deprivation, disenfranchisement, and loneliness. Research suggests that failing to address the root causes of this economic discontent risks deepening social alienation and polarisation, as well as societal instability. Only by ensuring economic security for all, by fundamentally realigning economic systems to serve human and planetary wellbeing, can the divide be bridged and the foundations of democratic stability restored.

The growing costs of social and environmental tipping points on global and European societal fabric and stability demonstrate the **need for economic transformation away from growth measured in gross domestic product (GDP) to one that focuses on multi-dimensional, inclusive and long-term wellbeing** (see also EXPERT FOCUS 3). The challenge is demonstrating to European leaders that such a transformation will seed long term resilience, stability and security even if other regions are moving in the opposite direction.

Overcoming structural dependencies on GDP growth and transformation to a society that provides SIW requires an integrated shift of societal goals, narratives, models, metrics and policies towards SIW, as illustrated by Figure 4.

Figure 4. From a GDP-focused system to a wellbeing-focused system



Source: Adapted from Costanza et al. (2024).

Public demand for new measures that reflect shared values is clear and growing, even if not always reflected in voting behaviour. In order to encourage public acceptability and legitimacy, the shift to SIW as the overarching policy goal needs to be fair and ensure economic security through public provisioning infrastructures (regardless of GDP fluctuations; see section 1.4), while respecting planetary boundaries. In this sense, economic security is understood as the assurance that all individuals have stable and equitable access to essential resources and services, thus representing a human right for all segments of the population.

More broadly, the legitimacy of new goals and metrics in policymaking depends on clarity and trust and thus on consensus. In democratic societies, the transformation is built on deliberation and public discourses that address shared concerns and demand for alternatives. Shared policy goals, visions, experiments, and regulations all together drive the transformation towards SIW. The transformation also requires abandoning old understandings and structures, such as the outdated perception of extractive economic growth anchored in a high carbon economy. Institutionalizing SIW in governance levers, regulations, and habits can be reinforced by building consensus in four domains. *Public consensus* is important for coalition building based on broad-based public support. This is achieved by engaging all citizens and all societal actors and by dialogues to improve understanding of shared development objectives and definitions. *Theoretical consensus* advances the transformation because it supports the alignment between different schools of thought, all of which are contributing to better measuring and valuing what counts for the wellbeing of the people and of the planet. Although democratic political processes always involve disagreements and disputes over values, a certain level of *policy consensus* is necessary to decide on the implementation of new policy measures. *Technical consensus* is also required to make advances in SIW-oriented data systems and metrics, and to improve the technical design of composite indicators and dashboards.

If you would like to learn more about three interconnected challenges that need to be addressed to support the implementation of Beyond-GDP approaches, refer to Chapter 1.4 of MERGE Technical Guidelines.

These Policy Guidelines intends contributing to foster policy consensus by decision-makers at all levels, expanding the argument that the adoption of Sustainable and Inclusive Wellbeing as an overarching policy goal requires changes in technical and governance infrastructures and in substantial policy instruments.

- **Technical infrastructure:** Enables effective governance towards the overarching SIW goal through operationalizing it into measurable form. Includes formal metrics that structure the institutionalised application of indicators, indexes, and dashboards, and macroeconomic models used by government bodies or international organisations for impact assessments.
- **Governance infrastructure:** Sets decision-making practices based on whole-of-society participation and deliberative democracy, and shapes targets, monitoring and enforcement mechanisms for advancing the SIW goal. Guides policy decisions towards implementing instruments that promote SIW.
- **Policy instruments:** Concrete measures and instruments used by policymakers to achieve the SIW goal by changing the incentives, regulations, and information faced by businesses, citizens, and civil society organisations.

Research has demonstrated that consensus and convergence are already forming within an expanding Beyond-GDP community of knowledge and practice, joining efforts in technical, governance, and policy domains to make Sustainable and Inclusive Wellbeing the overarching goal for our societies. However, gathering enough political power to align efforts and overcome barriers that try to slow down the change is crucial. Indeed, the process of policy evolution is understood as a never-ending interplay of conflicting values, interests, ideas, and discourses among different constellations of actors, in particular in today's growing moral and leadership gap across geopolitical, economic, and financial systems. Within this perspective, conflicts arising from the heterogeneity of the system's actors, the diversity of values, and the divergence of interests must be reconciled politically to foster SIW. Therefore, **all societal actors have a crucial role in supporting a shift towards SIW**.

Politicians and policymakers act as the main legislators shaping the structures of the economy and society. Officials and experts working at different levels of governance have a key role in offering information, developing policy solutions, and implementing the policies. As an example, governments must play a key role in shaping business ownership models, business governance, and production processes towards the overarching goal of SIW, by changing the rules of the game and levelling the playing field for those purpose-driven businesses that may have a hard time surviving in largely monopolised and profit-oriented markets. For instance, governments should establish regulatory frameworks that make it easier for businesses to transition towards new ownership models and more sustainable practices, rather than fostering incumbent business models that are not anchored in wellbeing and sustainability. This includes both those already

focused on sustainability-related products and services to get off the ground, and also incumbents willing to transition through a combined system of incentives, sanctions, access to venture capital, knowledge creation (via public R&D) and diffusion, and education/training programmes.

Support from public opinion and key stakeholders is an important driver and prerequisite for moving beyond growth and implementing SIW policies, as indicated by a stakeholder survey, interviews and workshops conducted in MERGE with policymakers. Public and societal stakeholders' support provides the mandate for transition. To foster this support, communicating the benefits of the SIW policies is important. It is critical that the civil society organisations come together to advocate for SIW, forming a "movement of movements" that offers insights and provides necessary political pressure to accelerate the change. For instance, engaging people in the development of national/local SIW frameworks and the selection of domains and indicators offers an important opportunity to facilitate deliberation about what matters most to collective wellbeing, helping to bridge divides. Participatory decision-making allows diverse social groups to articulate their priorities, values, and concerns, ensuring that wellbeing metrics reflect lived realities rather than expert assumptions alone. At the same time, by involving people in defining, measuring, and monitoring SIW, governments can foster greater trust, legitimacy, and shared ownership of policy goals, while creating space for constructive dialogue across political, social, and generational lines. All, people need to transition from being simple consumers to becoming engaged contributors and agents of change in economic decision-making processes.

At the same time, education institutions, universities and research centre play a crucial role by providing knowledge, increasing awareness, nurturing skills and competences, conducting relevant research, and fostering knowledge diffusion. Education at all levels, from early childhood to high-level education, should be anchored to SIW goals and values, through curricula, educational programmes, and teaching methods able to nurture empowerment and agency at the individual and collective level. In addition, academic institutions are key actors in societal transformation, highlighting their contribution beyond traditional education and research functions. In particular, they emerge as potentially significant allies for all other actors, since they can connect various domains of society and strands of engagement. Consequently, they are recognized as vital for the revitalisation and metamorphosis of modern economies and societies. For instance, they can be conceived as incubators of new ideas and practices for sustainability, inclusiveness and wellbeing. They might shape the view of future managers, entrepreneurs, activists and politicians, giving them a SIW perspective. Moreover, their knowledge diffusion and public engagement mission may influence policymaking processes, providing new ideas and evidence. For all these reasons, it is fundamental for academia to adapt to new visions, being ready to accept new theories and criticize the old ones, fostering the reskilling of workers with proper education and training programs, and preparing a new generation of policymakers, entrepreneurs, workers, and activists. Therefore, continuous dialogue between scholars, government officials, and the general public, based on scientific evidence, can support similar leadership and decision-making processes, which can be further strengthened by legal requirements requiring legislators to consistently incorporate scientific findings, evidence, and knowledge into their decision-making procedures.

Nevertheless, only the joint action of all societal actors would put pressure on those economic actors that are holding the system back from moving forward, making evident not only that a **renewed SIW narrative is necessary for the future of humanity and the planet,** but also that **the**

cost of inaction, the lack of social cohesion, booming social unrest, and growing climate risks are bad for governments and businesses at all levels.

To conclude, evidence points clearly that economic growth processes produced and induced by international, supranational, and national policies, as well as big firms and multinational companies, have strong and negative consequences on SIW and influence democratic processes and participation. Therefore, another important question is: how can we prevent these misbehaviours against SIW, and what could be a deterrent to these firms' and states' predatory strategies against nature and humanity?

For a long time, many UN Agencies, including ILO, UNICEF, UNEP, UNDP, UN-Habitat, WHO, UN Women, and UNHCR, among others, have pointed out and acknowledged that economic growth was not simply inadequate but too imbalanced for addressing employment, environmental, inequality, and poverty problems in the short, but also in the medium and long run.

In collaboration with civil society movements, these UN entities should play a prominent role in guiding the global vision, strategies, and policies, and continue to generate international institutional rules (e.g., conventions and agreements) to be transformed into national laws. They should also be given the possibility to mediate and eventually to sanction those enterprises and governments that misbehave according to wellbeing, inclusivity, and sustainability concerns and targets. So far, sanctions or actions have been mainly at the service of the market and of the financial and economic systems rather than people SIW. This is a necessary but not sufficient condition. This change in rules should be accompanied by a huge investment in human resources devoted to SIW and the common good (e.g., economists, data analysts, lawyers, information and communication experts, and many others) who should serve the SIW vision to interrupt the predatory strategy that is against humanity and the planet, building a new narrative.

In addition, the contributions from different actors may and should allow for building a technical consensus on core issues among the number of Beyond-GDP frameworks to identify which measures should guide decision-making and public debate. As detailed in the complementary MERGE Technical Guidelines, recent systems analysis suggests that overcoming fragmentation reinforces the collective Beyond-GDP narrative by reducing attention across numerous alternative measures and by reinforcing a shared understanding of progress. Building greater consensus around a shared set of core metrics can therefore strengthen both the credibility and political uptake of Beyond-GDP approaches, facilitating better governance and guiding policy decisions towards SIW.

To sum up, these Policy Guidelines focus on the changes that are suggested at the level of governance infrastructure (Chapter 2), policy objectives and instruments (Chapter 3), and integrative policy approach (Chapter 4), while the MERGE Technical Guidelines focus on the technical infrastructure.

EXPERT FOCUS 3

THE NEED FOR A SYSTEMIC TRANSFORMATION

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In 2022, when we commemorated the 50th anniversary of the Club of Rome's seminal report "The Limits to Growth" and published "Earth4All: A survival guide for humanity", we realised that we would never achieve a balanced human existence within the planetary boundaries unless we addressed inequality and poverty head-on. In essence, we understood that the deep tension between economic growth and human and planetary wellbeing could only be resolved through the application of a systemic shift of our economies and financial systems rooted in 5 key Extraordinary Turnarounds: eradication of poverty, elimination of inequality, empowerment, food and energy system transformation, and a radical shift from today's Business as Usual approach (our Too Little too Late scenario) to a Giant Leap scenario underpinned by new economic indicators and financial systems fostering a wellbeing economy.

In other words, we agreed that we needed to create new narratives, policies, and intervention points that shift current perspectives away from economic growth as the ultimate goal towards human and planetary wellbeing. A successful shift and new narrative dynamic involves redefining progress through a multi-dimensional lens and a series of proof points. For example, the UNDP has come out with its Human Development Report, showing that, for the first time ever, we are actually not progressing as a human species. In fact, human development with the help of AI is moving backwards, not forwards as we are led to believe. This represents a distinct entry point and storyline demonstrating that the link between GDP and human wellbeing is a myth: today, our global, over-financialised economy does not enhance the lives and livelihoods of people and the planet, but rather enriches the wealthiest, serves shareholders, and creates increasing inequality. This, in turn, is exacerbating social tension and enabling a shift towards more populist radicalisation, which creates even less space for the proper governance of social and environmental tipping points. Sadly, the real tragedy we are facing is that the shift in human progress is compounded by climatic and environmental impacts; thus, we are experiencing constant feedback loops between negative social and environmental tipping points.

The only way to address these negative feedback loops is to design new metrics and dashboards that go beyond GDP and bring on board the finance sector, statisticians, and accountants who, with us, will convince governments to adopt a GDP+ clustered approach that is simple, targeted, and defendable in a globalised world driven by profit margins. Then, we also need to anchor the high-level work on beyond-GDP metrics at the UN, OECD, EU and national levels into a public movement explaining how and why a shift away from an extractive GDP economy towards wellbeing economics will directly enhance people's lives and livelihoods and enable stable governance.

This means designing narratives and collecting clear socio-economic and financial proof points that show that new development models will enable the global South and the world's most vulnerable to flourish, whilst creating convincing arguments and the necessary policy frameworks to coax business leaders to adopt new business and ownership models that enhance prosperity for the many rather than the few. This is all the more important as we enter the age of AI and *techno-feudalism* (or what can also be called *tech bro feudalism*). It means, in a European context, addressing competitiveness and security concerns by showing that social and environmental tipping points are a risk to both and calls upon all of us to identify blind spots, black swans, and the elephants in the

room when it comes to our value chain dependencies, the impacts from AI, and the way in which *tech bro feudalism / techno-feudalism* and geopolitical hegemony are purposefully unravelling the very core of our democratic societies.

At a time when we desperately need to think outside of the box and redefine societal value and prosperity for the many within planetary boundaries, we are being pulled into neo liberal extreme populism that preserves wealth for the few within an extractive continuum. This calls upon us to become more tactical and identify the short-term levers within the existing system that we can pull now, whilst preparing the long-term leverage points – i.e., planning the journey and showing the alternative futures that we need to take people on to foster the new systems that we want to create. In essence, this means engaging the most disenfranchised and disillusioned who are already feeling the pain of a GDP or economic system that is not servicing their lives and livelihoods. It means that we also must create a new type of intergenerational dialogue with the youth and understanding once again some of those black swans, including MAGA manhood, and the growth of populism in young male populations who are feeling completely disenfranchised; the urban youth who no longer can afford housing because they are the first generation in the post-war era making less than their parents; those same youth who cannot count on work as AI starts to erode job options; farmers – both young and old – who are seeing the direct impact of climate change on their crops and want to become more regenerative, but have no way to get the necessary loans or insurance to make that shift.

A new economic model will not be adopted at this time unless we get better at sense-making. It's not just about replacing GDP with better indicators; it's not just adding wellbeing to policy dashboards; it's not even just pricing externalities that matter. It's really a deeper shift and understanding that we need a new social contract that is fit for the 21st century. Sustainable and Inclusive Wellbeing is definitely the underbelly of that contract. We have most of the economic and metric scaffolding from a variety of different reports and incredible new economic thinkers, but what we need now is political will and a major movement calling for a systemic transformation that enhances human wellbeing and flourishing within planetary boundaries.

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1.4 Financing welfare without continuous economic growth

A common concern about fostering SIW is how to finance welfare without economic growth. Indeed, research has identified several dependencies between economic growth and the functioning of current welfare systems, related to both drivers that increase welfare demand and drivers that destabilize the supply of welfare funding. However, it is also clear that avoiding the environmental and social harms associated with economic growth can help welfare states save money.

Overcoming growth dependencies of welfare systems is crucial to advance SIW, as reliance on continuous growth of GDP has proven to be an insufficient strategy to provide long-term wellbeing for people and the planet (see Box 1.1). Moreover, many high-income countries in Europe already face low growth rates due to low productivity growth linked to a range of factors that are not easy to solve. These include resource bottlenecks, demand-side changes, and slowdown of technological innovation, with still unknown impacts from AI on labour productivity and tax revenues. These dynamics make it increasingly important to be able to finance welfare independently of economic growth.

Research suggests several avenues for stabilising welfare funding without growth. Stabilising welfare funding is a matter of balancing welfare demand and funding supply. As such, the avenues include, on the one hand, ways to address welfare demand and, on the other, the supply of welfare funding.

Preventing costly social and ecological risks to avoid rises in welfare demand: Shifting the focus of policymaking from economic growth to Sustainable and Inclusive Wellbeing can reduce costs that follow from the adverse side effects of a profit-driven economy and policies that aim to boost economic growth at the cost of social and ecological wellbeing. Fostering SIW can prevent costly healthcare and social risks. Offering universal basic services (see section 3.3), including preventative healthcare, can reduce costly healthcare expenses.

Providing necessities for all and reducing inequalities can reduce a variety of social risks by preventing ill health that results from unmet needs. A guaranteed social safety net reduces societal anxieties and builds social cohesion and trust. Besides universal basic services, policies for reaching these goals include, for example, universal basic income (see section 3.3d), universal care income (see section 3.2a), job guarantee (see section 3.2b), wealth tax (see section 3.1a) and maximum income (see section 3.1e).

Furthermore, climate change and deterioration of ecosystems create severe economic losses, inflation and increases in welfare demand. Mitigating ecological problems before the worst risks actualize is thus important for preventing cascading costs (see policy options in section 3.4). Shifting the focus away from continuous economic growth would help to mitigate ecological risks, as continuous economic growth has not yet been sufficiently decoupled from environmental harms. Focus on Sustainable and Inclusive Wellbeing opens possibilities to reorient societal visions and take up policies needed to secure long-term sustainability.

Orienting welfare provision towards sufficiency and efficiency: Adjusting social expectations towards a sufficiency-oriented view of wellbeing that centres around need satisfaction may reduce welfare demand. Deliberative forums can be used to identify socially acceptable levels of welfare provision (see section 2.4) and support changes in social conceptions of what constitutes wellbeing and related consumption norms.

Moreover, preventing rent-seeking, for-profit provisioning and financialisation within the welfare sector can increase the cost efficiency of welfare provision. Policies for this include public and not-for-profit provision (see universal basic services in section 3.3, social and solidarity economy in section 3.1d and energy communities in section 3.4c). Cost efficiency can also be improved through legislation that prevents risky financial practices, stricter regulation of the financial sector and adoption of profit caps. Moreover, increasing resource efficiencies within welfare administrations, where there is scope to do so without compromising the quality, could save costs. Options include, for instance, efficiency savings and improved coordination between service providers.

Maintaining employment levels: The tendency of unemployment to increase in the absence of economic growth poses pressures on the supply of welfare funding, because funding sources – social insurance contributions and taxes on income and consumption – are coupled to employment levels. Moreover, unemployment drives welfare demand because of increased provision of unemployment benefits. Several policy options exist to counteract this. Working time reduction with a decent living wage (see section 3.2c) can stabilize unemployment that is caused by productivity increases, through sharing the remaining work and exchanging the increased productivity for more free time instead of more production. Increasing labour market flexibility and offering possibilities for life-long learning also facilitate employment. Unemployment can be managed through job guarantee (see section 3.2b), in which the public sector together with local communities acts as an "employer of last resort". The idea is to offer societally meaningful employment for all willing and capable of working.

Adopting less growth-dependent sources of revenue: Diversifying the revenue sources of public funding can decrease its dependence on economic growth. For example, wealth taxes (see section 3.1a) are less growth-dependent than income taxes. Environmental taxation could be used as an additional funding source that can simultaneously contribute to fostering ecological sustainability. Focusing environmental taxation on luxuries prevents regressive effects of flat-rate, uniform environmental taxes (see section 3.1b).

Redirecting government spending and subsidies: Redirecting government spending and subsidies away from ecologically and socially harmful sources and towards sustainable and inclusive wellbeing would free up financial resources. This can also reduce welfare demand by preventing costs that follow ecological and social harms.

Creating money through government spending and redirecting it through credit guidance: Governments that have sovereignty over their monetary system can purposefully create money in their own currency, in line with modern monetary theory. Modern monetary theory and functional finance argue that governments that have monetary sovereignty do not need to tax or borrow before spending, as the act of spending creates money. However, taxing and borrowing remain important for these governments to control demand, inflation, and interest rates, and further limits to welfare spending still exist, including the availability of productive resources, limits related to

exchange rates and balance of payments, and ecological limits. Indeed, government spending through money creation might increase inflation if there is insufficient demand to absorb additional money in the economy. Inflation could be controlled by taxation, price and rent controls, and decommodified essential services. Moreover, the lending practices of banks could be steered to foster SIW, increasing available funding for prevention of social and ecological ills. This can be done through credit guidance, which sets mandatory lending criteria and sectoral mandates for banks to phase out destructive sectors and support SIW.

Adopting less growth-dependent pension systems: With ageing populations in Europe, it is important to secure pensions without the need for growth. Achieving this requires balancing pension ages, contributions and payments as well as considering the pension type. Research on growth-dependencies of pension systems is yet scarce. The current insights suggest that tax-funded (non-contributory) pensions are the least growth-dependent pension type, as they do not rely on defined pension payments. Well-designed pay-as-you-go systems might be more growth resilient than fully funded systems in a post-growth environment as they rely less on financial markets.

A combination of the suggested solutions is necessary to stabilise welfare funding. This underlines the necessity of having an integrated policy approach with policy mixes to foster Sustainable and Inclusive Wellbeing (see Chapter 4). Chapter 3 provides further insights for the policies mentioned in connection with the avenues above. When used in combination, they can help finance welfare without continuous economic growth. Adopting them requires overcoming vested interests, which may be advanced through increasing democracy (see, for instance, citizens' assemblies in section 2.4) and restricting the concentration of wealth (see, for instance, policy instruments in section 3.1).

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2. GOVERNANCE FOR SUSTAINABLE AND INCLUSIVE WELLBEING

Achieving the vision of Sustainable and Inclusive Wellbeing (SIW) requires strong democracy and governance mechanisms, alongside political vision and leadership, which effectively steer resources and policies towards the current and long-term wellbeing of people and the planet. To this end, this chapter presents recommendations for making SIW the overarching policy goal in the EU and national governance.

The recommendations are based on insights gathered within MERGE and its four sibling projects (ToBe, SPES, WISE Horizons, and REAL) through interviews and workshops with policymakers, and analysis of policy documents and monitoring dashboards (see Box 2.1 for overview).

The chapter includes four sections:

- Section 2.1 highlights some of the key enabling principles for governance to advance SIW.
- Section 2.2 presents a framework of five levers for using metrics and models in governance for Sustainable and Inclusive Wellbeing.
- Section 2.3 offers recommendations for incorporating SIW metrics into key EU policies.
- Section 2.4 presents four instruments to showcase how governance mechanisms can be updated to embrace and foster SIW: Wellbeing budgeting, Future Generations Act, Citizens' assemblies, and Living Labs.

BOX 2.1

WORKSHOPS, INTERVIEWS AND ANALYSIS PROVIDING INSIGHTS TO PATHWAYS FOR ADVANCING SIW IN GOVERNANCE

Workshops with EU policymakers

MERGE project organised a series of co-creative events (both in person and online) to provide insights about using a holistic set of Sustainable and Inclusive Wellbeing metrics to enhance and monitor the implementation of key EU policies. The events brought together policymakers working in the European Commission, European Parliament, committees and agencies, Member States' Permanent Representations to the EU, and researchers and experts. Topics covered in the workshops were selected by the MERGE consortium through continuous monitoring of the 2024-2029 EU institutional agenda and included the following: the Multiannual Financial Framework (MFF) post-2027, the EU political priority on Competitiveness, the Clean Industrial Deal, the European Pillar of Social Rights, the EU Semester, and EU Governance.

See: Danilaviciute, L., Brosio, M., & Chevallier, R. (2026). Summary on EU and UN policy engagement. MERGE Deliverable D6.1. Zenodo. https://doi.org/10.5281/zenodo.20851296

Policy labs bringing together policymakers from EU and national level

During 2026, MERGE organised six online policy labs that brought together policymakers and civil servants from EU institutions, national ministries, local and regional authorities, CSOs, social economy organisations, academics, researchers and thematic experts. The policy labs focused on the following topics: wellbeing budgeting, intergenerational fairness, sustainable public procurement, healthy, inclusive and affordable housing, deliberative and participatory governance and demographic resilience.

See: MERGE policy briefs. https://mergeproject.eu/category/policy-briefs/

Interviews and stakeholder survey on perception on beyond GDP approach

MERGE conducted a stakeholder survey with 132 respondents, including 45 policymakers, on perceptions about the beyond GDP approach, and interviewed eight officials/experts from the European Commission, European Parliament, European Economic and Social Committee, European Parliamentary Research Service, Eurostat and European Environmental Agency on the Beyond GDP agenda in the EU.

See: Hirvilammi, T., Rannikko, A., Hakala, O., Fattacciu, I., Ferrannini, A., Rayner, L., Grossi, T., Brady, D., & Gran, C. (2024). Survey report on the perceptions on beyond GDP approach. MERGE Deliverable D4.1. Zenodo. https://doi.org/10.5281/zenodo.14011716

Workshops at the national level

MERGE organised three workshops and one public policy dialogue in Finland with ministry officials, experts and politicians. The workshops explored possibilities for advancing Sustainable and Inclusive Wellbeing through nationally topical themes, including the following: setting long-term goals, societal success and competitiveness, sustainable wellbeing in a time of economic adjustment, and opportunities for cooperation in advancing the beyond-growth agenda. Moreover, MERGE organised nine workshops exploring the possibilities to implement post-growth policies.

See: Hynynen, K., Bonsfills, M., Hirvilammi, T., Simas, I., Kilpi, J., Rannikko, A., Bremer, O. & Välimäki, E. (2026). Report on country cases in Finalnd and Spain. MERGE Deliverable D6.3.

Interviews and workshops with technical experts

MERGE conducted interviews and six co-creative workshops on wellbeing measurement with experts from National Statistical Institutes and other stakeholders, with topics focusing on data harmonisation and collection for wellbeing and sustainability indicators in the EU, comprehensive welfare measures, time use surveys, and wealth accounting.

See: Abdallah, S., Chevallier, R., Meo, B., & BROSIO, M. (2026). Data harmonisation and collection for wellbeing and sustainability indicators. MERGE Deliverable D5.1. Zenodo. https://doi.org/10.5281/zenodo.19678370

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For analysis of dashboards and multidimensional wellbeing frameworks at EU and national level, see:

- *Costanza, R., Hoekstra, R., Eastoe, J., Rum, I., Kubiszewski, I., O'Neill, D., Biggeri, M., Hirvilammi, T., Pollio, C., Kormann da Silva, N., & Zinutti, M. (2024). A synthesis of models, metrics, and policies for a sustainable and inclusive wellbeing future. MERGE Deliverable D1.3, https://doi.org/10.5281/zenodo.14008137*
- *Dethier, F., & Roman, P. (2026). Amplifying beyond-GDP indicator initiatives: a comparative analysis of eight national case studies. Sustainability: Science, Practice and Policy, 22(1), 2630449. https://doi.org/10.1080/15487733.2026.2630449*
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- *Roman, P., & Dethier, F. (2024). Report on transformative indicators initiatives for a sustainable wellbeing paradigm. ToBe Deliverable D1.3. Zenodo. https://doi.org/10.5281/zenodo.13682637*

2.1 Enabling governance principles to advance Sustainable and Inclusive Wellbeing

Many frameworks exist for defining 'good' or 'effective' governance. This section highlights insights gathered throughout the MERGE project on enablers for governance to advance SIW. Rather than presenting an all-encompassing framework, these enabling principles aim to summarise and highlight some of the key requirements, based on learnings on enablers and barriers to SIW gained through various discussions and workshops organised within the project (see Box 2.1).

Strong democracy and deliberation: Public and stakeholder support are crucial preconditions and drivers for advancing Sustainable and Inclusive Wellbeing. Whole-of-society participation and deliberative democracy can support evidence-based decision-making, long-term thinking, legitimacy, and overcoming vested interests. Whole-of-society participation should involve meaningful and structured co-creation of policies and targets with social partners, organised civil society, businesses, academia, people and other relevant stakeholders. Special emphasis should be given to those from marginalised communities and groups.

Participatory processes that build broad-based support across political parties, citizens and civil society are important for legitimising the SIW goal and supporting commitment to it across election cycles. Broad-based participation enables embedding of SIW targets in cultural norms and values, providing entry points to institutionalisation. For participation and deliberation to be successful, it needs to be inclusive and have tangible effects in decision-making processes. See more information on deliberative citizen assemblies under section 2.4.

Political commitment and leadership: Uptake and long-term dedication to the SIW goal in governance and policymaking depend on political commitment and strong leadership. Political leadership was identified as crucial for moving beyond GDP growth to SIW in interviews and workshops MERGE conducted with EU and national policymakers, national statistical institutes and societal stakeholders.

Indeed, statistical institutes can provide technical infrastructure that enables measurement of the SIW goal to inform political decisions, but the use depends on political will and leadership. For instance, results from workshops MERGE organised in Finland with ministerial officials, politicians and experts demonstrated that having high-quality datasets does not guarantee their use in policymaking when political commitment and governance structures fail to facilitate it sufficiently. Cross-party parliamentary collaboration aimed at building a shared vision around SIW is a key step for fostering long-term political commitment.

Long-term and future-orientation: SIW is a long-term goal that requires preventative and anticipatory policymaking as well as balancing the needs of the current and future generations. Short-termism in policymaking is among the he major barriers to moving beyond growth to SIW. Integrating long-term thinking to governance can be enhanced through setting binding long-term targets. Governance mechanisms that support long-term thinking include embedding rights of future generations in legislation. The Future Generations Act in Wales is a key example that is presented in Box 2.5 under section 2.4. In the EU, long-term thinking is supported by yearly Strategic Foresight Reports, the Commissioner for Intergenerational Fairness, Youth, Culture and

Sport, first time appointed in 2024-2029 mandate, and the Intergenerational Fairness strategy published in 2026.

Cross-sectoral coherence, coordination and collaboration: SIW is an overarching policy goal that encompasses a wide variety of policy areas. Silos in policymaking complicate advancement of SIW vision, as they obscure identification and handling of trade-offs and co-benefits between dimensions. Wellbeing objectives are deeply interconnected, and many of the best policy options will simultaneously serve many at once. At the same time, the use of many SIW metrics present in EU monitoring and evaluation frameworks is often scattered, since most monitoring and evaluation frameworks focus on only one SIW dimension (sustainability, inclusion or wellbeing).

Breaking of siloes can be enabled through embracing an integrated policy approach and setting cross-sectoral strategic targets, measured with SIW metrics. In addition, new governance structures can support coordination. For instance, in Wales, the Future Generations Commissioner for Wales helps public bodies to consider the long-term effects of their decisions in relation to seven strategic targets. In the EU, appointing an Executive Vice-President (EVP) for Sustainable and Inclusive Wellbeing would create an effective mandate to coordinate European governance towards SIW. An EVP could have sufficient capacity to transcend policy siloes and create horizontal alignment between Directorate-Generals.

More arguments and evidence on an integrated policy approach for SIW are provided in Chapter 4.

Multilevel coordination: Vertical integration between institutions at various levels – with their respective mandates, resources, actions and capacities – is essential for SIW. This requires structured mechanisms and agreements that promote co-benefits and cooperation between policies, interventions, and investments at global, supranational (e.g., European), national, and local (i.e., regional, metropolitan, and municipal) levels to effectively integrate SIW measures. International and supranational level developments can drive change towards SIW, provide high-level directions, shared standards, legislative backbone, and coordinate sharing of information and best practices. On the other hand, local examples and experimentation provide inspiration, best-case practices, and translation of high-level targets into policies that fit the specific local contexts. Effective multi-level coordination is essential to avoid the risk of misalignment that would hinder the advancement of the SIW goal.

Experimentation and adaptation: SIW is a complex and multifaceted goal that requires transformations to societies and implementing new kinds of policies. It is important to remember that SIW will not be accomplished with a single policy but will require adaptive management so that new policies can always reflect and respond to an ever-changing context. While research and macroeconomic models that include SIW metrics provide a good basis for evaluating policy options, assessing all possible impacts of a policy and the evolution of policy mixes over time cannot be done before implementation. As such, institutions and actors need to embrace complexity and uncertainty to be able to learn and adapt. Monitoring and impact evaluations using SIW metrics give a sound basis for adaptation.

2.2 Five levers for using metrics and models in governance for Sustainable and Inclusive Wellbeing

Using Sustainable and Inclusive Wellbeing metrics in governance starts with identifying important aspects of wellbeing to prioritise in policymaking, setting policy targets, and selecting indicators that best capture them to monitor progress. SIW metrics and models can be embedded in governance with the following five levers (Figure 5).

Figure 5. Levers for incorporating SIW in governance and policymaking.

Source: Policymaking for Sustainable and Inclusive Wellbeing. 2026. Sustainable Prosperity.
https://sustainable-prosperity.eu/trainings/policymaking-for-sustainable-and-inclusive-wellbeing

These five levers are interconnected and mutually reinforce each other, with optimal outcomes being achieved through applying all five levers. They are:

1) **Setting cross-government priorities and policy targets:** Selecting cross-government priority areas to focus on for advancing the overarching SIW goal and matching these priorities with targets is an important opportunity to steer policy design in the desired direction. Quantitative targets allow effective evaluation of progress and the setting of enforcement mechanisms to make the targets binding (see lever 5). Qualitative targets provide broader directional guidance. In line with the enabling principles of SIW governance (section 2.1), participatory processes offer a key opportunity to ensure the legitimacy of the priorities and targets.
   - **Benefits:** Well-defined cross-government priorities and policy targets clarify and concretise the intended policy direction, strengthen accountability and steer policy efforts towards the aspired goal beyond policy silos.
   - **Important to note:** Without appropriate accountability and enforcement mechanisms (see lever 5), targets may be more easily missed.

2) **Monitoring and reporting:** Setting up institutionalised practices of collection, preparation and reporting of SIW data connected to the wellbeing priorities and targets is a pivotal precondition for enabling evidence-informed policymaking aimed at reaching them. See MERGE Technical Guidelines for recommendations for selecting metrics for a dashboard, use of indexes, and data collection.

   - **Benefits:** Regular collection and reporting of SIW data strengthens institutional accountability and transparency, provides information for policymaking, and monitors compliance with set regulations. Furthermore, it supports shifts in narratives through increasing the visibility of sustainable and inclusive wellbeing trajectories. Institutionalised use of SIW metrics also supports data production and development.

   - **Important to note:** The data and reports have impact only to the extent that they are used in making policy decisions, and as such it is crucial that reporting and monitoring are connected to policymaking processes. Moreover, national statistical institutes require sufficient resources for the development and production of high-quality and timely data on SIW metrics. It is important that policymakers at the EU and national levels ensure adequate resourcing. MERGE Technical Guidelines provide more information on SIW metrics and data production.

3) **Policy impact assessment:** Impact assessments offer powerful tools to steer policy design in the desired direction. SIW metrics provide important information for impact assessment both before implementation (ex-ante) and after implementation (ex-post) to inform policy choices in line with wellbeing targets. For ex-ante evaluation, macroeconomic models and other tools that incorporate SIW metrics can provide important information. New modelling tools, such as the COMPASS model, allow proposed policies to be assessed for their combined social, economic, and environmental impacts, revealing co-benefits and trade-offs that GDP-based assessments may overlook. Chapter 4 provides more information on modelling co-benefits and trade-offs.

   - **Benefits:** Increases political accountability, transparency, effectiveness, and policy coherence by ensuring that initiatives are aligned with SIW goals. Ex-ante evaluation informs policy choices through assessing the potential impacts of policy options. Ex-post evaluation provides information for adapting policy choices based on the effects of enacted policies.

   - **Important to note:** The information potential of ex-ante evaluations relies on the used assessment tools (models), and as such, it is important to carefully select them, being aware of their background assumptions. MERGE Technical Guidelines provide guidance on modelling tools that incorporate SIW metrics.

4) **Incorporating metrics and models in budgetary decision-making:** The budget process is a powerful lever for aligning the information that SIW metrics and impact assessments provide with policy prioritisation. Incorporating wellbeing priorities and assessments to inform budgetary decisions is often called “wellbeing budgeting” (see Box 2.4 under section 2.4 for further information on real-life national and regional cases of wellbeing budgeting).

   - **Benefits:** Optimises the impact of public expenditure by guiding the use of funds to advance SIW targets and increases the transparency and accountability of the use of funds, supporting the legitimacy of budget decisions.

- **Important to note:** The effectiveness of the rules depends on the criteria and evaluation methods applied for deciding the allocation of funds. It is best to have clear criteria and apply sophisticated evaluation tools, including models that incorporate SIW metrics, when possible.

5) **Accountability and enforcement mechanisms**: Clear accountability arrangements are critical to support the achievement of SIW targets. These can include binding SIW targets, legal or statutory duties to report on progress, independent oversight bodies, or regular parliamentary or public reviews. Where appropriate, consequences for persistent non-compliance can be built into budgetary processes, performance frameworks, or legal obligations.
   - **Benefits:** Increasing accountability and public trust in the commitment to reaching SIW targets. Ensuring that policies are periodically reviewed and adjusted to better meet their objectives. Increasing political salience of SIW metrics and targets.
   - **Important to note:** Policy impact depends on the clarity and strength of the accountability arrangements.

The EU and several Member States use multi-dimensional wellbeing metrics in reporting and monitoring. However, setting long-term political targets, using multi-dimensional wellbeing metrics in budgetary decisions, and having enforcement mechanisms in place for non-compliance need to be applied more systematically to advance SIW. Best practice examples at the national level include: the Future Generations Act of Wales, which institutionalises long-term wellbeing targets over a focus on GDP, with real impact in guiding policy decisions (see Box 2.5 under section 2.4); wellbeing budgeting in countries such as Iceland, Ireland, Canada, Bhutan and Aotearoa New Zealand, to ensure government spending advances SIW (see Box 2.4 under section 2.4).

MERGE has also identified possibilities for the enhanced use of SIW metrics in key EU policy frameworks, presented in the next section 2.3.

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2.3 Advancing SIW in the EU policy frameworks

To investigate possibilities for moving towards the SIW goal in the EU, the MERGE project organised a series of workshops with EU policymakers. Moreover, MERGE and its sibling projects (ToBe, SPES, WISE Horizons, and REAL) analysed the EU policy frameworks and monitoring dashboards (see Box 2.1 at the beginning of this Chapter). This work reveals the following insights into key steps for advancing SIW in EU governance.

Shifting the policy paradigm and framing of policy priorities to align them with SIW: Embedding SIW in EU policy frameworks depends on political timing and framing. In the midst of geopolitical tensions and interconnected crises, European policy priorities have been shifting away from long-term objectives towards topics such as defence, security and competitiveness.

Reframing these policy priorities around SIW vision is a crucial step for advancing societal wellbeing. Security, for instance, should be understood as dependent on functioning ecosystems and policies that foster social cohesion through limiting inequalities and promoting wellbeing and democracy. Discussions on competitiveness should begin with addressing what Europe is competing for – A question to which SIW vision provides holistic answers. In the workshop discussions MERGE organised, policymakers recognised that a framing of competitiveness that is centred around short-term economic productivity and growth does not reflect today's complex social and environmental realities such as resource scarcity, climate and supply-chain risks, and social cohesion challenges, to name just a few. Redefining competitiveness for long-term sustainability extends beyond economic performance. Taking SIW as a goal for competitiveness provides a holistic definition that includes environmental sustainability, social inclusion and wellbeing, institutional, economic and societal resilience (see Box 2.2). This allows acknowledging that long-term prosperity hinges on a society's capacity to innovate, adapt, and thrive within ecological and social boundaries. Support for this broader notion of wellbeing exists already within policymakers working in EU institutions, including the Commission and the Parliament.

Building political and institutional buy-in through best practice examples and people-powered governance: As good quality tools for SIW governance already exist in the EU (like the JRC SIWB dashboard, see Box 2.3), the next key step is to ensure their uptake. Workshops with EU policymakers show that policy uptake improves with concrete examples. Showcasing successful examples of SIW-aligned governance and linking SIW metrics to citizens' everyday concerns can strengthen political legitimacy. Section 2.4 presents governance instruments with real-life examples. As presented in the introduction of the Guidelines, European citizens show support for SIW and value health, safety, jobs, education, and housing as the most important topics for their

governments to focus on when tracking wellbeing, considering them more important than income. Using citizens' assemblies (see section 2.4) to inform selection of wellbeing priorities builds further legitimacy through ensuring alignment with citizens' views and everyday realities. Moreover, it enables overcoming vested interests. These strategies offer a pathway to build cross-party support and help shift SIW metrics from being seen as a niche, technical agenda towards a strong element of the EU's long-term competitiveness and social model.

BOX 2.2

COMPETITIVENESS FOR SUSTAINABLE AND INCLUSIVE WELLBEING

An open letter to Ursula von der Leyen, President of the European Commission, was released in April 2025 and signed by the Scientific Coordinators of 8 EU-funded research projects, arguing that the current EU Competitiveness agenda does not fully integrate social and ecological wellbeing into its policy framework.

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.

In other words, 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.

BOX 2.3

EU SUSTAINABLE AND INCLUSIVE WELLBEING DASHBOARD

The EU already has a Sustainable and Inclusive Wellbeing dashboard (named, in short, SIWB dashboard) that provides a comprehensive set of metrics to monitor sustainable and inclusive wellbeing. The dashboard was developed by the European Commission's Joint Research Centre (JRC) through consultation with several Directorates-General, thus linking measurement choices to EU policy needs and existing statistical infrastructures. The dashboard is the result of a rigorous process that put together over a thousand potential indicators from all existing EU frameworks and tools, and then narrowed the list down to a comprehensive dashboard of 140 and eventually 50 key indicators that are ready to use, with data available from EU Member States. To facilitate communication and comprehension, a set of summary composite indices has also been developed. The SIWB dashboard is ready to serve as a tool for monitoring EU progress, identifying trade-offs across policy areas, comparing Member States, and assessing whether economic prosperity is translating into sustainable and inclusive wellbeing.

References and further information:

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Complementary insights are also presented in the MERGE Technical Guidelines (Chapter 2).

Setting actionable, binding SIW targets and turning the Stability and Growth Pact into a Stability and Wellbeing Pact: Placing SIW at the heart of EU policymaking requires setting actionable, cross-sectoral targets towards it with enforcement mechanisms to support follow-through. The EU has already set measurable targets for social and environmental sustainability. For instance, the European Pillar of Social Rights Action Plan sets headline targets for employment, training and poverty reduction. The EU has set climate targets for carbon neutrality by 2050 and intermediate greenhouse gas reduction targets for 2030 and 2040. However, the analysis of dashboards used in European policymaking reveals that binding political targets are lacking for wellbeing and inclusion, while for sustainability they are present mainly for mitigating climate change. Interviews MERGE conducted with EU policymakers working in the Parliament, Commission and key EU agencies highlighted imbalances in the enforcement of social, environmental and economic targets set by the EU. The economic targets set under the Stability and Growth Pact are the most binding, with the strictest economic sanctions for non-compliance, while social and environmental targets are described by policymakers as being met mostly through peer pressure. To ensure coherence in targets and follow-through towards SIW, research suggests the EU could turn the Stability and Growth Pact (SGP) into a Stability and Wellbeing Pact (SWP). Instead of regulating government deficits, the EU could develop a new SWP to ensure that member states meet the needs of their citizens, while reducing resource use and emissions to a sustainable and globally just level.

Integrating SIW metrics into monitoring and reporting of key policy frameworks: Integrating SIW metrics formally into regulations and governance structures is important for monitoring and

evaluating advancement towards SIW and preventing dilution and de-prioritisation of SIW over time. SIW metrics can serve as outcome measures in concrete processes such as budgeting, the European Semester, and policy evaluation. Different EU frameworks (such as MFF, European Pillar of Social Rights, European Green Deal and Clean Industrial Deal) risk fragmentation if wellbeing metrics are introduced unevenly, rather than through a coherent EU-wide approach. Fortunately, the JRC SIWB dashboard (see Box 2.3) can provide a basis for consistent measurement.

Concrete entry points for embedding SIW metrics into EU policies include:

- **European Semester:** The Commission could use SIW indicators in addition to those that it currently uses to monitor progress and apply impact assessments to the Country Specific Recommendations. The EU policymakers taking part in the workshops saw the SIWB dashboard as a useful entry point to flag risks and missing indicators, and for providing a more holistic view of developments in the Member States. A common, transparent dashboard could serve as a useful tool for increasing the robustness of ex-post policy evaluation conducted to give Country Specific Recommendations. This is important as the EU policymakers voiced concerns about the ad hoc nature and lack of consistency between the recommendations given to different Member States. In terms of impact assessment, the dashboard could identify areas where a policy may have an impact and side effects, to develop a more systemic approach to policymaking. In practice, a dedicated SIWB reporting component could be added to the Semester. EC Greening the Semester expert group could take this forward, and the Eight Environmental Action Programme could be used to further investigate the links between Semester and work on beyond GDP.
- **Multi-Annual Financial Framework (MFF):** Conditionality, do-no-significant-harm (DNSH) principles and performance-based budgeting under MFF, including the forthcoming EU Performance framework, provide entry points for integrating SIW indicators into EU budgeting, ensuring that resource allocation is linked to long-term goals. Examples of wellbeing budgeting conducted at the country-level provide insights and inspiration for this (see more on wellbeing budgeting under section 2.4).
- **The monitoring frameworks of key policy frameworks, e.g. the European Pillar of Social Rights, the Green Deal and the Clean Industrial Deal:** The monitoring frameworks already include metrics that are relevant for SIW, but they tend to focus only on one or two dimensions (current wellbeing, sustainability or inclusion).

Supporting the quality of the "better regulation agenda" and impact assessment reports by taking advantage of new SIW-aligned modelling tools: Modelling tools developed in recent years incorporate an increasingly balanced set of metrics to capture SIW dimensions and offer a system dynamics and stock-flow consistent approach for advanced assessment of policies. Aligned with the EC regulation, these models allow proposed policies to be assessed for their combined social, economic and environmental impacts, revealing co-benefits and trade-offs overlooked in GDP-based assessments. Holistic assessments are crucial, as EU policymakers noted in the workshops a lack of mechanisms and macroeconomic analyses that quantify the positive and negative cumulative impacts of sectoral policies on other relevant policy areas, including the costs of delayed transitions. The visibility of the cross-cutting long-term benefits of SIW-oriented policies requires

assessments with new modelling tools that overcome some of these limitations, including COMPASS, SEN-HARP, EUROGREEN, LOWGROW, iSDG and Earth4All.

For more information on modelling tools and requirements of SIW-aligned modelling, see MERGE Technical Guidelines Chapter 6.2.

Overcoming siloed ownership and fostering policy coherence: EU policymakers' experiences in the workshops highlighted that policy areas still operate with their own measurement cultures, budgets, and incentives, thus lacking a holistic view and policy coherence required for effective SIW governance. SIW provides a holistic view that integrates social and ecological sustainability. It supports fostering a just and sustainable transition, ensuring social inclusivity, and enabling public support for environmental policies under the European Green Deal and Clean Industrial Deal. Breaking of siloes can be enabled through setting a cross-sectoral monitoring framework and strategic targets, measured consistently with SIW metrics. The SIW monitoring framework that the JRC SIWB dashboard (see Box 2.3) provides offers an overarching view that can facilitate the coherence of political narrative and coordination of policies across dimensions. In addition, new governance structures can support coordination. Appointing an Executive Vice-President (EVP) for Sustainable and Inclusive Wellbeing would create an effective mandate to coordinate European governance towards SIW. An EVP could have sufficient capacity to transcend policy siloes and create horizontal alignment between Directorate-Generals.

Fostering science-policy dialogues and citizens' participation: Structured discussions between researchers and policymakers within the workshops organised by MERGE created a shared language and helped bridge gaps between technical metrics and political priorities. Intentional stakeholder grouping formats allowed active involvement from both sides and were successful in enabling discussions. Maintaining regular, structured dialogue formats should be part of the institutionalisation of SIW metrics and advancement of the SIW goals.

Balancing comprehensiveness and clear communication in monitoring progress towards SIW: Meaningful wellbeing indicators are complex, but political and citizen messaging demands simplicity. This calls for visual communication tools to convey information in an easy-to-access form and selecting headline indicators for high-level steering and public communication, with a larger set of indicators for specific policies and expert analysis.

Further practices for SIW communication strategies are presented in the dedicated Chapter 7.3 of MERGE Technical Guidelines.

Supporting national statistical institutes to overcome data gaps: In the EU, good quality data already exist for measuring sustainable and inclusive wellbeing, and data gaps do not form a severe bottleneck to advance SIW governance. However, some of the SIW indicators suffer from irregular updates, coverage gaps, and lack of granularity. For effective multi-level governance, the indicators must function at EU, national, and regional levels, but alignment across these levels could be

further improved. For instance, social sustainability indicators under the Social Scoreboard, such as housing exclusion, job quality, and adult learning, should be further developed. Furthermore, indicators for social connectedness that are central to the long-term health of societies, such as surveys on loneliness and people's participation in activities and volunteering, lack continuity in data collection. While the data availability on environmental sustainability indicators is improving, there are still issues related to the low frequency of data production.

Overcoming these issues requires investment in new data sources and standardised data collection processes in national statistical institutes (NSIs). However, calls for simplification and reducing the data collection burden pose challenges for resolving the data gaps. Reconciling needs for data and calls for simplification may be achieved through exploring new innovative data sources and improving processes for data collection and integration. For instance, emerging tools such as AI and open-source data can provide more granular insights without significantly increasing reporting burden.

Moreover, selecting a priority set of SIW indicators for which clear data collection standards are formulated, for instance under Eurostat, can help simplification while ensuring coverage.

To read more about data gaps, you can refer to MERGE Technical Guidelines, specifically to sections:

- 4.2 to dig in the complexities of Secondary Data Analysis
- Box 5 to address missing data and indicators
- 4.4 and Box 6 to address data timeliness
- 4.5 to address granularity and data collection beyond the national level
- 5.2 to address the potentiality and risks of innovative data sources

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2.4 Governance instruments for Sustainable and Inclusive Wellbeing

To showcase how governance mechanisms can be updated to embrace and foster SIW, four illustrative governance instruments are presented: Wellbeing budgeting; Future Generations Act; Citizens' assemblies; and Living Labs. These instruments have been selected based on work conducted under the MERGE and sibling projects, to provide insights into some of the concrete best-practice examples for SIW governance.

GOVERNANCE INSTRUMENT 1
WELLBEING BUDGETING

What is it?

Wellbeing budgeting uses multi-dimensional wellbeing measures to inform budget decisions so that public spending meaningfully improves the wellbeing of people and the environment. It aims to improve fiscal decision-making by making visible the long-term costs of inaction, the future fiscal effects of policies and the public value generated by improved wellbeing. Instead of focusing on a relatively narrow set of economic indicators (e.g., economic growth, unemployment and inflation), wellbeing budgets assess budget proposals against a comprehensive set of wellbeing outcomes or goals. Budget decisions are based on the potential impacts on the wellbeing of people and the environment.

How does wellbeing budgeting advance Sustainable and Inclusive Wellbeing?

Many governments already measure wellbeing, but measurement alone does not change how public resources are allocated. Wellbeing frameworks can remain disconnected from budget preparation, spending reviews and investment decisions, leaving conventional budgeting organised around departmental silos and annual spending envelopes. Wellbeing budgeting seeks to close this implementation gap by embedding wellbeing evidence directly into fiscal decision-making.

Wellbeing budgeting provides a strong governance lever to advance Sustainable and Inclusive Wellbeing (SIW). It optimises the wellbeing impact of public spending by guiding the use of funds to advance SIW targets. Key benefits include:

- **Directing funding to wellbeing outcomes:** At a strategic level, wellbeing budgeting enables governments to systematically and strategically focus their spending on the wellbeing outcomes and groups in society that need it the most.
- **Building cross-sectoral collaboration:** Setting overarching wellbeing priorities that guide budget processes and incorporating wellbeing analysis into budget decision-making encourages policymakers to consider cross-sectoral impacts. This enables identifying opportunities for co-benefits and mitigating risks for trade-offs across policy areas and departments. Indeed, complex wellbeing challenges rarely fit within one ministry or department. For example, transport affects greenhouse gas emissions and access to services, and education influences employment and long-term health. Wellbeing budget processes that favour collaboration over competition between departments can help support the policy coherence that is needed to arrive at better wellbeing outcomes. Requiring departments and cabinets to show how wellbeing has been used to determine spending requests or allocation decisions embeds accountability for genuinely working towards wellbeing goals.
- **Enabling better valuation of prevention and early intervention:** Preventative policies can improve outcomes and reduce demand for public services, but they require upfront

investment. This creates an "offset problem": the department financing a preventative intervention may bear its full upfront cost even when the intervention generates substantial future savings elsewhere in government. On the other hand, decisions made today – e.g., if environmental regulations or welfare spending are cut – have future wellbeing costs. Current budget conventions often treat future savings and wellbeing costs as uncertain or irrelevant, particularly when they arise beyond the annual cycle or accrue to another institution or department. This can be overcome by wellbeing budgeting that includes a framework for investment in early intervention and determination of future wellbeing impacts.

- **Supporting trust and legitimacy:** Through setting clear priorities and connecting public spending to them, wellbeing budgeting increases transparency and accountability and supports public trust and legitimacy. Trust in spending decisions provides possibilities for increased support for collecting public funds through taxation.

Who can implement wellbeing budgeting?

Wellbeing budgeting can be implemented by the EU, national and regional or local governments.

The European Commission, the European Parliament and the Council should strengthen the use of SIW measures in the European Semester, impact assessments, social investment approaches, cohesion policy and the Multi-Annual Financial Framework (MFF). The EU holds an important role in providing guidelines and incentives for national and local levels. The EU can incentivise the adoption of wellbeing budgeting at the national level by providing country-specific recommendations through the European Semester, or by linking access to financial support via the MFF to progress on SIW outcomes.

National governments hold powers to embed wellbeing budgeting in legislation. Financial Ministries within national governments play a key role in developing and taking up tools for wellbeing budgeting that are in line with national-level priorities and processes. Depending on the institutional context, national governments may mandate regional and local governments to conduct wellbeing budgeting. In practice, national governments can mandate ministries, agencies, and local governments to provide clear explanations of how the requested budget from national funds will support wellbeing goals.

Local governments are well placed to test wellbeing-informed budgets because they can connect spending decisions to territorial needs and service access. Similarly to the EU and national governments, local governments can mandate local agencies to align budget requests with wellbeing goals.

Civil society and citizens have an important role in promoting implementation of wellbeing budgeting and taking part in informing wellbeing priorities guiding budgeting decisions. Likewise, they can also play an important role in demanding accountability and monitoring public expenditure.

How to design wellbeing and budgeting?

Key design features of wellbeing budgeting:

- **Setting explicit, cross-government budget priorities informed by public consultation:** Governments should select explicit, cross-government priorities to guide budget instructions, medium-term fiscal strategies, spending reviews and investment appraisal. The priorities should be informed by public consultations on wellbeing goals to support legitimacy of the process and ensure that the priorities include themes that are important in the societal context. Citizens' assemblies provide a tool for involving citizens meaningfully in the consultation (see governance instrument 3 on citizens' assemblies).
- **Use of SIW metrics to inform budget decisions:** Wellbeing budgeting should be based on a well-balanced set of SIW metrics. Along with addressing shortages in current wellbeing, it is crucial to incorporate future wellbeing considerations, including environmental thresholds such as a carbon budget. The SIW metrics should be used to a) monitor the state of SIW in society to identify potential wellbeing shortfalls that require attention in budget allocation, b) evaluate the potential outcomes of budget proposals (ex-ante), and c) evaluate the outcomes of past budget decisions (ex-post).
- **Outcome-based budget decisions:** Instead of concentrating primarily on spending inputs, the focus is on allocating resources according to the outcomes on wellbeing priorities.
- **Integrating rather than duplicating existing budgeting approaches:** Wellbeing budgeting should provide an overarching framework that connects existing approaches such as gender, child and green budgeting, rather than creating an additional parallel process.
- **Real-cost accounting and making future savings visible:** Budget appraisal should distinguish upfront expenditure from second-round fiscal effects (i.e., future increases or reductions in demand for public services generated by an intervention). Finance ministries and regional and local departments should estimate second-round fiscal effects to adequately account for future savings and costs related to inaction, making them visible. Budget appraisal should distinguish upfront expenditure and credible future fiscal consequences, with clear assumptions, uncertainty ranges and evaluation plans. Where evidence is sufficiently robust, governments should test mechanisms that allow future savings to be recognised or "banked" when preventative proposals are assessed. The aim is to correct a systematic asymmetry in which immediate costs are treated as real while foreseeable fiscal savings are treated as theoretical.
- **Alignment between strategic and operational level:** This means that wellbeing goals (derived from public consultation), indicator frameworks and the data aligned with them are used to determine cross-government budget priorities (strategic level) and ministries/councils are required to focus their budget proposals on identified budget priorities (operational level). In practice, qualitative assessment of alignment with wellbeing goals as well as wellbeing indicators should be incorporated into policy impact analysis to improve budget decision-making. An important caveat is that wellbeing assessments and tagging should not become additional reporting or compliance exercises. Tools should be proportionate, practical for officials to use, and demonstrably linked to allocation decisions.

- **Cross-agency and cross-portfolio collaboration:** Requirements for collaboration should be incorporated into the budget process. For instance, specific responsible persons, such as ministers or inter-organisational steering groups and executive boards, can be appointed to coordinate budget bids, and the budget can be allocated to shared outcome objectives between clusters. Multi-year funding and pooled budgets can provide the stability needed to manage interdependencies where one department may finance an intervention while another benefits from reduced service demand. To incentivize overcoming siloed budgeting, performance and accountability arrangements for senior officials should likewise reward contributions to shared outcomes and cross-government collaboration, rather than focusing exclusively on departmental expenditure and outputs.
- **Conducting periodic spending reviews:** The reviews should assess the alignment between ongoing areas of spending and the overarching wellbeing priorities, ensuring that any misalignment is detected and can be corrected. The reviews provide opportunities to coordinate the activities of the government towards the wellbeing priorities and for developing a holistic long-term understanding of government investment. Findings from spending reviews and ex-post evaluation should feed explicitly into subsequent budget allocations, so that evidence on wellbeing impacts influences future spending decisions.
- **Long-term funding cycles perspective:** Some wellbeing outcomes require longer-term than annual budget cycles to actualise. Sustained funding should be ensured to achieve sustainable outcomes.
- **Transparent publishing of wellbeing priorities and evaluations used in budget decisions and spending reviews:** Publishing the wellbeing rationale for budget choices, distributional impacts and expected outcomes builds trust and accountability through allowing parliaments and the public to scrutinise trade-offs.

BOX 2.4

REAL-LIFE EXAMPLES OF WELLBEING BUDGETING

Several governments at both national and regional levels have implemented wellbeing budgeting, providing best practice examples. Prominent examples of using wellbeing evidence to determine budget priorities include:

- ***Iceland:*** *Six wellbeing priorities were identified for the 2021-2025 Fiscal Strategy Plan, based on a national framework of wellbeing indicators. The priorities were: mental health, secure housing, better work-life balance, zero carbon emissions, innovation growth, and better communication with the public. The integration of the priorities into the budget shifted national resource allocation towards the achievement of these goals, and by 2021 these priorities steered 30 of the government's 35 policy areas.*
- ***Aotearoa New Zealand****: From 2019 to 2023, five budget priorities were set based on wellbeing measures. The priorities focused on the just transition, improving health outcomes, shaping the future of work, reducing inequalities and improving child wellbeing. The priorities guided budget proposal development and decision-making.*
- ***Bhutan****: The Gross National Happiness (GNH) framework is used to inform budget priority setting and allocation. The framework is based on four pillars reflected in nine wellbeing outcome domains: psychological wellbeing, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards. In turn, progress for each of these 9 domains is informed by a set of approximately 30 indicators. The GNH indicators are used to analyse which wellbeing domains, as well as which regions and groups, are lagging others and are therefore in greater need of policy attention.*

Examples of real-life practices to incorporate wellbeing goals, domains, and/or indicators into policy impact analysis include:

- ***Ireland:*** *The government has been "tagging" public expenditure according to a national wellbeing framework since 2023. In practice, each department "tags" each line of expenditure with the wellbeing outcome(s) it supports. These tags are used in spending reviews to evaluate existing policies and programs and allocations of new expenditure.*
- ***Italy:*** *Since 2017, the Ministry of Economy and Finance has used a dashboard of 12 Equitable and Sustainable Wellbeing (ESW) indicators, covering seven policy domains – including economic wellbeing, health, education, work, security, institutions and the environment – to complement traditional fiscal and macroeconomic analysis. The framework is embedded by law into budgetary decisions and informs both ex-post monitoring of budget outcomes and ex-ante assessment of selected policy measures. It combines official statistics, administrative data and forecasting models to analyse how government policies affect wellbeing outcomes, with forecasts currently available for nine indicators. Recent applications include assessing the distributional effects of reforms to Italy's Inclusion Allowance, showing how changes in eligibility and benefit levels could reduce poverty and inequality. While the framework strengthens evidence-informed policymaking and transparency, the Italian experience also highlights ongoing challenges, including limited causal evidence, varying policy sensitivity across indicators, and the need to further strengthen analytical tools and expand the indicator dashboard.*

- ***Canada:*** *Policy and budget proposals are assessed against their impacts across the domains in a national wellbeing framework, Quality of Life framework. Standardised template is used in departments to describe how each budget proposal impacts the quality of life, sustainability and resilience as well as who is impacted. The process aims at encouraging budget proposals that have the best wellbeing impacts, now and in the long term and for the most vulnerable groups. Overview of impacts is made publicly available in the Budget Impacts Report.*
- ***Australian Capital Territory:*** *A wellbeing impact assessment, that is based on the territory's wellbeing framework, is required for every budget proposal. The impact assessments are reviewed by a multidisciplinary expert group hosted by the Treasury, who evaluate whether any important elements are missing or whether any additional stakeholders should have been consulted. The advice from the expert group is summarised in a traffic light rating for each proposal to serve as an input for budget decision-making in the Cabinet.*
- ***Bhutan:*** *Policy and budget proposals are submitted to the Gross National Happiness Commission for assessment. A specific tool, Gross National Happiness (GNH) Screening Tool, offers a systematic appraisal of the potential effects of budget proposals on the nine GNH domains. A policy that fails to receive a sufficiently high score is sent back to the proponent agency, outlining why it fell short, along with ways to improve it.*
- ***Aotearoa New Zealand:*** *Following the release of the Budget Policy Statement from the government, ministries were invited to submit funding requests for policy proposals that are aligned with wellbeing priorities. The ministries were required to provide evidence of how their funding request supports wellbeing and to present expected wellbeing impacts building on a cost-benefit analysis model called CBAx that was aligned with the wellbeing approach.*
- ***Sardinia's Attractiveness Compass:*** *Based on the OECD's Rethinking Regional Attractiveness programme, which assesses fourteen dimensions of regional performance, including health, education, housing, digitalisation, social cohesion, environmental quality, tourism and innovation, Sardinia Region identified its territorial strengths and weaknesses and supported policy prioritisation. The analysis showed that many wellbeing challenges were territorial rather than sectoral. For example, unmet healthcare needs reflected long travel distances, dispersed settlements and weak transport links, highlighting the need for integrated rather than sector-specific solutions. The Compass was subsequently used to guide the reprogramming of European Regional Development Fund resources. Evidence on poor access to services and housing vulnerability supported increased investment in social housing, with the expectation that this would improve accessibility, strengthen social inclusion and enhance the region's long-term attractiveness.*

Examples of tools for funding early intervention:

- ***Treasury of the Australian state of Victoria:*** *Established in 2021, the Early Intervention Investment Framework (EIIF) uses high-quality data and analysis to direct funding towards preventative policies that address problems before they escalate, thereby reducing future demand for acute government services. The framework embeds the future fiscal savings from early intervention directly into the budget process. EIIF helps identify proposals that are likely to reduce future demand for services such as hospitals and the justice system and provides a methodology for estimating these savings. Where savings can be demonstrated with sufficient confidence, they can be used to offset the upfront cost of implementing the proposal. Within its first three years, the share of new funding allocated to early intervention policies has increased from 1% to 10%.*

The framework has also made it easier to secure sustained funding for policies that are politically challenging but socially and fiscally beneficial, including initiatives addressing homelessness, youth justice, and drug use.

Many of the wellbeing indicator frameworks that are used to inform wellbeing budgeting have been formulated based on broad public consultations. Examples include Iceland, Aotearoa New Zealand and the Australian Capital Territory.

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GOVERNANCE INSTRUMENT 2
FUTURE GENERATIONS ACT

What is it?

A Future Generations Act is a piece of legislation that requires governments and other public bodies to work towards a set of long-term wellbeing goals and provides a framework for doing so. Such acts set binding duties on public bodies (and sometimes ministers), and grant authority to take long-term action on wellbeing goals. A Future Generations Act can also establish "ways of working" that public bodies must use to work towards such goals, requiring a long-term, preventative approach that recognises the interconnected nature of the elements of sustainable and inclusive wellbeing. It can also establish and empower an independent body to support public bodies in, and hold them accountable for, their duties under the legislation.

Through its nature as a binding mechanism that directs all the areas and activities of government and public institutions towards the goal of achieving sustainable and inclusive wellbeing, the implementation of a Future Generations Act supports implementation of other governance and policy instruments outlined in these Guidelines.

How does a Future Generations Act advance Sustainable and Inclusive Wellbeing?

- Ensuring all policies serve the SIW goal: A Future Generations Act places SIW at the heart of decision-making. Through the requirement that all public institutions work towards a set of long-term wellbeing goals, the Act sets a strategic direction of government that recognises the non-substitutable and mutually reinforcing nature of the components of SIW such as health, equality, social connection and sustainability. It protects the breadth of considerations needed to balance benefits and burdens across generations and supports SIW from being "traded off" against short-sighted economic measures or vested interests.
- Enhancing long-term perspective and goals in policymaking: The act strengthens considerations of the interests of future generations in policymaking and combats short-termism. This supports sustainability and balancing the wellbeing of current and future generations. Establishing an act strengthens long-term commitment to intergenerational wellbeing that endures through political shifts. Against the backdrop of short-term political cycles, it proposes an analytical and policy framework with a longer time span that allows for the establishment of goals and metrics that transcend the short term.
- Embedding wellbeing goals across all the activities of public institutions: Decisions made across all sectors of government impact significantly on SIW. When a Future Generations Act applies to all the activities of government and public bodies, it will tackle siloed decision-making and amplify impact, reduce the risk that policies promoting one set of outcomes are undermined by activities elsewhere in government, and foster an internal culture that acts as a custodian of SIW.
- Specifying "ways of working" that support best practice in advancing SIW: When "ways of working" for public bodies are specified under a Future Generations Act, they can ensure that

work towards SIW does not simply become a tick-box exercise. Instead, they can require approaches such as focusing on prevention, thinking long-term, involving people in the decisions that affect them, and collaboration. They help tackle many of the institutional and cultural barriers to the effective implementation of SIW. The requirement to consider holistic impacts across all wellbeing goals, for example, can foster innovative new policy approaches that create co-benefits across wellbeing areas.

- Accountability for and enforcement of work towards SIW: The binding nature of a Future Generations Act makes it a powerful tool to prescribe legal accountability and enforce change in ways of working within governments. Creating institutional arrangements to support this work, such as establishing a Future Generations Commissioner to oversee the implementation of the Act, is important in reinforcing this aim.

Who can implement a Future Generations Act?

A Future Generations Act can be implemented by the EU and national governments that hold legislative powers.

The EU has already adopted the Strategy on Intergenerational Fairness, which introduces intergenerational fairness as a cross-cutting principle in European policies. The goal is to ensure that decisions made today improve opportunities for future generations and fairly distribute benefits and responsibilities across all ages, integrating economic prosperity, environmental sustainability, social and territorial cohesion, fiscal sustainability, and democratic participation. The Strategy is built around three pillars:

1. Fair Policymaking (long-term oriented public policies);

2. Fair Opportunities (equal opportunities throughout life);

3. Fair Places (territories that promote intergenerational solidarity).

Rather than introducing new EU powers, the document proposes a governance method that makes it systematic to assess the impact of policies on present and future generations. It includes a variety of measures for advancing a sustainable and fair future and supporting anticipatory governance and future literacy. A future literacy policymaking toolkit for public administrations that the Commission has promised as part of the strategy should provide guidance for national governments on implementing Future Generations legislation. The Strategy also includes an action to compile an Intergenerational Fairness Index to identify opportunities and gaps, inform policy decisions and promote fairness across generations. A balanced set of SIW metrics should be included in the index to make sure it tracks sustainability, inclusion and wellbeing. Furthermore, the EU should bring cross-sectoral wellbeing targets to legislation. Strategy on Intergenerational Fairness could be accompanied in the future by a proposal for a Council Recommendation.

National governments have legislative powers to implement Future Generations legislation to transform their operations to make real progress towards SIW. Through a Future Generations Act, governments can set a long-term strategic direction that outlasts political cycles, and influences process and institutional culture, guiding ministries, agencies and local and regional governments. However, its effectiveness depends on its design and delivery.

Civil society and citizens have an important role in promoting implementation of a Future Generations Act and taking part in determining its contents in participatory processes which governments should organise to determine wellbeing targets to be incorporated in the Act. Citizens and civil society should remain involved after the Act is adopted, including through periodic review of wellbeing goals, implementation monitoring and evaluation of public bodies' progress.

How to design a Future Generations Act?

Key design features for a Future Generations Act:

- **Institutionalising citizens' and civil society's participation in the design, implementation and evaluation of the Act:** The consultations support legitimacy of the Act, potentially give grounds for non-partisan support, and ensure that the goals include themes that are important in the societal context. Participation should not end once the legislation is adopted. The Act should provide for permanent or recurring participatory mechanisms that enable citizens to contribute to agenda-setting, policy design, implementation, and evaluation of progress towards wellbeing goals. Participatory processes connected to the Act should actively include groups traditionally underrepresented in policymaking and bring together people from different generations, including children and youth, to influence decisions with long-term consequences. consequences. Engaging younger generations is fundamental to making such an Act effective for both current and future concerns. Financial, logistical, linguistic, accessibility, and digital barriers should be addressed so that participation does not reproduce existing social and political inequalities. The interests of future generations should also be incorporated through tools such as generational impact assessments, particularly where future generations cannot represent themselves directly.
- **Legislated long-term wellbeing goals with clear statutory definitions:** Making sure that the long-term wellbeing goals legislated with the Act are accompanied by statutory definitions ensures they are used as intended, and not "creatively interpreted" to justify business as usual.
- **Well-balanced set of SIW metrics for monitoring and evaluation:** The Future Generations Act should mandate use of a well-balanced set of metrics, including the dimensions of current wellbeing, sustainability and inclusion, to monitor how the society is doing and evaluate effects of policy decisions. This includes publishing periodic reports to increase accountability and transparency and mandating the government to address these reports. Moreover, monitoring should assess both progress towards the substantive wellbeing goals and the quality of the governance processes used to pursue them, including participation, transparency, institutional learning and public trust.
- **Binding requirements on the widest range of public bodies possible under jurisdictional power:** This broadens the impact of the Act and provides a strong basis for consistency and collaboration across public bodies working towards SIW. For example, in Wales, the public bodies covered by the Act included ministers, government departments, local councils, sports organisations and national parks (see Box 2.5).

- **A requirement to work towards the full set of long-term wellbeing goals:** This reduces the chance that decisions to advance one wellbeing area are taken at the expense of others and recognises that progress towards SIW cannot be made by focusing on one area in isolation.
- **A requirement to work towards SIW in all activities**: This ensures consistency in the activities of all arms of government, lays common ground for collaboration, and amplifies impact.
- **A set of "ways of working" to be used in working towards the wellbeing goals**: Ways of working that are common sense and expressed in simple terms (such as in Wales, Box 2.5) are essential to making real progress towards SIW. They direct institutions away from "band aid" strategies, instead supporting coordinated and long-term action that effectively prevents problems and involves those with an interest in solving them. Effective implementation also requires an institutional culture in which long-term thinking, participation, prevention and collaboration are treated as normal features of public decision-making rather than additional compliance requirements.
- **Provide sufficient institutional and administrative capacity:** Public bodies covered by the Act should have adequate staff, skills, resources and guidance to apply long-term, preventative and participatory ways of working. Without this capacity, statutory duties risk becoming procedural compliance rather than changing decision-making practice.
- **Establishing an independent body – a commission or watchdog and a facilitator – to oversee implementation of the Act and to support institutions throughout the process:** Independent oversight of the Act is vital for its effective implementation. For example, Wales established a Future Generations Commissioner, with powers to audit and report bodies for not acting in good faith in accordance with the government's wellbeing goals and ways of working (see Box 2.5). Such a role is most effective when it also supports institutions to meet their legislated obligations before an audit or report is needed.

BOX 2.5

THE FUTURE GENERATIONS ACT OF WALES

The Future Generations Act set by Wales in 2015 presents an important real-life example of institutionalised wellbeing objectives in governance that holds transformative potential towards SIW goal. The act has had concrete policy impact in Wales, including ambition to become a zero-waste country, experimentation of universal basic income policy, reduction of investment in road infrastructure in favour of support for active and public transport, redesign of education programmes to align with the core values of the Act, an expansion of publicly funded "social prescribing" by doctors, and the equal pay between the women and men soccer federations.

The Future Generations Act of Wales provides an example of a comprehensive instrument that guides policymaking through establishing a long-term, whole-of-government strategic direction, and providing a framework and enforcement mechanisms to enable its application.

The Act builds on extensive national conversation "The Wales We Want", that took place a year before its adoption and built the basis for selection of the seven wellbeing goals included in it: prosperity, resilience, health, equality, community cohesion, cultural vibrancy, and global responsibility. The national conversation included nearly 7000 people across Wales. Extensive deliberative process has been shown to provide possibilities for cultural and narrative shift.

The seven wellbeing goals provide a statutory framework that guides all governmental and public decision-making in Wales. They are supported by five "ways of working" that require public bodies to adopt long-term, integrated, inclusive, collaborative, and preventative approaches to policymaking. Wales has defined a multi-dimensional wellbeing framework with 50 wellbeing indicators to enable measuring and monitoring advancement of the seven wellbeing goals. To ensure effective application of its statutory duties, the Act institutionalised a Commissioner for Future Generations, who is appointed by the government. The Commissioner has audit and reporting powers to ensure compliance, and is responsible for promoting sustainable development, acting as a guardian for future generations, supporting public bodies in understanding and embedding their duties into practice, and monitoring and assessing the objectives of the Act.

Beyond the seven qualitative wellbeing goals set by the Act, Welsh ministers must establish "milestones", referring to specific quantitative performance expectations using the 50 wellbeing indicators. Moreover, each public body in Wales must set specific wellbeing objectives that align with broader vision outlined by the Act's seven wellbeing goals.

Enforcement is present through the "comply or justify publicly" model in which the Future Generations Commissioner for Wales reviews activities, holding the authority to publicly report non-compliance and inadequacies and set recommendations. Public bodies must respond to the recommendations, publicly justifying if they do not comply with them.

Related to monitoring, the Act mandates that Welsh ministers must publish a Future Trends Report that includes predictions across varying wellbeing dimensions within twelve months following election and annual progress report that describes advancements made towards seven national wellbeing goals set in the act, using the 50 wellbeing indicators. Additionally, Public Service Boards must publish Local Assessment of Wellbeing for their respective areas. The monitoring process is enhanced through the Future Generations Report, published by the Future Generations Commissioner, reviewing advancement and offering recommendations for improvement.

The Future Generations Act of Wales sets a good benchmark-example. However, there is also room for improvement as the Senedd's Public Accounts Committee has detected shortcomings in public bodies' efforts to align with the Act's principles, showing the importance of continuous review.

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GOVERNANCE INSTRUMENT 3
CITIZENS' ASSEMBLIES

What is it?

Citizens' assemblies are structured deliberation practices for engaging and incorporating people's views into decision-making. They bring selected, diverse groups of people to elaborate on policy options and societal objectives and formulate recommendations for informing decision-making. Citizens' assemblies are one form of participatory and deliberative democracy. They complement representative democracy by creating additional opportunities for citizens to influence decisions between elections.

The assembly comprises three phases:

1. The "learning phase": Participants receive briefings on the topic from a diverse group of experts and stakeholders to inform the deliberation.
2. The "deliberation phase": Participants discuss the topic, exchanging insights and searching for common understanding.
3. The "recommendation phase": Participants formulate policy recommendations that are presented to policymakers.

Citizens' assemblies are a pivotal governance tool for SIW. Transformation towards the SIW goal requires decisions that consider, weigh, and negotiate different arguments, views, and values, including balancing short- and long-term interests. Making these decisions meaningfully and legitimately requires deliberation that combines experiential everyday knowledge of citizens and codified knowledge of experts. Citizens' assemblies provide a tool for this deliberation. Indeed, citizens' assemblies have been proven to work for finding solutions to polarizing questions that require long-term thinking, such as climate change mitigation (see Box 2.6 on real-life examples of citizens' assemblies). They can therefore help policymakers address complex and contested questions in ways that are both better informed and more legitimate.

Examples of questions that require deliberation for advancing SIW abound throughout these Guidelines, including:

- Deciding wellbeing priorities for guiding decision-making (see the previous governance instruments "wellbeing budgeting" and "Future Generations Act" under this section).
- Determining what are luxuries that could be taxed or rationed fairly to allow enough resources for current and future wellbeing for all and what is fair allocation of quotas (see policy instruments "Luxury carbon taxation" in section 3.1b and "Rationing luxury commodities" in section 3.4a).
- Determining what constitutes unpaid care work that should be compensated with Universal Care Income (see policy instrument "Universal Care Income" in section 3.2a).

How do citizens' assemblies advance Sustainable and Inclusive Wellbeing?

- Enhancing quality of decision-making towards SIW: Citizens' assemblies bring the experiential knowledge of people to decision-making, providing important information to support the quality of decision-making by ensuring that decisions reflect citizens' lived experiences, needs, and aspirations. This is important to ensure that policy decisions truly advance the wellbeing of people across different walks of life. It can also improve the relevance and responsiveness of policies, particularly where problems affect groups differently.
- Supporting commitment to SIW goal across election cycles: When wellbeing priorities towards SIW are formulated through broad-based citizen participation, this supports legitimacy and political commitment to these priorities across electoral cycles. For instance, in Wales, wellbeing priorities embedded in the Future Generations Act build on an extensive participatory process (see Box 2.5 on Wales Future Generations Act).
- Advancing procedural justice, legitimacy and inclusiveness of decision-making: Citizens' assemblies recentre people's wellbeing at the front of decision-making and provide opportunities for true deliberation. This enables overcoming distortions of unequal economic and political power that are present in many societies, including European democracies. Through bringing together diverse voices, citizens' assemblies increase inclusiveness of decision-making. However, this effect is not automatic. Without deliberate measures to remove barriers to participation, participatory processes can reproduce existing inequalities.
- Fostering long-term and intergenerational thinking for sustainability: Advancing SIW involves balancing interests (e.g., current and future wellbeing) and requires long-term thinking. Citizens' assemblies give participants time to learn from experts, hear multiple perspectives, and carefully consider consequences before making recommendations. SIW-oriented assemblies should explicitly bring together different generations, including children and young people, and create meaningful opportunities for intergenerational dialogue. This supports careful consideration of both short- and long-term goals and consequences.
- Overcoming polarisation and providing political space for transformation: Fostering SIW requires profound transformations in societies. Citizens' assemblies provide possibilities to create a shared vision and find solutions, especially for tricky and politically polarising questions, such as climate mitigation policies. Several real-life cases of citizens' assemblies have produced recommendations to enact transformative policies that align with the SIW goal. For instance, a climate assembly in France has suggested a ban on domestic flights, and an assembly in Germany suggested a speed limit on highways.
- Providing a sense of agency and empowerment: Having agency, voice, and influence over decisions that affect one's life is important for wellbeing. Well-organised citizens' assemblies with a clear follow-through in policymaking provide a direct, structured, and meaningful channel for having a say in decisions. Clear follow-up mechanisms are crucial, as participation strengthens citizens' sense of agency and trust in institutions only when people can see that their contributions are taken seriously and connected to subsequent decisions.
- Building social cohesion, trust, resilience and competences: Participation in deliberative democracy processes supports the resilience of society by building competencies for working

together, as it has been shown to have a positive impact on participants' knowledge of the issue addressed in deliberation, civic skills and reconciling conflicts. Meaningful participation builds social cohesion and trust in decision-making.

Who can implement citizens' assemblies?

Citizens' assemblies can be and have been implemented at all levels of governance, from global to the EU, national, and local levels.

The European Commission, the European Parliament and the Council should establish a stronger enabling framework for participatory governance by promoting common European standards for citizens' assemblies, covering inclusion, transparency, facilitation, follow-up mechanisms and accountability. This could be done under the European Democracy Shield. The Commission has committed to promoting participatory processes, including citizens' panels under the Strategy on Intergenerational Fairness. Moreover, the EU should support financing of participatory governance through Multiannual Financial Framework (MFF) with clear earmarking of funds for citizens' assemblies and other deliberative processes.

National governments are responsible for embedding participation within legislation, public administration, and policymaking. They should establish stable institutional frameworks such as permanent citizens' councils, provide adequate resources and ensure that participatory processes are linked directly to political decision-making with mandatory follow-up mechanisms.

Regional and local governments are responsible for implementing citizens' assemblies in their area and are particularly well positioned to experiment with democratic innovation, as participation can be closely connected to planning, budgeting, public services and territorial wellbeing policies (see Box 2.6 for local best practice example of a permanent citizens' council).

Civil society organisations and citizens are crucial promoters of implementing meaningful citizens' assemblies. Rather than just taking part in the assemblies, citizens should be included in shaping and developing them. Civil society organisations hold a pivotal role in being trusted intermediaries, supporting outreach, democratic literacy, inclusive recruitment and capacity-building, particularly among groups traditionally excluded from decision-making. Citizens themselves should be treated not simply as consultees but as long-term partners in public governance.

How to design a citizens' assembly?

Key design features of citizens' assemblies include:

- **Random selection of participants, with quotas that ensure representativeness and inclusive participation:** For citizens' assemblies to be meaningful, it is important to ensure that the selection of participants is inclusive and involves groups of people traditionally underrepresented in decision-making and particularly affected by the issue discussed. People who live in a given area or country should be included, even if they do not have citizenship. Selection of participants should be done by "sortition", where the representatives are selected at random from the candidate population. Sortition should be combined with quotas of specific groups to make sure that different lived realities are presented.

- **Compensation and support for participants:** Participants should be compensated for their time, travel costs, and childcare costs to ensure that participation is possible across socioeconomic levels. Moreover, organising the assembly needs to consider and overcome other possible social and practical barriers, for instance through ensuring language assistance, accessible information and venues, and skilled facilitation. Digital participation should complement, rather than replace, face-to-face deliberation.
- **Intergenerational perspective:** SIW governance must consider the interests of both present and future generations. Participatory processes should therefore bring together people of different ages, importantly including children and young people, and create opportunities for meaningful dialogue across generations. Facilitation should also address power imbalances between generations.
- **Comprehensive briefings:** In the learning phase at the beginning of the assembly, participants should receive briefings on the topic from a diverse group of experts and stakeholders.
- **High-quality facilitation:** Professional facilitation and deliberation rules that ensure respectful, safe, and balanced discussions are key for successful deliberation and to create conditions in which participants with different levels of confidence, education, or experience can contribute meaningfully.
- **Deciding recommendations based on consent:** The principle of consent provides a good basis for reaching decisions: Rather than using majority vote or strict consensus, participants are requested to evaluate if they can consent, i.e., "live with" the recommendations.
- **Commitment from the government/public authority to use the recommendations before the assembly convenes:** Participation only builds trust when citizens can see that their contributions are taken seriously. Unclarity around the use of the recommendations can lead to participants' disappointment and erode trust in policymaking. Governments should establish transparent mechanisms to explain how recommendations are considered, implemented, or, when appropriate, why they cannot be adopted. At minimum, the public decision-making bodies, such as local or national governments or the European Commission, should provide a public response to the recommendations that explains how they are taken up and, if not, provide robust reasoning why. Stronger inclusion includes an upfront commitment to use a minimum percentage of recommendations for legislative or regulatory measures.
- **Transparent monitoring, evaluation and reporting:** Public monitoring, evaluation and reporting of the outcomes of citizens' assemblies strengthen confidence in democratic processes while supporting institutional learning. Evaluation of the assembly processes should consider not only policy outcomes that follow the assemblies but also their effects on democratic legitimacy, public trust, civic engagement and institutional learning.
- **Including members of citizens' assembly in committee discussions:** A good practice to ensure follow-up is to include members of citizens' assembly or permanent citizen council in committee discussions in which the recommendations are discussed.
- **Providing structure for institutionalised participation throughout the policy cycle:** Ad hoc and one-off citizens' assemblies provide important insights for specific cases of decision-making, but lasting change requires more permanent mechanisms. To institutionalise the

process of using citizen deliberation in decision-making, it is advisable to complement one-off gatherings with more permanent structures. Governments should establish institutional arrangements that enable citizens to contribute to agenda-setting, policy design, implementation and evaluation on a continuous basis, such as having a legally recognised permanent citizens' assembly with fixed terms and changing membership.

- **Adequate administrative capacity:** High-quality participation requires staff, funding, time and expertise. Public officials need skills in inclusive recruitment, facilitation, communication and evaluation, supported by practical guidance and opportunities for peer learning. Without administrative capacity, participatory requirements risk becoming superficial exercises.
- **Embeddedness in a broader participatory ecosystem:** Citizens' assemblies are an important component of participation and democracy. However, to fully gain their potential, they should be combined with other opportunities for citizens to engage including local dialogue spaces, civil society engagement, youth councils, participatory budgeting, community initiatives and civic education possibilities. In addition, such a participatory ecosystem requires children and youth to become capable citizens from an early age, thus enabling them to use their voices and act as agents of change for matters of well-being concerning themselves, others, and society as a whole.

BOX 2.6

REAL-LIFE EXAMPLES OF CITIZENS' ASSEMBLIES

Citizens' assemblies have been organised on a variety of topics and contexts at local, national and EU level. Studies show that deliberative mini publics, such as citizens' assemblies, can influence policymaking. For instance, assemblies organised in Ireland have led to successful referendums to legalize same sex marriage and abortion.

Moreover, many citizens' assemblies on climate change have shown the potential deliberation has on overcoming polarisation and providing SIW aligned recommendations, showcasing that deliberation brings the long-term wellbeing of people and the planet to the centre. The citizens' assembly recommendations include a wide variety of policies, including far-reaching proposals. For instance, an assembly organised in Denmark recommended prohibiting the marketing of products that are harmful for climate and unhealthy, the French Citizens' Convention of Climate recommended a ban on short-haul flights and an assembly organised in Austria recommended mandatory energy saving tariffs. When followed through, the recommendations of citizens' assemblies hold transformative potential.

However, the importance of well-established structures of follow-through is highlighted by the fact that on several occasions, the recommendations have been watered down in following policy processes and the impact of assemblies has been limited to providing momentum or reducing policymakers' uncertainty on existing government plans.

Two examples of assemblies that provide inspiration for good practices are briefly presented below. The permanent citizens' council in the Ostbelgien region in Belgium provides a best practice example of continuous and institutionalised engagement, while Young Citizens' Assembly on Pollinators provides an example of youth engagement at the EU level.

The Permanent Citizens' Dialogue in Ostbelgien region, Belgium

Established through legislation to address declining trust in politics and strengthen democratic participation, the model combines a permanent Citizens' Council with ad hoc Citizens' Assemblies and is formally embedded within the regional parliament. It is recognised as one of the world's most advanced examples of institutionalised deliberative democracy.

The system is designed as a permanent democratic institution with dedicated staff, a legal basis, a budget and a formal relationship with elected representatives. The Citizens' Dialogue has organised assemblies on a range of issues, including healthcare, inclusion, housing, digitalisation, integration, socio-emotional competences and ageing. Several recommendations have led to concrete policy changes, such as scholarships for healthcare studies, the creation of a council for people with disabilities, regulations addressing housing shortages linked to holiday rentals, and measures to improve digital inclusion.

The Young Citizens' Assembly on Pollinators (YCAP)

The assembly is an innovative EU-wide deliberative process designed to involve young people directly in biodiversity governance. It brought together 100 young citizens aged 18–29 from across the EU, selected by sortition to ensure diversity in gender, age, education, occupation, nationality, place of residence and attitudes. It had three objectives: (a) developing recommendations on

pollinator-related policies; (b) creating a vision for the role of young people in biodiversity governance; and (c) designing a permanent youth assembly model.

The process combined in-person and online sessions, task force work, and exchanges with experts, policymakers and stakeholders. Simultaneous interpretation in all EU languages and professional facilitation ensured accessibility and inclusiveness. During the process, participants expressed frustration with traditional politics and feeling overlooked by decision-makers, leading to scepticism and disengagement. At the same time, they highlighted young people's creativity, openness to change and long-term commitment to societal challenges. Beyond the deliberative process, YCAP promoted sustained engagement through training, networking, voluntary task forces, communication activities and follow-up mechanisms, reflecting a shift from one-off consultation to long-term empowerment.

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GOVERNANCE INSTRUMENT 4
LIVING LABS

What is it?

Living Labs (LLs) are ongoing collaborative innovation environments where citizens, businesses, universities, and public authorities co-create, test, and implement innovative solutions in real-life settings. They can be implemented at the local level as Urban Living Labs (ULL), Community Living Labs (CLL), or at the sectoral level, for instance, Health Community Labs (HCL).

Living Labs are grounded in the participation of different stakeholders to co-create, design, and produce social innovation solutions for Sustainable and Inclusive Wellbeing (SIW).

How can Living Labs advance Sustainable and Inclusive Wellbeing?

Living Labs advance wellbeing by moving beyond the mere provision of technical services toward the expansion of individuals' and communities' real freedoms (capabilities) to pursue valued ways of being and doing.

By fostering agency – the substantive freedom and capacity of individuals to influence decisions and shape collective outcomes – LLs transform passive "recipients" into active stakeholders. Through increasing citizen “literacy”, responsibility, public engagement and participation in decision-making processes, LLs expand individual and social empowerment, facilitating collective agency and action. The living lab approach is often linked to the paradigm of Sustainable Human Development (SHD) and the Capability Approach (CA).

The LLs approach is particularly effective in addressing complex contemporary challenges such as social isolation, community fragmentation, and health inequalities by strengthening social connections and territorial resilience (see Box 2.7 for examples addressing healthy ageing and urban social-green infrastructure). Furthermore, the model, aligned with SIW, explicitly integrates nature as a stakeholder within a Quintuple Helix Model (Public Institutions, Academia, Civil Society, Business, and the Environment). In this framework, nature is treated not merely as a resource but as an entity whose interests are articulated through civic and associative actors, ensuring that innovation is both inclusive and ecologically sustainable. Ultimately, participation in LLs is valued not only as a tool for service improvement but as an intrinsic component of wellbeing and democratic engagement.

Who can implement Living Labs?

Implementation of LLs requires a multi-actor governance arrangement capable of mobilizing diverse forms of expertise, legitimacy, and resources.

Key actors include:

- Public institutions: Local authorities act as central anchors. They provide the institutional openness, formal mandate, and resources necessary to institutionalize co-creation within routine planning and decision-making cycles.
- Academia and researchers: Universities act as intermediaries, providing conceptual grounding, methodological guidance (such as the LLs Guidelines), and rigorous multidimensional evaluation frameworks to ensure scientific integrity.
- Private sector and Small and Medium-sized Enterprises: Businesses and private organisations contribute technical expertise and resources to co-create market-ready or sustainable social innovations, particularly in fields like digital health, green technology, or workplace wellness.
- Citizens and communities: The active engagement of residents, including vulnerable or under-represented groups, is essential to ensure solutions are context-sensitive and equitable.

The capacity to foster LLs is linked to the presence of intermediate bodies. Associations, civic movements, and third-sector organisations play a pivotal role in mediating between individuals and institutions, mobilizing community resources, and sustaining organized participation, as well as often engaging vulnerable and under-represented groups. University researchers and other professional facilitators are crucial for managing group dynamics, bridging divergent priorities, and guiding the process toward shared goals.

In order to produce structural changes and long-term results, the creation of a HUB of living labs at the local level (e.g., at the regional or municipal level) can facilitate the ongoing coordination among stakeholders, systematising the processes and the results.

How to design Living Labs?

The design of LLs follows a structured three-phase operational pathway that emphasizes iterative learning and formative evaluation.

Phase 1 – Preliminary Assessment (Analysis): This stage focuses on context analysis and stakeholder mapping. It involves identifying local needs, resources, and power dynamics through tools like focus groups, interviews, and Social Network Analysis to build mutual recognition among actors.

Phase 2 – Implementation and Co-creation: This is the methodological core where stakeholders engage in co-design and co-programming. Through facilitated workshops and deliberative arenas, participants jointly define priorities, negotiate feasible actions, and develop prototypes or shared action plans. A key advancement in this phase is the use of formative evaluation, which allows for planned and responsive adaptations based on continuous feedback. This ensures the process remains relevant by tailoring activities to the specific workplace or community culture.

Phase 3 – Evaluation: Assessment must be multidimensional, measuring not only the quality of the output but also the impact on individual and collective agency, evaluating dimensions such as delivery, participation, experiential context, and impact. Documenting adaptations is vital to identify "core elements" that can be transferred to new contexts while maintaining process effectiveness.

BOX 2.7

REAL-LIFE EXAMPLES OF LIVING LABS

Co-producing Healthy Ageing (Denmark)

In response to demographic transitions, Danish municipalities (Copenhagen, Ishoej, and Vordingborg) implemented policies to support co-production between local governments and Voluntary & Community Organisations (VCOs) to promote health and wellbeing among older adults. These collaborations utilized the local "associational democracy" tradition to deliver flexible, contextually sensitive health activities. Real-life examples included local sports clubs sharing venues and instructors for senior-specific exercises, municipalities organizing "Health Days" in collaboration with patient organisations and facilitating "friends circles" where senior volunteers visited older adults in nursing homes to prevent social isolation. This advanced wellbeing by strengthening social networks and a sense of belonging, which is known to improve health status, autonomy, and safety in old age.

Urban Social-Green Infrastructure (Italy)

Community Living Lab (CLL) was established to transform the under-utilized Ex-Camping Michelangelo (in Florence Municipality) into an inclusive "social-green infrastructure". Located in a dense urban area with high tourism pressure and an aging population, the CLL adopted a mixed-method design involving focus groups, stakeholder mapping, and a co-creation workshop to translate fragmented needs into a shared action plan. Participants envisioned the park as a welcoming, non-commercial space for daily use, fulfilling their capabilities to relax, walk, and socialize. Specific co-designed prototypes included climate shelters with free water points, therapeutic gardens, and biodiversity exploration trails. To ensure long-term stewardship, the plan proposed a co-management committee involving local intermediate bodies. Evaluation showed that the process significantly increased participants' perceived necessity for local networks and their motivation to contribute to the care of shared spaces.

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3. STEERING POLICIES TOWARDS SUSTAINABLE AND INCLUSIVE WELLBEING

When Sustainable and Inclusive Wellbeing (SIW) becomes the overarching policy goal in European and national governance, policy solutions are needed to achieve it. Therefore, this core chapter of the Guidelines explores in detail how policy objectives and instruments across different areas can be directed toward SIW.

In this regard, the Guidelines align with the architecture and content of the Roadmap for Eradicating Poverty Beyond Growth, which was developed under the mandate of the UN Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, to expand the range of policy options available to Member States, international organisations, and civil society in the fight against poverty and inequality, beyond conventional proposals that take economic growth as a precondition for progress (see EXPERT FOCUS 4). The value-added of these MERGE Guidelines lies in applying and tailoring policy proposals to the European setting and reframing them within a SIW perspective.

The policy objectives and instruments presented in this chapter resonate with the interconnected pillars of the Roadmap, leading to a three-layer architecture:

1. The first layer is the "Policy Pillar" as in the Roadmap, providing the overall area of action for policymakers at different levels;
2. The second layer is the "General Policy Objective" (GPO), which describes a clear objective the Guidelines provide insights into, making clear what policymakers may have in mind to achieve in their own context;
3. The third layer is the "Policy instrument", thus representing a concrete instrument for policymakers to pursue the general objective.

For example, under Policy Pillar 3 "Universal Basic Services and Social Protection", the General Policy Objective is "Expanding Social Protection", and the following policy instruments are detailed: Early Childhood Education and Care, Universal Transportation Services, Universal Housing Provision, and Universal Basic Income.

The policy instruments presented in this chapter for each pillar were selected based on four main criteria:

- relevance and consistency with the SIW goal;
- relevance and meaningfulness in the European context;
- consolidation of evidence in the academic and policy debate;

- availability of recent, robust and appropriate background material (research findings, in-depth analysis, case studies, policy briefs) elaborated within the MERGE project and/or by MERGE partners in other projects/initiatives (including sibling projects funded by the European Union – i.e., ToBe, SPES, WISE Horizons, and REAL).

The decision to select instruments explored by MERGE and/or sibling projects – and/or its partners in complementary research activities – should be seen uniquely as a way to leverage internal resources, activities, and expertise, notwithstanding the richness of the current debate and the much wider array of instruments that policymakers may consider for implementation to expand SIW.

Therefore, these Policy Guidelines present some of the key policy instruments for advancing SIW, without the intention of exhaustiveness since there is a wide array of areas, objectives and instruments that policymakers may focus on to foster SIW. The selected policy instruments should be conceived as illustrative examples of a renewed policy approach that takes SIW as the overarching goal of European and national policies.

Figure 6 presents the list of policy instruments for each pillar.

All in all, this chapter is composed of 5 sections – one for each Pillar – where first the General Policy Objective is described (including its meaning, its importance from a SIW perspective, and the current approach by the EU – up to mid-2026 – to pursue it), followed by the presentation of the selected illustrative policy instruments.

Each policy instrument is presented following this structure:

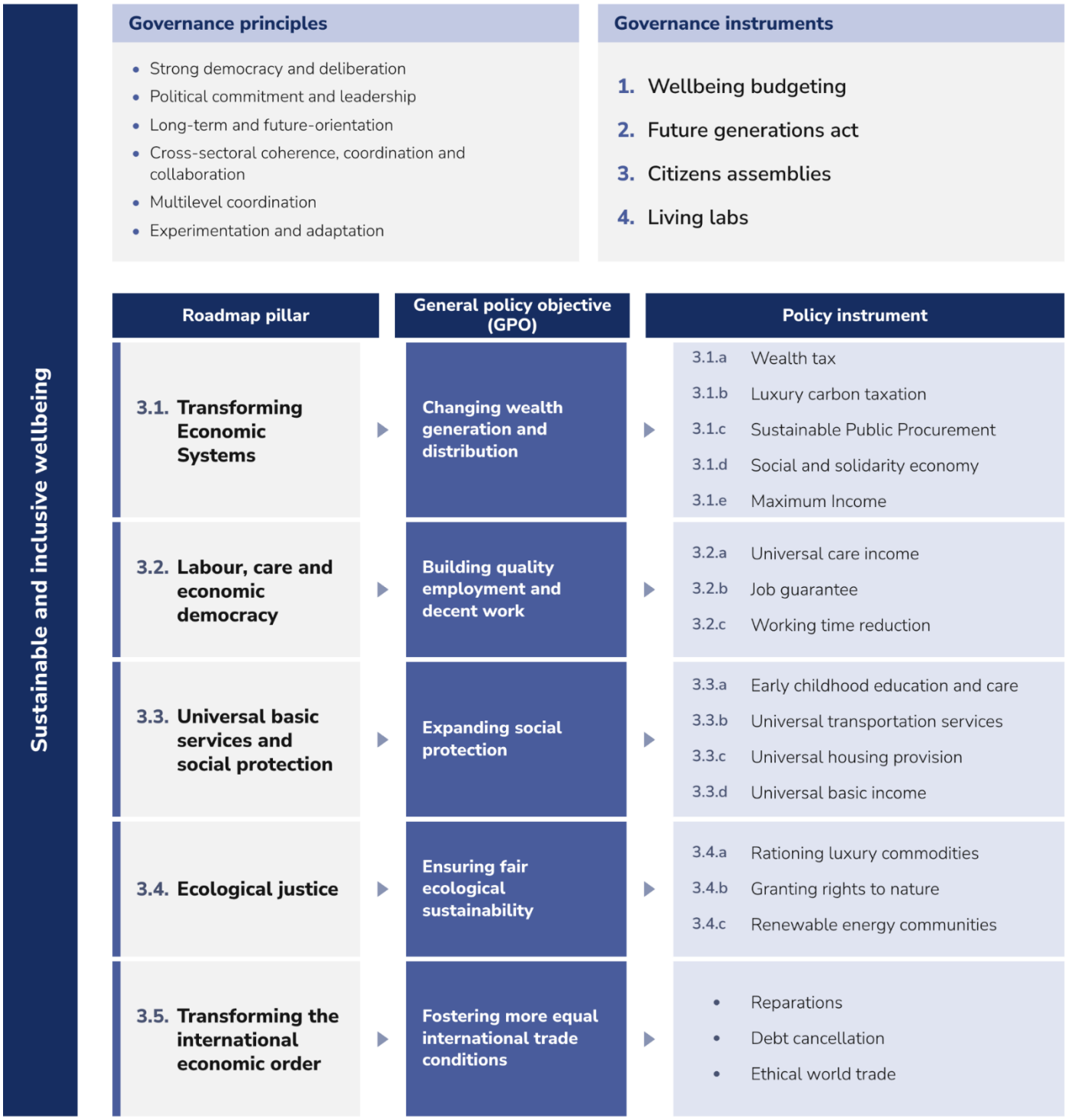
- What is it?
- Why is it important from a SIW perspective?
- What are the policy actors and policy levels in charge of implementing it?
- How to design it?
- What are possible indicators to evaluate it from a SIW perspective?
- 1-2 boxes with real-world examples of implementing the policy
- Suggestions for further readings

Concerning possible indicators from a SIW perspective, the attempt is to suggest linkages with external sources for indicators – starting from the JRC dashboard of wellbeing indicators, along with other OECD and UN measurement frameworks. In any case, it is clear that some of the indicators suggested in the Guidelines may not be commonly on hand, and sometimes they would require substantial, tailor-made data collection efforts.

In addition, it is important to anticipate here that no single instrument alone is able and sufficient in itself to foster SIW. A core argument of these Guidelines is to move beyond fragmented approaches characterised by individual and separated interventions, toward an integrated policy approach centred on mixes of mutually reinforcing measures for SIW (see Chapter 4 for more details). In other words, while reading these Guidelines, policymakers should be aware of the importance of devising

combinations of individual policy instruments presented here, among others, through policy mixes able to holistically pursue wellbeing now, wellbeing for all and wellbeing in the future.

Figure 6. List of policy instruments



Source: Authors

EXPERT FOCUS 4

ROADMAP FOR ERADICATING POVERTY BEYOND GROWTH

By Olivier De Schutter, Praachi Khera, and François Denuit (NEEP - New Economies for Eradicating Poverty)

The Roadmap for Eradicating Poverty Beyond Growth was developed under the mandate of the UN Special Rapporteur on extreme poverty and human rights, Olivier De Schutter, to expand the range of policy options available to Member States, international organisations, and civil society in the fight against poverty and inequality, beyond conventional proposals that take economic growth as a precondition for progress.

The Roadmap is not a blueprint that was developed by a handful of experts working behind closed doors. It is the very opposite: it was developed through contributions, consultations, written inputs, and strategy sessions with more than 400 policymakers, academics, trade unions, grassroots movements, UN agencies, and Member States over 18 months, with a view to moving beyond the "grow-tax-transfer" sequence on which the fight against poverty has traditionally relied. We were honoured to rely on the expertise of the MERGE team, who contributed important analysis that led to the inclusion of three important policy proposals on *Democratising the macroeconomic modelling toolbox*, *Multi-dimensional wellbeing indicators*, and *Global account systems for sustainable and inclusive wellbeing* in the Roadmap. MERGE members also supported in drafting the substantive agendas for the latter two policy profiles, outlining the policy formulations, implementation steps, counterarguments, and evidence in support of the two proposals.

In April 2026, the Roadmap was adopted at the International Labour Organisation in Geneva at a major international convening organised under the mandate of the UN Special Rapporteur and the auspices of the ILO's Global Coalition for Social Justice, and in June 2026, it was presented to the 62nd session of the UN Human Rights Council. On 7 July, the UN Human Rights Council adopted resolution 62/28 by consensus, which calls on States to take the Roadmap for Eradicating Poverty Beyond Growth into consideration when developing national anti-poverty strategies and requests the UN Secretary-General to bring it to the attention of relevant UN entities, creating an important institutional pathway for the Roadmap to influence global policy.

The Roadmap and the structural reforms it proposes are guided by several key principles: establishing the primacy of human rights and dignity in eradicating poverty; the importance of substantive equality and structural redistribution of resources and power; the need to build a human rights economy beyond the imperatives of growth; engendering ecological sustainability, intergenerational justice, and responsibility toward future generations; democratic governance and economic planning in the public interest; valuing social reproduction and care and support work; centring lived experience and dismantling social exclusion; enabling collective self-determination and rights of indigenous peoples and minorities; building international solidarity and recognizing common but differentiated responsibilities; and encouraging accountability, transparency, and institutional integrity.

The proposals advanced by the Roadmap for Eradicating Poverty Beyond Growth are organised around six interconnected pillars:

1. Transforming Economic Systems: This pillar advances proposals aimed at building domestic, post-growth macrofinancial regimes in which markets no longer serve as the dominant coordination

mechanism for strategic sectors; where public institutions regulate private capital, guide credit allocation toward socially and ecologically necessary activities, and scale down harmful ones; in which sufficiency, universal need satisfaction, and democratic planning replace the growth imperative as the organising logic of economic policy; and in which the monetary, fiscal, and industrial levers of the state are recombined to secure livelihoods, economic, social and cultural rights through the decommodified provisioning of essential goods and services in the public sphere. This pillar includes proposals, among others, on progressive and wealth-based taxation, democratic industrial and investment policy, curbing financial speculation, and transitioning to a social and solidarity economy.

2. Labour, Care, and Economic Democracy: This pillar advances proposals to transform the organisation of work, care, and power in the economy. It includes proposals aimed at ensuring decent and meaningful work within planetary boundaries and building collective worker power and economic democracy, such as employment guarantees, fair and living wage policies, working time reduction, and collective bargaining, among others, that serve pre-distributive goals of ending labour exploitation and building inclusive economies. Simultaneously, this pillar addresses the question of care work, which constitutes the foundational, invisible infrastructure upon which “economically productive” activities depend. Today, the care economy – overwhelmingly performed by women and by racialised and migrant workers, often unpaid or underpaid – has been squeezed by austerity, marketisation and the commodification of relational services, producing a global "care crisis" that deepens gender and social inequalities and undermines the reproduction of life itself. In response, this pillar advances proposals to build a fair social organisation of work by investing in care, providing care incomes, etc.

3. Universal Basic Services and Social Protection: A human rights economy rests on the foundational premise that education, healthcare, food, water, sanitation, housing, energy, transportation, and social protection are life-saving necessities, essential for a dignified life, and thus cannot be made conditional on an individual’s ability to pay. This pillar advances proposals aimed at building an agenda for public services and social security as universal entitlements without exclusionary and undignifying processes of means testing or conditionalities. These proposals include policies on universal access to education, nutritious food, and housing, affordable and accessible public transport, maternity entitlements, and universal social protections, among others.

4. Ecological Justice: This pillar diagnoses the root causes of ecological degradation embedded in our economic systems – including overconsumption by high-income groups, extractive models of production, unequal control over land and resources, and the externalisation of environmental costs onto vulnerable communities and future generations – and identifies policy interventions that can shift the organisation of our societies and economies to be in greater reciprocity with the living, nonhuman natural world. It starts from the recognition that the responsibility for ecological breakdown and its burdens is unequally borne and acknowledges the principle of common but differentiated responsibility and respective capabilities. It advances proposals to respect ecological limits, aim for sufficiency rather than endless expansion, and reorient economic activity towards meeting human needs within planetary boundaries; support stewardship of the commons – land, water, forests, biodiversity and ecosystems – recognising that secure tenure, democratic community governance, and respect for the rights of indigenous peoples are essential both to ecological harmony and to preventing impoverishment through dispossession; build climate justice through strengthened global solidarity, recognising historical responsibility and the need for international cooperation to meet the transnational challenge of remaining within planetary boundaries; and promote resource justice and sovereignty to prevent low and middle-income countries from falling

prey to the resource curse and enabling them to shift away from pursuing growth-dependent development pathways. Key proposals include policies on democratic governance of energy transition minerals, Loss and Damage Fund 2.0, etc.

5. Transforming the International Economic Order: This pillar advances proposals to transform the rules of an unequally structured global economy that has systematically produced widespread poverty and inequality in Africa, Asia, South America, and the Global South at large on account of debt overhangs, hegemony of the US dollar, and loan conditionalities that enforce austerity, and export-oriented growth that results in the net transfer of labour and resources from low- and middle-income countries to the Global North. The proposals put forth in this pillar acknowledge that national policies aimed at strengthening public services, for instance, must be complemented by international reforms that expand policy space, redistribute resources, democratise global governance, and enable LMICs to reclaim development and economic sovereignty. It includes proposals on debt justice, financing through international cooperation, democratizing intellectual property regimes, south-south trade and investment compacts, ending investor-state dispute settlement, among others.

6. Democratic Planning and Economic Governance: This pillar forms the "governance core" of the Roadmap. It is not simply an additional pillar but a transversal framework for advancing democratic control over our economies and underpins and enables the other five policy pillars. It focuses on the political and institutional foundations required to steer a transition beyond growth, recognising that new policies alone are insufficient without reforms to how collective priorities are defined, decisions are made, and accountability is ensured. It examines how governments can define shared priorities through transparent and inclusive processes, manage difficult transitions such as phasing down polluting sectors while protecting livelihoods, and allocate resources toward socially and ecologically essential investments, including care systems and public services. It emphasises that such choices cannot be left to market dynamics or technocratic decision-making alone, but require robust democratic deliberation and oversight. It includes proposals on National Anti-Poverty Strategies, tracking multidimensional wellbeing indicators, participatory social audits and community monitoring, among others.

These pillars are not conceived as standalone silos, but as interdependent domains of transformation that must advance in parallel to eradicate poverty while remaining within planetary boundaries.

<u>Learning from the Roadmap in the European Context:</u>

The proposals advanced in the Roadmap continue to remain pertinent in the European context. Most, if not all,, EU countries need to improve and expand public services or make social benefits more accessible, adequate, and rights-based. The implementation steps for different EU countries will inevitably differ. For instance, France and Belgium may consider expanding their pilot job guarantee programs while Spain's political context may be conducive to the introduction of a wealth tax or, following the presentation of the conclusions of the International High-Level Expert Committee on Democracy at Work, to strengthening the voice of workers in strategic decision-making within companies; and Germany may prioritize measures to protect workers' rights, since the Hartz reforms of the early 2000s often resulted in weakening such rights in the name of jobs creation. To this end, the Roadmap encourages Member States to institute national, democratic planning through which governments organise long-term, coordinated plans to eradicate poverty beyond growth, utilising post-market redistribution, in-market inclusions, and pre-market social investment strategies.

There is a real momentum to be seized. In May 2026, the European Commission presented the first-ever EU Anti-Poverty Strategy, setting out a number of proposals to reduce poverty. At the Porto Social Summit of May 2021, governments committed to reduce by 15 million the number of people at risk of poverty or social exclusion (currently affecting 93 million people in the EU-27), and to reduce by 5 million the number of children facing that risk (they are today 15 million -- in other terms, one in four children faces that situation today). The proposals put forward in the EU Anti-Poverty Strategy include the adoption by all 27 EU Member States of anti-poverty policy frameworks (only 22 countries have anti-poverty strategies in place today), and the appointment of Anti-Poverty Coordinators to ensure that governments keep on track; indeed, the Commission provides guidance in this regard, in the form of "Principles for effective anti-poverty strategies", which include regular monitoring of progress, the fight against discrimination on grounds of socio-economic disadvantage, an improved protection of income security, and addressing territorial inequalities.

These efforts to combat poverty in the EU should be seen, however, as part of a larger and more complex equation. Although many promises announced with the announcement of the Green Deal in July 2019 have been sidelined (particularly as regards food and agriculture and biodiversity loss), the EU still has an ambitious legislative and policy framework to mitigate climate change, in particular through the "Fit for 55" legislative package and, at member State level, the national energy and climate plans (NECPs). In that sense, the fight against poverty must be conceived of taking into account the need to respect planetary boundaries: therefore, it must move beyond the classic "growth, tax and transfer" sequence to mitigate the trade-off between crossing the planetary boundaries by putting the economy on steroids on the one hand, and allowing inequalities to threaten the social fabric, on the other hand.

Indeed, that is also required in order to avoid shifting too much of the burden of the transition onto the shoulders of the next generations. In March 2026, in line with the Declaration on Future Generations adopted at the UN Summit which adopted the Pact for the Future, the Commission announced its first strategy on intergenerational fairness, which aims to promote long-term thinking in governance and ensure that young people have a stronger voice in shaping policies, in particular by developing an intergenerational fairness index to measure how well countries are protecting the future of younger and future generations. This calls for long-term planning, for accelerating the shift to responsible production and consumption patterns, and for questioning growth-first strategies that have been championed both from the Right and from the Left -- as if there were no other way to combat poverty and reduce inequalities than to increase the GDP first, in order then, ex post, to compensate for the exclusion of people and for the environmental destruction caused by unsustainable forms of growth.

The EU is uniquely positioned to demonstrate that social progress need not be at the expense of environmental sustainability, and that the usual recipes will not work anymore in a polycrisis situation: what is now required is a leap in imagination.

3.1 PILLAR 1
TRANSFORMING ECONOMIC SYSTEMS

GENERAL POLICY OBJECTIVE: CHANGING WEALTH GENERATION AND DISTRIBUTION

What does changing wealth generation and distribution mean?

The final aim of this GPO is to align economic activity with human rights obligations, social justice, and ecological sustainability, rather than serving the imperative of continuous growth, at the cost of spiralling inequality. This requires a deep transformation of fiscal systems, monetary and financial governance, corporate regulation, industrial policy, and market institutions.

As highlighted by the Roadmap for eradicating poverty, this objective entails several mutually reinforcing areas: establishing fair and effective fiscal systems that limit excessive wealth concentration and ensure corporations contribute their fair share; undertaking ecological fiscal reforms that align taxation with environmental responsibility; reorienting monetary policy and public finance toward social and ecological investment; strengthening democratic stewardship of strategic sectors and guiding private investment through industrial and credit policies; curbing financial speculation and rebalancing the role of private finance; addressing excessive market power through robust competition frameworks; and expanding the social and solidarity economy through supportive legal, financial, and procurement frameworks.

The broad aim is to reshape how resources are mobilised and allocated, how investment decisions are made, and how economic power is distributed across society. By placing democratic priorities, equity, and long-term resilience at the centre of economic governance, this pillar aims to create the structural conditions necessary for poverty eradication within planetary boundaries. Specifically, this involves, on the one hand, a people-centred approach to economic governance (see Chapter 2 on governance). On the other, at the macroeconomic level, it requires policy instruments designed to break up extreme wealth concentration.

Why is changing wealth generation and distribution important from a Sustainable and Inclusive Wellbeing perspective?

Wellbeing

- Changing wealth generation and distribution guarantees that all citizens have their essential material and immaterial needs met, ensuring a high quality of life.
- Supporting livelihoods by transforming corporate regulation and market institutions to favour a "not-for-profit" logic, thereby also reducing coercion and precarity associated with the traditional workplace, directly improving the psychological and physical health of workers.

- Fostering sufficiency and social cohesion by narrowing extreme income gaps, reshaping social norms, and promoting an economic culture oriented toward sufficiency, fairness, and secure livelihoods.

Inclusion

- Restoring substantive democracy by breaking up power monopolies and creating more equal starting positions for all citizens.
- Increasing the opportunities to achieve economic security for low-income and marginalized groups by changing wealth distribution, preventing also the consolidation of dynastic wealth.
- De-commodifying human needs, directly reducing poverty and ensuring that marginalized groups are not left behind, by changing the power balance between capital and labour.

Sustainability

- Curbing high-impact luxury consumption by limiting the financial capacity of the wealthy to engage in status-driven excess consumption, effectively operationalizing an "ecological ceiling". One study shows that decreasing wealth inequality by 1% is associated with a nearly 0.8% decrease in per capita CO2 emissions. A European wealth tax could therefore significantly reduce emissions associated with both inequality and excessive consumption by the wealthy.
- Redirecting capital allocation by limiting polluting activities or fossil fuel extraction. Simultaneously, the revenue collected from wealth taxes can be redirected toward massive public investments in renewable energy, green infrastructure, and ecosystem restoration.
- Enabling the Global South's right to development by redistributing wealth and capping overconsumption in the Global North. This ensures that low-income countries have the ecological space to achieve the necessary material and economic growth required to eradicate poverty and build essential infrastructure without pushing the planet past its climate and biodiversity tipping points.

Empowerment and Participation (transversal)

- A more equal and cohesive society through better wealth distribution creates the ground for people's empowerment and participation, potentially generating the capacity to act (i.e., agency) for their own wellbeing and the wellbeing of others.
- A more substantive democracy and stronger economic security for all enable opportunities and capacity for people to engage in collective decision-making processes and actions in their own societies.

What is the current approach at the EU policymaking level to changing wealth generation and distribution?

The foundation of a transformed economic model relies on ensuring that corporations and wealthy individuals contribute fairly to public finances, thus requiring a wide array of EU initiatives as summarised below (with information available up to mid-2026).

Recent EU initiatives directly tackle the **erosion of tax bases and harmful tax competition.**

- The Pillar Two Minimum Corporate Tax Council Directive (EU) 2022/2523 ensures that large multinational and large-scale domestic groups with an annual turnover of at least €750 million pay an effective corporate tax rate of at least 15% in every jurisdiction where they operate. The rules, which entered into force in January 2024, are designed to discourage profit shifting and bring greater fairness and stability to the tax landscape. This is the most concrete achievement to date for curbing aggressive tax avoidance strategies.
- The Capital Requirements Directive IV (introduced in 2013 and subsequently continuously revised) capped bankers' bonuses at 100% of their fixed salary (or 200% with shareholder approval) to curb extreme pay differentials and discourage excessive risk-taking.
- While a minimum corporate tax is in place, a harmonized EU tax on individual wealth remains to be further discussed to achieve political consensus within the EU. Spain is currently the only EU member state with a net wealth tax (Impuerto sobre el Patrimonio), raising €2.2 billion in 2023, although non-EU states such as Norway also levy such taxes.

The EU is strategically intervening to **guide private investment** and strengthen its own manufacturing capacity for **clean technologies**.

- The Net-Zero Industry Act (NZIA) (Regulation (EU) 2024/1735) sets a target for EU manufacturing capacity to meet 40% of its annual deployment needs for net-zero technologies (like solar panels, wind turbines, batteries) by 2030 and 15% of global production by 2040. The act is envisioned within the Green Deal Industrial Plan (2023).

To **align private finance and corporate strategy with public policy goals**, the EU has introduced mandatory disclosure and reporting requirements.

- Sustainable Finance Package (2021): At its core is the EU Taxonomy, a common classification system that defines which economic activities are environmentally sustainable, to guide private capital toward green investments. Complementing this are the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR), which together create a comprehensive disclosure regime for large companies and financial institutions.
- The European Climate Law enshrines the 2050 climate neutrality target into legally binding legislation. The Just Transition Fund (JTF), established under Regulation (EU) 2021/1056, provides €17.5 billion (2021-2027) to support workers and communities most affected by the transition away from fossil fuels. It aims to ensure that moving to a zero-carbon economy is socially just and inclusive.

The EU is actively promoting the **social economy** as a key pillar of its economic model, recognizing that profit does not have to be the sole purpose of an enterprise.

- The Social Economy Action Plan (2021) [COM(2021)0778] aims to create supportive legal and policy frameworks, improve access to finance, and increase the visibility of social economy actors, including co-operatives, mutual societies, and social enterprises. It aims to help them start up, scale up, innovate, and create jobs.
- To implement the action plan, the Council adopted a Recommendation on Social Economy Framework Conditions (2023) urging Member States to take concrete measures. These include facilitating access to funding, markets, and public procurement for social economy entities, as well as developing a favourable tax environment.

The EU is reforming its economic governance rules to create the fiscal space needed for large-scale **social and green investments**.

- The Social Climate Fund (Regulation (EU) 2023/955) is a concrete example of reorienting resources toward social justice. It will provide up to €65 billion (2026-2032) to support vulnerable households, micro-enterprises, and transport users most affected by the new Emissions Trading System for buildings and road transport (ETS2). The support aims to invest in energy efficiency and clean mobility to reduce bills and combat energy and transport poverty.

How can European policymakers change wealth generation and distribution?

Changing wealth generation and distribution requires a number of policies and actions. Among these, five illustrative examples of key policy instruments have been selected: wealth tax, taxing luxuries with high environmental footprints, sustainable public procurement, social and solidarity economy, and maximum income.

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POLICY INSTRUMENT 3.1A
WEALTH TAX

What is it?

A **wealth tax** is a tax levied, typically on an annual basis, on an individual's net worth. This net worth is calculated by taking the total value of all the assets a person owns – such as real estate, stocks, bonds, financial investments, and other valuables – and subtracting any outstanding liabilities, like mortgages and personal loans. Compared to taxes on income, wealth taxes tackle inequality more directly, given that wealth distribution is more uneven than income distribution.

While the most direct and equality-enhancing form is a progressive annual tax applied only to wealth that exceeds a certain high threshold, the broader concept of wealth taxation can also encompass a variety of related policies, including inheritance taxation, land value taxation, and capital income taxation.

Why is it important from a SIW perspective?

Wellbeing

- For funding Universal Public Services: Wealth taxes generate substantial public revenues that can be redirected to expand social protection and fund Universal Basic Services.
- For reducing status anxiety: High levels of wealth inequality foster a culture of positional competition, where individuals experience increased "status anxiety" and engage in zero-sum consumption to maintain or elevate their social standing. This dynamic diminishes overall happiness, social connections, and life satisfaction. By narrowing the gap between the richest and the rest of society, wealth taxes can curb status-driven excess, reshaping social norms toward sufficiency and fairness, which improves collective psychological wellbeing.
- For reshaping the economy: A wealth tax can reduce rent-seeking, encouraging fair competition and a shift towards sustainable needs satisfaction.

Inclusion

- Breaking the "wealth-returns-wealth" cycle: A progressive wealth tax, particularly when combined with high inheritance taxes, directly interrupts the self-reinforcing cycle of wealth accumulation and breaks down the persistence of wealth across generations, thereby levelling the playing field and enhancing equality of opportunity.
- Restoring democratic equality: Extreme wealth often translates into disproportionate political power that can erode the legitimacy of democratic institutions. Wealth taxes decentralize this concentrated power, helping to restore political equality and democratic accountability.

- Advancing global justice: At the international level, wealth taxes provide a mechanism for global inclusion. Revenues extracted from the wealthiest individuals – often concentrated in the Global North – can be redistributed to fund loss and damage, as well as climate mitigation and adaptation in the Global South, helping to rectify historical inequalities driven by fossil fuel reliance and colonialism.
- Reducing extreme inequality: Wealth inequality is currently far more severe than income or consumption inequality. Because the rate of return on large fortunes consistently outpaces general economic growth, wealth tends to concentrate at the very top. A wealth tax aims to break this cycle and curb extreme wealth concentration.

Sustainability

- Financing the green transition**:** Achieving a rapid transition to a low-carbon economy requires massive public investment, and wealth taxes can serve as a vital revenue-raising tool to close this gap. Studies estimate that a 2 percent flat European annual tax on wealth over 2 million euros could cover 44 percent of the EU's green investment gap, while a strongly progressive tax could raise 83 percent of the required funding.
- Shifting investment-related emissions**:** The wealthy play a pivotal role in driving emissions through their investments, as they hold the vast majority of financial and business assets, which are often highly carbon-intensive. By taxing wealth, governments can reduce the sheer volume of capital that elites can deploy into environmentally destructive sectors and fossil fuels, thereby shifting the overall carbon intensity of the economy's capital stock.
- Curbing high-carbon lifestyles**:** Wealth inequality is strongly correlated with high per-capita carbon emissions. Taxing wealth is viewed as an eco-social policy that can help limit the outsized environmental footprint, investments in carbon-intensive industries, and excessive status consumption of the super-rich.
- Supporting intergenerational mobility: A wealth tax can break inherited wealth accumulation and increase opportunities for improvement for future generations born into disadvantaged backgrounds.

What are the policy actors and policy levels in charge of implementing wealth taxes?

Implementing and enforcing a wealth tax requires a multi-level governance approach, ranging from global institutions down to regional authorities. Because capital and ultra-high-net-worth individuals are somewhat mobile, the success of a wealth tax heavily depends on how these different levels of government and international actors coordinate to prevent capital flight and tax evasion.

International Institutions: global forums and international bodies are essential for setting overarching standards and initiating broad agreements.

- **The G20:** Forums like the G20 can drive global consensus. For instance, the Brazilian presidency of the G20 in 2024 proposed a coordinated 2% annual global wealth tax on billionaires.

- **The United Nations (UN):** The UN can act as a facilitator for global financial transparency. Recent developments include calls for a United Nations Tax Convention and the establishment of a global asset registry to track wealth dynamics comprehensively.
- **Other International institutions:** International and national actors must coordinate to establish enhanced cross-border reporting standards (such as the OECD's automatic exchange of financial account information) and build comprehensive global asset registries. These registries would identify the ultimate beneficial owners of financial assets, real estate, and corporate stocks, making it virtually impossible to hide wealth in shell companies or secretive tax havens. Moreover, at the international level, revenues extracted from the wealthiest individuals could be coordinated through multilateral funds to support global climate justice – for example, redistributing funds to low-income countries for climate adaptation, loss and damage, and green investments.

The European Union level: Regional blocs like the EU can implement coordinated wealth taxation policies across their member states. This would significantly reduce the opportunities for capital flight.

The National level: National states hold the sovereign legislative power to actually levy the taxes, define the tax base, and collect revenues. Countries such as Spain, Norway, and historically France and Iceland, demonstrate that domestic implementation is entirely feasible when backed by strong tax enforcement (See Box 3.1).

The regional and local level: In some highly decentralized or federal systems, wealth taxes are administered at the sub-national level. In Switzerland, for example, net wealth taxes are successfully levied and determined by individual Cantons, proving that decentralized administration can work under the right structural conditions, generating significant public revenues.

How to design wealth taxes?

To effectively implement a wealth tax, policymakers must carefully navigate the practicalities of realisation, ensure that specific political and administrative prerequisites are met, and meticulously design the policy to prevent evasion and maximize societal benefits. Realizing a wealth tax requires moving beyond isolated national policies toward collaborative frameworks.

Specific enabling conditions

1. **International tax transparency.** Improved international tax transparency, enhanced cross-border reporting standards, and the potential creation of global wealth registries are crucial enabling conditions to trace offshore assets and prevent evasion.
2. **Overcoming elite political influence.** Limiting the oligarchic influence of extremely wealthy elites is a necessary precursor to passing robust wealth tax legislation.
3. **Public support and framing:** To be politically viable, the tax must secure broad public support. Survey evidence indicates that a majority of people actually support wealth taxes – both one-off and annual – when the policy is clearly explained in terms of fairness, ensuring that those with the greatest "capacity to pay" carry more of the tax burden.

Designing high-quality wealth taxes

The structural design of an effective wealth tax should consider:

- **High thresholds and progressivity:** A well-designed wealth tax is typically levied annually at progressive rates, applying only to net worth that exceeds a very high threshold. While historical rates have hovered around 1%, higher rates may be required to reduce inequality, as the average net wealth of the super-rich naturally grows by 7–9% annually.
- **A broad base with limited exemptions:** To keep administration and compliance costs low, the tax should feature a high exemption threshold, but very few exemptions for specific asset types within that bracket. The tax base must broadly include financial investments, stocks, and property. However, to maintain public support, policymakers often exclude the primary residence (the main home) from the taxable base.
- **Managing liquidity constraints:** A common criticism of wealth taxes is that individuals might be "asset rich but cash poor," struggling to pay the tax without selling off assets. A good design mitigates this liquidity issue by ensuring the tax burden falls predominantly on the very richest individuals, who are far more likely to hold liquid financial assets and earn significant cash income directly from their wealth.
- **Preventing evasion loopholes:** The design must anticipate and block tax evasion strategies, such as shifting wealth into exempted asset categories or under-reporting capital. This is achieved by minimizing the number of exemptions and enforcing strict compliance.
- **Targeted revenue recycling:** The design should explicitly link the generated tax revenues to social and ecological goals. Earmarking the funds for green investments, poverty reduction, universal public services, or international climate loss and damage funds makes the tax highly impactful and increases its political legitimacy.

What are the indicators to evaluate wealth tax from a SIW perspective?

To evaluate the effectiveness of a wealth tax, policymakers rely on a multidimensional set of indicators that track changes in extreme economic concentration, social inclusion, and broader eco-social impacts. A list of candidate indicators for the evaluation follows. These are not always widely available, and occasionally they would involve specially commissioned data collection work.

1. Vertical wealth concentration

- The wealth Gini coefficient: a standard measure of overall wealth inequality across the entire population. ← This indicator is included in the JRC's streamlined dashboard of 140 indicators.
- Top wealth shares: percentage of total national wealth held by specific upper percentiles, most notably the top 1% and the top 10% of households.
- Top-to-bottom wealth ratios: Assets held by the top 10% against the assets held by the bottom 50%.

- Wealth-to-income ratio: aggregate net national wealth to national income, to understand the overall scale and significance of accumulated wealth within the broader economy.

2. Environmental and carbon inequality

- Wealth inequality elasticity of carbon emissions: percentage change in per capita carbon emissions that results from a 1% change in wealth inequality.
- Carbon emissions by wealth decile: share of total emissions produced by the top wealth deciles (such as the top 10% or top 1%) compared to the bottom deciles.
- Investment-related emissions: carbon intensity of the capital stock owned by the wealthy, measuring whether the tax successfully shifts or reduces their investment-related emissions.

3. Inclusion, poverty, and horizontal inequality

- Risk of poverty and deprivation: Indicators such as the at-risk-of-poverty rate, child poverty, and material deprivation are used to measure whether redistributed wealth tax revenues are successfully raising baseline living standards and reducing financial vulnerability. ← This aspect can be proxied by the indicator "at-risk-of-poverty rate" included in the JRC's streamlined dashboard of 50 indicators.
- Horizontal inequalities: disaggregated wealth and income data to measure gaps between different demographic groups. This tracks whether the wealth tax helps reduce systemic inequalities based on gender, race, ethnic origin, disability status, or urban-rural divides.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.1

WEALTH TAXATION IN SPAIN

Spain represents the only European case to have introduced a wealth tax system. It has developed a dual-layered approach: a permanent national Wealth Tax (Impuesto sobre el Patrimonio) managed and partially regulated by its regions, and a temporary state-level Solidarity Tax on Large Fortunes (Impuesto Temporal de Solidaridad de las Grandes Fortunas - ITSGF).

*The **Wealth Tax** was first introduced in 1977 as an "Extraordinary Wealth Tax" (Impuesto Extraordinario sobre el Patrimonio). Its original purpose was to complement the Personal Income Tax and help tax authorities cross-check wealth declarations. After a period of relative stability, the tax was formalized under Law 19/1991 as a permanent Wealth Tax (Impuesto sobre el Patrimonio). From the early 1990s until the global financial crisis, the exempt minimum was around €108,000. In 2008, facing economic slowdown concerns, the government abolished the Wealth Tax, benefiting about one million taxpayers at a cost of €1.8 billion in forgone revenue. However, the tax was reintroduced in 2011, again as a "temporary" measure, to help fund economic recovery from the financial crisis. This time, the exempt threshold was significantly raised to €700,000, limiting the tax to approximately 160,000 wealthiest individuals and raising around €1.08 billion annually. The Wealth Tax is managed and applied by regions, respecting the decentralized structure of the state.*

*The **ITSGF** was instead created by Law 38/2022 as part of a broader package that also included temporary taxes on energy companies and financial institutions. The government pushed for the tax in response to the economic pressures of the energy crisis and rising inflation. Its explicit purpose was to demand a greater effort from the wealthiest as a sign of solidarity and to reduce regional disparities in wealth taxation. While initially designed for two years, it was extended by Royal Decree-Law 8/2023. As of early 2026, it remains in force pending a broader review of regional financing and wealth tax.*

Rules were established to prevent double taxation – the amount paid for the Wealth Tax is deductible from the ITSGF liability. Furthermore, a combined cap ensures that the total tax burden (Income Tax + Wealth Tax + ITSGF) does not exceed 60% of the taxpayer's income, preventing a confiscatory effect.

A major obstacle to the effective application of the national wealth tax strategy has been the decentralized nature of Spain's Wealth Tax: autonomous communities have been granted power to adjust rates, allowances, and even offer 100% rebates (bonificaciones). Regions like Madrid and Andalusia effectively eliminated the Wealth Tax for their residents by granting a full rebate, creating what critics call "fiscal dumping" or a "race to the bottom." This attracted wealthy individuals to these regions, eroding the tax base of other communities and raising concerns about unfair competition. The ITSGF was the central government's strategic response to this obstacle. Since the ITSGF is a state-level tax that cannot be modified or rebated by the regions, it effectively imposes a floor on wealth taxation across Spain. For a taxpayer in Madrid (where the regional Wealth Tax is 100% rebated), the ITSGF ensures they still pay a minimum amount to the state.

The ITSGF was passed using a parliamentary majority, overcoming opposition. The ongoing political debate continues and ITSGF remains in force; it demonstrates the ability of a determined executive to push through progressive tax policy despite vocal regional opposition.

A persistent challenge has been the ability of wealthy individuals to hide assets, particularly offshore. Studies suggest that hidden wealth abroad could reach up to 30% of declared financial

income in Spain. The Tax Agency has increasingly used algorithmic analysis to cross-check tax returns and identify undeclared assets, helping to improve compliance.

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POLICY INSTRUMENT 3.1B
LUXURY CARBON TAXATION

What is it?

Luxury carbon taxation, i.e., taxing luxuries with high environmental footprints, is a policy instrument designed to tax the environmental harms associated with excessive, non-essential consumption without jeopardising people's ability to afford the goods necessary for everyday wellbeing.

To implement this, policymakers must distinguish between "basic" and "luxury" goods. This can be done by examining the income elasticity of consumption – identifying goods consumed predominantly by the most affluent, such as long-distance flights, private jets, cruises, expensive cars, and high-end jewellery or perfumes- and can foresee forms of exemption for basic goods. In practice, this policy can be implemented in a few different ways:

- **Luxury-Focused Carbon Taxation:** This approach applies higher carbon tax rates to luxury consumption than to basic consumption, ensuring that essential goods are exempt while non-essential goods are taxed in proportion to their carbon emissions.
- **Targeted Goods Taxes or VAT Adjustments:** Policymakers can place specific taxes – or alter Value-Added Tax (VAT) rates – on specific high-emission goods that are deemed unnecessary for human wellbeing. Prominent proposals include flight taxes (especially for frequent flyers) and meat taxes.

Why is it important from a SIW perspective?

Wellbeing

- Health co-benefits: Taxes targeting specific high-footprint goods can actively improve public health. For example, implementing a tax on meat and dairy while simultaneously using the revenues to lower the VAT on fruits and vegetables to zero has been shown to yield significant health benefits. Models in the EU and UK suggest this could avert hundreds of deaths per million people and reduce societal costs from ill health, while only minimally impacting the overall cost of a diet.
- For protecting the affordability of basics: an exemption on essential goods can be foreseen to mitigate possible negative effects on energy poverty or on individuals' ability to meet their basic needs for decent living.
- Reducing status anxiety: extreme wealth inequality drives "status consumption," where people consume excessively simply to display prestige, forcing others into a zero-sum "rat race" that increases societal status anxiety. Taxing luxury emissions helps tackle this environmentally damaging behaviour in two ways: first, by highlighting the negative

environmental impact of luxury consumption; second, by lowering consumption also by the wealthiest, therefore limiting the imitation of consumption patterns of the rich.

Inclusion

- Targeting the top emitters: These policies place the tax burden on consumption that is highly concentrated among the wealthiest individuals. This acts as a sort of progressive taxation lever.
- Revenue recycling for equality: The revenues generated from taxing luxuries can be strategically redistributed to alleviate poverty or funnelled into global climate loss and damage funds. This active redistribution reduces overall inequalities more effectively than a uniform carbon tax.

Sustainability

- Massive emissions reductions: Richest consumers are responsible for a wildly disproportionate share of global warming. Global modelling indicates that, in an ideal scenario in which all countries adopted a carbon tax on all goods proportional to the income elasticity of demand, yearly global household emissions could be reduced by 6% compared to a baseline scenario. By 2050, this policy could save around 100 gigatons of carbon dioxide equivalents, moving household emissions 75% of the way toward being compliant with a 2°C climate pathway.
- Funding green infrastructure: The substantial revenues raised from luxury taxes can be directly reinvested into carbon mitigation schemes. A prime example is using the funds to retrofit low-income housing with better insulation and energy-efficient systems, which simultaneously reduces future emissions and protects vulnerable populations from extreme weather.

What are the policy actors and policy levels in charge of implementing luxury carbon taxation?

Implementing taxes on luxuries with high environmental footprints – such as frequent flyer levies, meat taxes, or luxury-focused carbon taxes – primarily falls under the jurisdiction of national governments and supranational entities, while requiring targeted coordination at the global level and deep involvement from civil society.

International institutions: While the primary policy levers are national and regional, international organisations provide the necessary forums to secure multilateral agreements on highly mobile luxury sectors. A classic example is the aviation sector. Currently, international aviation fuel remains exempt from taxation due to a 1944 international agreement, making it difficult for individual nations to tax it effectively. Global bodies facilitate initiatives like the UN's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and host development conferences where multilateral agreements can be struck, such as a recent agreement by a group of eight countries to begin taxing private jets.

The European Union level: The EU has the capacity to propose union-wide taxation frameworks. Supranational governance is essential to prevent scenarios where consumers simply cross a border to purchase a high-carbon luxury good or take a cheap flight to avoid a national tax.

The National level: National policymakers possess the fiscal authority to adjust VAT rates and impose specific levies. National authorities are responsible for identifying which goods are taxed and for implementing the mechanisms to collect them.

Citizens, Experts, and Civil Society: Experts provide the codified, scientific knowledge regarding the environmental footprint of specific goods, while citizens contribute experiential knowledge about their everyday lives (for example, by means of citizens' assemblies). Together, they can form deliberative bodies (like citizens' assemblies) to define what actually constitutes a "luxury" versus a "necessity".

These actors must coordinate across three main areas. First, supranational harmonisation is essential to prevent "carbon leakage": if taxes are implemented unevenly, they risk creating a simple displacement of luxury consumption to neighbouring jurisdictions with weaker rules. Second, policymakers cannot arbitrarily decide what constitutes a basic need without risking severe public backlash. Therefore, governments must coordinate directly with citizens and experts through structured public dialogues. This coordination helps define "reference baskets" that are considered necessary for a decent standard of living. Furthermore, national policymakers must adapt these definitions to changing societal contexts; for instance, in low- or middle-income countries, governments must account for infrastructure constraints (like a lack of electricity or public transit) that might make certain consumption seem like a luxury when it is practically a basic necessity for survival. Third, taxing authorities must coordinate the collection of luxury taxes with the redistribution of those revenues to prevent the policy from becoming regressive. While a luxury carbon tax inherently targets the wealthy, it can still inadvertently raise costs for lower-income groups if taxes on low carbon consumption are not waived at the same time.

How to design taxation on luxury carbon taxation?

To effectively realize, enable, and design a tax on luxuries with high environmental footprints, policymakers must navigate the complexities of defining "luxury," overcoming political resistance, and ensuring the policy reduces emissions without harming vulnerable populations.

Governments do not necessarily need to introduce a new taxation system, but they can use VAT systems or a progressive consumption tax. In addition, they can implement widely used instruments like "frequent flyer levies" (which increase the tax with every subsequent flight taken in a year) or "frequent air miles tax" (which taxes both the emissions and the frequency of flights, see Box 3.2). However, some caution must be used when considering the responsiveness of the ultra-wealthy. Because extreme luxuries (e.g., private jets, superyachts) act as positional status symbols (Veblen goods), price increases do not reduce their demand. Thus, a high-quality framework must be dual-track: progressive taxes should be used to steer standard luxury demand and raise transition revenues, whereas direct regulations or absolute physical caps must be deployed to halt the price-inelastic emissions of the super-rich.

Specific enabling conditions

1. **Overcoming elite political influence:** Wealthy elites and corporations often use their financial resources to aggressively lobby against environmental protections and consumption taxes. A crucial enabling condition is limiting this influence through campaign finance regulations, lobbying reforms, or publicly funded election systems.
2. **Administrative data and elasticity metrics:** Governments must possess robust administrative data and information on consumption elasticities to identify the tax thresholds that are more likely to produce a substantial decrease in demand.

Designing high-quality luxury carbon taxation

The key design features include:

- **Categorizing goods and services:** The design must explicitly identify luxury forms of consumption. This can be done by targeting unambiguous luxury products (such as private jets, first-class flights, cruises, and expensive cars). It must also account for *quantity* and *purpose* – for instance, recognizing that while an occasional flight to visit family abroad may be a necessity, taking multiple flights a year for leisure is a luxury.
- **Protecting vulnerable demographics:** The design must include exemptions to ensure that the tax does not inadvertently harm marginalized groups. For example, when designing a frequent flyer levy, policymakers should consider mechanisms (like tax-free contingents) to protect migrants or individuals with geographically dispersed families who rely on flights to visit relatives, or people living in remote, peripheral regions.
- **Progressive revenue recycling:** To ensure the tax remains socially progressive and politically popular, revenues should not merely disappear into general government budgets; they must be actively redistributed as lump-sum transfers to low-income households, used to lower taxes on essential goods, or invested directly into green infrastructure.

What are possible indicators to evaluate luxury carbon taxation from a SIW perspective?

Evaluating luxury carbon taxation requires a specific set of indicators that measure not only the reduction in environmental harm but also the distributional justice, economic outcomes, and public health co-benefits of the policy. This might demand heavy, custom-built data gathering. The following enumeration offers indicators that could potentially shape the evaluation.

1. Distributional justice and inclusion indicators

- Tax burdens relative to income: the percentage of disposable household income across different equivalised income deciles. This is crucial for proving whether the tax is progressive (falling heavier on the rich) or regressive (burdening the poor).
- Tax burden ratios: a common metric is comparing the tax burden of the lowest (first) income quintile against the highest (fifth) income quintile.
- Lorenz curve and Gini coefficients for emissions: specifically applied to the inequality of emissions, such as the inequality of flight emissions over the disposable income distribution.

- Top emitter shares vs. bottom emitter shares: percentage of emissions produced by the top 5% or 10% of earners compared to the bottom 50% or 80%. For instance, a successful frequent flyer levy would ideally reduce the massive share of emissions currently generated by the top 10% of frequent flyers (i.e., 83.7% of all frequent flight emissions).
- Differences across social groups: average tax burdens across specific social and demographic categories to identify vulnerable groups, such as recent migrants who may be frequent flyers out of necessity.

2. Environmental and climate impact indicators

- Total household emissions reductions: percentage reduction in yearly global or national household greenhouse gas emissions directly attributable to the tax, compared to a baseline scenario with no policy.
- Cumulative emissions saved: Long-term evaluations project the total volume of carbon dioxide equivalents (Gigatons) saved by a specific date.
- Climate pathway compliance: percentage of progress the tax achieves toward bringing household emissions into compliance with global carbon budgets, such as a 1.5°C or 2°C consistent climate pathway.
- Sector-specific reductions: For targeted policies like flight ticket taxes, evaluators track the percentage reduction in overall air traffic and the corresponding reduction in emissions across the industry, sometimes differentiating between low-cost and network airlines.

3. Health, economic, and social wellbeing indicators

- Averted mortality: number of averted deaths per million people resulting from a tax shift that raises the price of meat while using the revenues to lower the cost of fruits and vegetables or that decreases emissions.
- Reductions in costs borne by the community: reductions in collective costs incurred to counteract the negative effects of climate degradation (i.e., ill health and damage to infrastructure) driven by luxury consumption.
- Public revenue generation: increase in public tax revenues generated by the policy.
- Impact on the cost of living: impact of the tax (and any accompanying subsidies for essential goods) on the overall average cost of a diet or lifestyle for consumers.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.2

PROPOSALS FOR FREQUENT FLYER LEVIES

Research shows that "frequent flights" (defined as any flight beyond the first return trip) are vastly more unequally distributed than flights in general. For instance, the top 10% of flyers are responsible for 68.8% of all frequent flights, and the top 10% of earners generate nearly 30% of all frequent flight emissions.

Building on this, frequent flyer levies and related tax models are designed to curb the environmental impact of aviation by specifically targeting individuals who fly multiple times a year, rather than penalising those who take an occasional holiday.

Recent empirical evaluations of these policies identify two primary models specifically designed to escalate costs based on flight frequency, which can be compared against more conventional flat-rate aviation taxes.

1. The frequent flyer levy (escalating per-flight charge). *This model, prominently proposed by organisations like the New Economics Foundation and We Are Possible, focuses purely on the number of flights an individual takes within a given year. In its standard design, this levy entirely exempts the first return flight of the year. This is intended to protect individuals who only take one annual holiday or need to visit family. The tax then kicks in for the second return flight at a base rate – for example, £25. For every subsequent flight taken in that same year, the levy increases by a fixed amount. In the UK proposal, the tax increases by £10 for each additional flight (e.g., the third flight costs £35 in tax, the fourth costs £45, and so on). A variation of this model includes taxing the first return flight at a low rate of £10 rather than exempting it entirely.*

2. The frequent air miles tax (Combined Frequency and Emissions Charge). *Proposed by researchers Fouquet and O'Garra, this model combines a tax on actual carbon emissions with a frequency escalator. Instead of a flat fee per flight, the baseline charge is tied to the emissions of the journey – for instance, a base rate of £50 per tonne of CO2 equivalent (CO2e). The tax rate per tonne of emissions increases geometrically with every additional flight. For each subsequent flight taken by an individual, an additional £50 per tonne is added to the tax rate. This means a frequent flyer taking a long-haul flight (which emits a high volume of CO2) as their fourth trip of the year would pay a massively multiplied tax rate per tonne compared to their first short-haul flight.*

3. Conventional baselines for comparison. *To evaluate the effectiveness of these frequency-based models, policymakers compare them against conventional aviation taxes that do not escalate based on individual frequency:*

- ***Air passenger duty (APD):*** *This is the current UK model, where airlines pay a fixed charge per passenger based on distance bands and seat class (e.g., £13 for short-haul flights under 2,000 miles, up to £91 for flights over 5,500 miles in economy class), which is passed to the consumer. It does not matter if it is the passenger's first or tenth flight.*
- ***Flat flight emissions tax:*** *A straightforward carbon tax applied uniformly across all flights, such as a flat £50 per tonne of CO2e, regardless of passenger frequency.*

The Frequent Air Miles Tax is the most progressive tax option available, followed closely by the Frequent Flyer Levy. They effectively shift the economic burden of climate mitigation onto the wealthiest, highest-emitting individuals. Interestingly, data evaluations show that frequent flyer levies can sometimes appear to place a higher relative burden on the lowest income decile, but this is

a statistical anomaly. Many individuals in the "lowest income" bracket who fly frequently are actually wealthy retirees whose main income comes from investments, annuities, or pensions, meaning they are asset-rich and not genuinely experiencing poverty. When these asset-rich individuals are removed from the data, frequent flyer models are shown to protect lower-income groups highly effectively.

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POLICY INSTRUMENT 3.1C
SUSTAINABLE PUBLIC PROCUREMENT

What is it?

Sustainable Public Procurement (SPP) is a process through which government agencies utilise their massive purchasing power not just to meet immediate administrative needs, but to actively steer overall production and consumption patterns toward broader ecological and social sustainability.

Within this broad framework, the concept is further defined through specific environmental and social domains:

- **Green Public Procurement (GPP):** purchasing agencies specifically pay attention to environmental aspects, aiming to procure goods, services, and construction that have a significantly reduced environmental impact throughout their entire life cycle.
- **Socially Responsible Public Procurement (SRPP):** it helps public authorities deliver higher-quality services and products to their communities while achieving additional social and ethical benefits, which can even contribute to countering the negative impacts of major societal crises.
- **Gender-Responsive Public Procurement (GRPP):** procurement that actively promotes gender equality through the specific goods, services, or works being purchased. This requires both buyers and suppliers to examine the impact of contracted activities on the needs, interests, and concerns of both women and men, designing and delivering contracts in a manner that actively reduces gender inequalities.

Public procurement is a massively powerful economic lever, accounting for approximately 15% of the European Union's Gross Domestic Product (GDP), which translates to over €2 trillion in annual public spending. Due to this immense scale, procurement decisions determine who benefits from public spending, who is excluded, and how environmental and social costs are distributed across generations.

By guaranteeing large-scale demand for sustainable options, public authorities can incentivise the private sector to develop innovative, environmentally friendly, and socially responsible products and services. In the context of the circular economy, green procurement can spread innovations and create viable markets for better waste prevention, material efficiency, and recycling measures. Furthermore, prioritising local procurement, through reserved contracts for social economy entities and by awarding contracts to small and medium-sized enterprises, implies that public expenditure is directly invested in the local labour markets, as well as agricultural and industrial production, which binds beneficiaries and producers to common community interests and helps address poverty at its roots.

Why is it important from a SIW perspective?

Wellbeing

- Enhancing job quality and working conditions: When governments embed social criteria and considerations into their tenders, procurement can become a powerful tool to support quality jobs and decent working conditions, directly improving the material and psychological wellbeing of the workforce.
- Improving public health and safety: By applying strict green criteria and considerations, governments can procure goods and services that directly improve the health of citizens (see Box 3.3).
- Delivering higher quality public services**:** Shifting the focus from short-term cost reduction to long-term value and emphasising quality criteria over cost enables public authorities to deliver better, modernised public services to their communities.

Inclusion

- Advancing gender equality: GRPP requires buyers and suppliers to explicitly examine how contracted activities impact the needs and interests of both women and men who are beneficiaries or end users of the goods, services and works to be purchased. Public spending can, to a certain extent, support women-led enterprises, challenge structural gender disparities or sexual harassment in the labour market, and improve work-life balance and the sharing of care responsibilities between women and men.
- Empowering marginalised workers and the social economy: SRPP allows public authorities to use “reserved contracts”, set aside for Social Economy Entities (SEEs), such as social enterprises that employ disadvantaged, vulnerable, or disabled individuals.
- Tackling poverty and regional divides: By prioritising ethical and resilient supply chains, public expenditure is directly invested back into the local workforce and regional agriculture. Aligning procurement with poverty eradication strategies ensures that substantial public purchasing power is steered toward socially useful, locally embedded, and ecologically sustainable activities, helping to address poverty at its roots.

Sustainability

- Driving the circular economy: By setting (possibly mandatory) green and circular criteria, GPP can spread innovations and create viable, large-scale markets for waste prevention, material efficiency, reuse and recycling.
- Creating markets for green innovation: Because of the sheer volume of public demand, governments can guarantee a market for sustainable innovations that can incentivise the private sector to develop low-emission technologies and clean mobility solutions, moving markets toward responsible production and consumption.
- Enforcing life-cycle costing: Sustainable procurement forces a structural shift in economic thinking by evaluating the environmental footprint of a product or service across its entire life cycle, rather than just its upfront purchase price. This ensures that long-term climate

resilience, decarbonisation, and the preservation of ecosystems are institutionally embedded into how public money is spent.

What are the policy actors and policy levels in charge of implementing SPP?

The implementation of SPP requires a multi-level governance approach and the active involvement of a diverse range of actors:

The European Union level: the European Union bodies are responsible for establishing the overarching legal framework. They design and revise the EU Public Procurement Directives, which set the foundational rules for environmental, social, and labour compliance in public contracts. They also provide guidance on outcome-based contracting and foster mutual learning among Member States.

The National Level: National governments are responsible for implementing EU laws in a way that maximises sustainable development, social inclusion, and gender equality goals. They can better do that by developing overarching strategies, setting national targets, and funding capacity-building structures like National Competence Centres.

Regional and local authorities: Because much of the actual welfare provisioning occurs at the local and regional levels, municipal administrations, regional governments, and local procuring units are the primary actors executing the tenders for essential services like healthcare, transport, construction, and education. These authorities are in charge of directly designing and implementing strategic procurement practices and engaging proactively with local markets.

Economic and civil society actors: Non-state actors are essential participants in the procurement ecosystem. This includes mainstream businesses, Small and Medium-sized Enterprises (SMEs), cooperatives and Social Economy Entities (SEEs). Furthermore, social partners, trade unions, gender equality experts, and local community members are critical actors who must be involved in shaping economic transitions, ensuring fair wages, and monitoring societal outcomes by means of public contracts.

To overcome barriers such as perceived legal uncertainty, a lack of technical skills, and the entrenched administrative culture of choosing the “lowest price,” robust coordination must occur.

First, during the transposition of directives or in view of the correct implementation of the rules if a regulation is used, the European Commission should set up transnational working groups involving national authorities, social partners, social economy representatives, and gender equality experts. This collaborative coordination is vital to develop common social impact indicators, harmonise reporting requirements, and foster the exchange of best practices across Member States.

Second, national governments must build robust capacity-building systems (see Box 3.3).

Third, coordination should also occur horizontally across municipalities to promote peer learning, knowledge-sharing networks, and matchmaking platforms to avoid duplication of efforts and build momentum for systemic change. Furthermore, procuring units themselves need to improve internal coordination across their own management departments to successfully integrate sustainability criteria into their purchasing cycles.

Fourth, effective procurement requires proactive coordination between public buyers and the market. Public authorities must engage in early dialogue with firms, SMEs, and SEEs – for instance,

through preliminary market consultations – to understand supply capabilities and help businesses adapt to new green and social standards.

How to design SPP?

To realise the full transformative potential of green and socially sustainable public procurement, a fundamental shift in the mindset of public buyers is required – moving from a perspective of mere "spending" to one of "investing". This requires a paradigm shift in the mindset of public buyers, moving away from short-term expenditure minimisation and a strict "lowest price" logic toward emphasising best value for money (known in the EDU context as the **Most Economically Advantageous Tender – MEAT** criterion), evaluating bids based on their long-term social, environmental, and quality impacts. Public procurement must no longer be treated as a mere administrative function, but rather as a core policy instrument designed to deliver societal outcomes.

Specific enabling conditions

1. **Capacity building and support systems:** A major barrier to sustainable procurement is the lack of skills, knowledge, and competence among public buyers, who often struggle to draft complex, outcome-based sustainability tenders. Governments must build comprehensive capacity-building systems that provide continuous training for procurers at all levels, alongside the development of guidance, toolkits, and model clauses.
2. **Clear legal frameworks and political will:** Public buyers often operate in a compliance-driven culture with a fear of legal challenges when including social or environmental criteria. Overcoming this requires forward-looking legal reforms that clearly identify the promotion of quality employment, social inclusion, gender equality, and sustainable development as core, legally protected objectives of public procurement. This must be accompanied by medium- and long-term purchasing strategies at national and regional levels to ensure strong political backing.
3. **Mandatory monitoring and data collection:** Currently, there is a severe lack of data regarding the implementation of sustainable procurement, namely socially responsible public procurement. Establishing mandatory reporting systems based on common indicators is an essential enabling condition. This allows governments to monitor social, environmental, and gender outcomes across Member States, understand what works, and ensure accountability.
4. **Market engagement and internal coordination:** Procurers need an environment that encourages early dialogue and proactive engagement with the market and stakeholders to understand supply capabilities and help businesses adapt to new standards. Additionally, procuring units must improve internal coordination across their own management departments.

Designing high-quality Sustainable Public Procurement

When designing actual tender specifications and procurement processes, public authorities should utilise specific structural mechanisms to ensure inclusivity and environmental sustainability:

- **Make best-value-for-money the default criterion:** Tender design must explicitly limit the use of the lowest cost or price as the sole deciding factor. Instead, the Most Economically Advantageous Tender (MEAT) criterion, or the Best Price-Quality Ratio, must become the default award criterion, placing greater emphasis on quality, innovation, and environmental and social considerations.
- **Utilise life-cycle costing and outcome-based criteria:** Tender specifications should not be overly prescriptive; they should be "outcome-based" to allow the market to propose innovative solutions. Furthermore, contracts must be designed to evaluate both the total life-cycle costs (including acquisition, energy consumption, maintenance, and disposal costs) and the environmental footprint of a product or service across its entire life cycle. By shifting the focus from the short-term purchase price to long-term operational costs, public authorities can easily demonstrate that green and sustainable options are often the most economically advantageous choices over time.
- **Divide contracts into lots:** The sheer size and complexity of public contracts often disadvantage small and medium enterprises and Social Economy Entities (SEEs). To design inclusive procurement, large contracts should routinely be broken down into smaller "lots" to facilitate the participation of these smaller entities.
- **Lower barriers to entry:** Procurement design should include advance payments and proportionate requirements to lower the barriers to entry for SMEs and SEEs, which frequently lack the resources to engage in complex tendering procedures. Facilitating the formation of consortia between mainstream businesses and SEEs, or supporting SEEs as subcontractors, is also a highly effective design choice.
- **Prioritise local procurement:** The new procurement rules at the EU level could be designed to give preference to local provisioning. This is because local expenditure ensures that public funds are directly invested in the local workforce, agriculture, and industry, meaning that producers and beneficiaries are bound to common community interests.
- **Utilise "green deal" agreements:** Procurement design can incorporate voluntary, procurement-specific commitments between purchasing units and government parties. For example, public authorities can establish shared procurement criteria through "Green Deal" agreements to mandate the reduction of hazardous substances, fragrances, and dyes in goods like toys and furniture purchased for kindergartens.

What are the indicators to evaluate SPP from a SIW perspective?

Evaluating the effectiveness of SPP requires shifting away from traditional administrative metrics toward indicators that measure long-term public value and societal outcomes. However, the current landscape is characterised by a severe lack of data and systematic monitoring, particularly concerning Socially Responsible Public Procurement (SRPP). Despite requiring ad hoc collection

efforts, only by implementing reporting systems based on common indicators is it possible to have a thorough overview of what works and what must be changed.

To address this, mandatory reporting systems are required to track a specific set of quantitative and qualitative indicators across Member States.

1. Process and procurement design indicators

- Share of contracts awarded using the MEAT criterion, with the indication regarding the use of social, environmental, or innovation criteria: percentage of public tenders evaluated based on the Most Economically Advantageous Tender (MEAT) (or Best Price-Quality Ratio) rather than solely on the lowest price, broken down into social, environmental and innovation criteria. Currently, many European countries still award between 51% and 96% of their public contracts using price or cost as the only criterion.
- Division into lots: proportion of large public contracts that are broken down into smaller "lots", to facilitate the participation of smaller, often socially-oriented actors.
- Use of reserved contracts: percentage of the annual procurement budget, or the absolute number of contracts, specifically reserved for SEEs.
- Number and typology of beneficiaries of reserved contracts and of social considerations, broken down by gender. Collecting quantitative and qualitative data about beneficiaries of reserved contracts and contract performance conditions that include social considerations will provide evidence about the impact of such instruments.

2. Environmental sustainability (green) indicators

- Life-cycle costing (LCC) application: frequency with which tender specifications require and evaluate the environmental footprint of a product or service across its entire life cycle.
- Adherence to GPP and ecolabel criteria: number of tenders incorporating clear, verifiable environmental criteria.
- Reduction of hazardous substances: Sector-specific environmental metrics can be monitored through voluntary "Green Deal" agreements (see Box 3.3).

3. Social Inclusion and Wellbeing Indicators

These indicators evaluate whether public spending is actively used to reduce inequalities, empower vulnerable groups, and improve working conditions.

- Compliance with labour standards and collective bargaining: Indicators measuring whether economic operators involved in public procurement and their subcontractors comply with applicable social and labour obligations during the performance of the contract. This includes quality employment, fair wages, and collective bargaining.
- Gender-Responsive Public Procurement (GRPP) targets: indicators measuring the impact of contracted activities on both women's and men's needs.
- Participation rates of SMEs, SEEs, and local enterprises: actual share of public funds flowing to SMEs, young start-ups, and the social economy ecosystem.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.3

THE FINNISH GREEN DEAL

Finland is widely recognised as a European leader in the strategic use of public procurement to achieve sustainability and innovation goals. With public procurement accounting for approximately €47 billion annually, the Finnish government utilises this massive purchasing power as a significant lever to reduce environmental impacts and shape markets for environmentally friendly products.

Finland's approach is rooted in its National Public Procurement Strategy (2020), which explicitly prioritises economic, environmental, and social sustainability. The strategy establishes highly specific national goals for carbon neutrality, the circular economy, biodiversity preservation, and the creation of sustainable food systems.

To assist local procurers in implementing this strategy, the national 'Procurement Finland' programme was established to provide public buyers with practical tools, methods, guides, and reports, while also facilitating collaborative actions between different municipalities.

The most critical enabler for the Green Deal was the launch of the state-funded National Competence Centre for Sustainable and Innovative Public Procurement (KEINO) in 2018, which operated until 2024. KEINO played a pivotal role by organising training programmes, promoting best practices, and deploying regional 'change agents' to support public procurement units at the regional and municipal levels.

Through the KEINO Competence Centre, Finland initiated a specific policy tool known as the "Green Deal Agreement for Public Procurement". Rather than relying solely on rigid, top-down legislation, this Green Deal operates as a voluntary, procurement-specific commitment made between individual procurement units (such as city councils or regional health authorities) and the national government. By signing a Green Deal, public authorities commit to achieving strategic sustainability goals by setting concrete and shared targets for specific sectors within their procurement cycles. This collaborative approach fosters a sense of shared responsibility and peer-learning among municipalities.

One of the most prominent and successful implementations of this policy tool is the "Green Deal for reducing hazardous substances in kindergartens and pre-school environments".

The agreement aims to create shared procurement criteria and strict contract terms specifically designed to reduce the presence of harmful chemicals in environments where vulnerable children spend their days. Public authorities that are responsible for managing kindergartens and pre-schools voluntarily commit to this Green Deal. When they issue public tenders to purchase goods and services for these schools, they are required to apply the shared Green Deal criteria. The criteria apply to a wide range of everyday purchases, including detergents, cleaning services, toys, furniture, and outdoor playground equipment.

The Finnish Green Deal for kindergartens is a prime example of an "eco-social" policy that bridges multiple dimensions of wellbeing. By eliminating toxic substances, dyes, and strong fragrances from

toys and cleaning services, the procurement policy directly improves the immediate physical health, safety, and daily environment of children and educational staff. By guaranteeing a large-scale public market for chemical-free and sustainable products, the Green Deal provides a strong financial incentive for manufacturers to remove hazardous substances from their supply chains, driving broader ecological market transformations.

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POLICY INSTRUMENT 3.1D
SOCIAL AND SOLIDARITY ECONOMY

What is it?

The **Social and Solidarity Economy (SSE)** encompasses enterprises, organisations and other entities that carry out economic, social and environmental activities to pursue collective or general-interest objectives. SSE entities are typically characterised by voluntary cooperation, autonomy, democratic or participatory governance, and the primacy of people and social purpose over capital in the use of profits, surpluses and assets. Depending on national contexts, they may include cooperatives, mutual benefit societies, associations, charities, foundations, social enterprises, self-help groups and other entities that operate according to these principles.

The SSE refers to the wider field and ecosystem; SSE entities are the organisations operating within it; and social enterprises are one cross-cutting organisational model within the SSE. Social enterprises combine entrepreneurial and commercial approaches with an explicit and primary social or environmental purpose. SSE entities remain private and autonomous from public authorities, even when they collaborate with the state or deliver publicly funded services. Their surpluses are generally reinvested in the organisation, its members or the community, and their governance often involves workers, users, members or other stakeholders.

Why is it important from a SIW perspective?

Wellbeing

- For the provision of essential services**:** SSE organisations can co-produce and deliver welfare, care, education and other services with public institutions and communities. Their mission orientation can support greater accessibility, continuity and responsiveness to local needs, although service quality and effectiveness should be assessed rather than assumed.
- For the creation of decent jobs: SSE entities can create and preserve employment, including for people facing barriers to the labour market, and can support local development and post-crisis recovery. Whether these jobs constitute decent work should be assessed through remuneration, contractual stability, working conditions, training, social protection and worker participation.
- For capability expansion**:** By improving access to services, employment, skills, social relations and participation, SSE entities can expand people's real opportunities to pursue lives they have reason to value, with dignity and autonomy.

Inclusion

- For addressing structural vulnerability: Work-integration initiatives, inclusive services and equal-opportunity practices can support people who experience structural barriers, including refugees, persons with disabilities, women, young people and the long-term unemployed. Relevant groups should be defined according to the national and territorial context.
- For social and territorial cohesion: Locally rooted SSE entities can help retain resources within communities, improve access to services in underserved areas, strengthen local value chains and contribute to the regeneration of marginalised urban and rural territories. The extent of this contribution depends on organisational capacity and the surrounding ecosystem.
- For democratic governance and empowerment: Participatory governance can broaden the involvement of workers, users, members and local stakeholders in economic decision-making. When participation is effective and inclusive, it can strengthen collective agency, accountability and citizens' capacity to shape their socio-economic environment.

Sustainability

- For community resilience: Mutual support, local networks, diversified resources and locally rooted supply chains can strengthen communities' capacity to prepare for, respond to and recover from systemic shocks, including health, economic and climate-related crises.
- For environmental protection: SSE actors can integrate environmental objectives into their activities, promote circular-economy practices and decarbonisation, support sustainable territorial regeneration and encourage more responsible production and consumption. Environmental performance should nevertheless be measured through explicit indicators.
- For facilitating systemic economic transformation: By combining economic activity with social, democratic and environmental objectives, the SSE can contribute to more inclusive and sustainable economic models and complement public and private-sector efforts towards sustainable human development.

What are the policy actors and policy levels in charge of implementing SSE?

Effective SSE policies require multilevel, cross-sectoral and participatory governance. Actors are relevant not only according to the government levels, but also according to the functions they perform: strategic direction, regulation, financing, market access, implementation, representation, capacity building, data collection and evaluation.

The supranational and international level: UN agencies, international organisations and transnational SSE networks provide political recognition, shared principles, technical guidance, knowledge exchange and, in some cases, funding. In the European Union context, institutions also provide policy frameworks and structural funding through instruments such as the Social Economy Action Plan, cohesion policy and the European Semester.

The national level: Ministries, legislatures and national agencies establish legal and regulatory frameworks, coordinate policy across sectors, design fiscal and financial measures, support access to markets, allocate national or supranational resources to territorial priorities and support territories in building the necessary know-how through competence centres.

Local and regional governments (LRGs): LRGs translate strategies into place-based action. They can allocate local budgets, use socially responsible public procurement to support local SSE organisations, co-produce services with community actors and connect SSE development with welfare, employment, environmental and territorial policies.

Non-state actors: SSE organisations (cooperatives, mutuals, social enterprises, NGOs), traditional private businesses, civil society, trade unions, and academia/research centres bring deep knowledge of local vulnerabilities and provide innovative, on-the-ground solutions. Academia provides the data and theoretical frameworks needed to monitor impact, while the private sector offers linkages for labour integration.

Coordination should follow three principles. First, multilevel governance should align international or supranational frameworks with national legislation and local implementation. For example, instruments such as the European Semester are relevant specifically in the EU context. Second, SSE development requires cross-sectoral coordination across policy areas such as employment, health, education, environment, industry and finance. Third, SSE actors and citizens should be institutionally involved in the co-design, co-planning and co-implementation of policies and services. Permanent physical or digital platforms can support joint decision-making, data sharing, access to services and the development of collaborative initiatives, including for groups that are often excluded from policy processes.

How to design SSE?

Policymakers and practitioners should adopt a systemic, place-based ecosystem approach that recognises the interdependence between organisations, public institutions, finance providers, support bodies, markets, knowledge institutions and communities (see Box 3.4).

Specific enabling conditions

1. **Institutional coordination, social capital and mutual trust:** Effective SSE ecosystems require clear institutional responsibilities as well as relationships based on shared values, open dialogue, cooperation and trust among public authorities, SSE actors, businesses, academia and civil society.
2. **Enabling legal and policy frameworks:** Legal frameworks should recognise the diversity of SSE entities without imposing unnecessarily restrictive organisational forms. Transparent and democratic instruments, including public procurement with social and environmental considerations, should enable public authorities to collaborate with SSE actors while safeguarding autonomy and accountability.
3. **Finance and access to market:** SSE entities need diversified financial instruments suited to different organisational forms and development stages, ranging from grants and microcredit to

patient capital, guarantees and bank lending. Policies should also improve access to public and private markets and strengthen responsible supply-chain linkages.

4. **Skills, business development and infrastructure:** SSE ecosystems should provide transport and digital infrastructure, affordable spaces and marketplaces, alongside specialised support such as legal and technical advice, vocational training, incubation services, management development and assistance with impact measurement.
5. **Data, statistical recognition, impact measurement and learning:** Shared definitions and up-to-date data are necessary to map the SSE ecosystem, understand its economic and social contribution, identify territorial gaps and monitor policy results.

Designing high-quality SSE

Designing an enabling policy framework and delivering a capacity-building programme are related but distinct tasks. Policy design should address the ecosystem as a whole, whereas programme design should define a specific target group, objectives, selection criteria and support model.

- **Phase 1: Participatory diagnosis and shared vision:** Establish a structured consultation space that brings together public institutions, SSE actors, support organisations, businesses, universities and citizens in order to:
  - Define how the SSE is understood in the specific legal, social and territorial context.
  - Map existing organisations, resources and relationships, and identify priority needs, barriers and territorial gaps.
  - Agree on a shared vision, values, objectives, responsibilities and, where useful, a territorial charter or action plan.
- **Phase 2: Policy mix and programme-specific criteria:** Once local features are identified, policymakers must design a balanced mix of concrete, complementary support tools rather than relying on a single instrument. This means coordinating regulatory and financial incentives (such as simplified tax or dedicated credit lines for SSE actors), market access (such as promoting matchmaking initiatives or orienting public procurement), and capacity building. The selection criteria for individual programmes should be transparent and proportionate to their objectives: for instance, features such as growth readiness and scalability may be appropriate for a business acceleration programme, but they should not be treated as universal requirements for all SSE entities.
- **Phase 3: Tailored implementation and support:** Support should respond to the needs, organisational form and development stage of participant entities rather than follow a single standardised model. For instance, for capacity-building programs, participatory matching approaches such as the “Pair to Grow – Coach to Grow” model implemented in the Mediterranean region can allow social enterprises and support organisations to select compatible partners and jointly define activities, timelines and expected results. This should be presented as one capacity-building option, not as a general model for designing the entire SSE ecosystem.

What are possible indicators to evaluate SSE from a SIW perspective?

Evaluating the Social and Solidarity Economy (SSE) is fundamentally different from assessing traditional for-profit enterprises, and traditional macroeconomic indicators like Gross Domestic Product (GDP), aggregate turnover, and standard employment figures fail to capture the production of intangible public goods, relational values, territorial cohesion, and democratic governance.

Specific sets of indicators need to be developed to capture the "social economy difference." Various international institutions and think tanks across Europe have worked to develop measures to evaluate the nature of the actors participating in the SSE as well as the general impact of the SSE on society. Below is a selected list:

1. Socio-economic & territorial impact

- *Inclusive growth and vulnerable employment:* percentage of the workforce composed of individuals with structural difficulties in accessing employment. This includes women over 45, persons over 55, disabled people, low-skilled workers, and individuals at risk of social exclusion. ← This indicator is included in the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicators (SDPI) under the name Work integration.
- *Job stability and quality*: comparison between the longevity of employment contracts within the SSE versus commercial companies to measure resilience to job destruction, worker satisfaction, and training opportunities. ← This category includes the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicator (SDPI) named Training vulnerable groups.
- *Equality and diversity*: Measuring the narrowing of the gender wage gap, equal opportunities between men and women, and the proportion of underrepresented groups (women and youth) in top management positions.
- *Provision of essential services*: volume and quality of care, education, and ecological services (like water management or circular economy activities) provided to the community.
- *Assets and Liabilities:* To measure the collective wealth built by the SSE entities. ← This indicator is also signalled by ILO Guidelines for Cooperatives.
- *Worker Earnings and Revenue:* Evaluated alongside the democratic governance metrics to ensure the economic engine serves the social mission. ← This indicator is signalled by ILO Guidelines for Cooperatives.
- *Territorial cohesion:* physical presence and density of SSE entities in rural areas or municipalities with fewer than 40,000 inhabitants. ← This indicator is used by the Spanish Social Economy Platform CEPES to assess the social economy difference.

2. Nature of the Social Enterprise

- *Degree of entrepreneurship*: ← This indicator is included in the widespread ideal-type of social enterprise by EMES to enable researchers to position organisations within the "galaxy" of social enterprises and compare them across different national contexts.
    - level of continuity in the production of goods and/or services.
    - level of economic risk borne by the entity.
    - amount of paid work (differentiating it from purely voluntary charities).
- *Social activity of the company:* ← This indicator is included in the ideal-type of social enterprise by EMES.
    - existence of an explicit, primary aim to benefit the community.
    - initiative launched by a group of citizens or civil society organisations.
    - strict cap or limit on profit distribution, ensuring surpluses are reinvested. ← This indicator is also signalled by ILO Guidelines for Cooperatives.
- *Participatory governance of the company*:
    - Degree of autonomy from the state. ← This indicator is included in the ideal-type of social enterprise by EMES.
    - Democratic decision-making*:* Ensuring leadership is chosen through equitable voting processes (often "one person, one vote"). ← This indicator is included in the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicators (SDPI) and in the ideal-type of social enterprise by EMES.
    - *Attendance at annual general meetings:* An indicator of active civic participation and the health of the organisation's democratic life. ← This indicator is included in the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicators (SDPI).
    - *Legitimising management:* The degree to which management decisions are transparent and accepted by the community of members. ← This indicator is included in the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicators (SDPI).
    - *Stakeholder participation*: How widely workers, consumers, and local actors are involved in horizontal decision-making. ← This indicator is included in the UNSRID (United Nations Research Institute for Social Development) Sustainable Development Performance Indicators (SDPI).

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.4

THE MESSINA COMMUNITY FOUNDATION (ITALY): A SYSTEMIC AND MULTIDIMENSIONAL ECO-SOCIAL ECOSYSTEM

Born in 2010, the Messina Community Foundation traces its philosophical roots back to the "Sicilian Spring" (or "Palermo Spring") of the 1990s – a massive civic, non-violent movement that erupted in the wake of the tragic mafia terrorist attacks of 1992, which killed anti-mafia judges Giovanni Falcone and Paolo Borsellino. Against a socioeconomic backdrop characterised by lower average household incomes, structural inequalities, and historically rooted organised crime, the Foundation was established as a coordinating body of social economy actors. Its mission is to deliver a permanent, long-term policy for Sustainable Human Development by subverting the predominant individualistic economic paradigm in favour of a socially cohesive, communitarian logic.

Unlike traditional community foundations that limit their operations to the passive collection and disbursement of philanthropic donations, the Messina model strategically invests its assets directly into local productive, green, and cooperative economic activities. This approach ensures that local socio-economic initiatives acquire long-term financial self-sustainability, thereby multiplying their ecological and social impact. The activities of the Messina Community Foundation are organised around 4 pillars:

1: De-Commodification and Community Energy Welfare

*Through its flagship program, **"Luce è libertà" (Light is Freedom)**, developed in collaboration with the Italian Ministry of Justice, the Foundation pioneered an innovative model to de-institutionalise and socially reintegrate former patients of judicial psychiatric hospitals. The Ministry transferred to the about 60 de-hospitalised patients a lump-sum equivalent to the one-year public cost of keeping a patient institutionalised. The beneficiaries have then mutualissed such amounts in a dedicated Fund created within the Foundation. Doubled by an external institutional funder, this capital (€6 million) was invested between 2010 and 2013 to build a widespread 2 megawatt (MW) photovoltaic solar park consisting of 184 systems installed on public and private roofs across the Strait of Messina: the property owners consume the clean electricity generated on-site, significantly reducing their energy costs. In return, the state energy incentives (Conto Energia feed-in premiums) are donated back to the Foundation. This has allowed the reduction in emission by 1,800 tons of CO_2 annually, and is projected to yield €400,000 to €450,000 per year to the Foundation over a 20-year cycle.*

2: Slum Clearance, Green Housing, and the Anti-Mafia Covenant

Messina suffered from a historical housing crisis, with over 2,000 families still living in the 2010s in temporary slums originally erected after the devastating 1908 earthquake. In 2017, the Foundation launched an experimental urban and social regeneration project in partnership with international research institutions, including the Massachusetts Institute of Technology (MIT). The project dismantled local slums, transforming the land into public parks and state-of-the-art eco-sustainable green housing. It utilised wage-assisted self-construction practices, turning housing provision into an active program for poverty reduction, income support, and skill acquisition. Housing beneficiaries must have no history of mafia convictions: if a beneficiary is convicted of any mafia-related crime within ten years of receiving the home, the property's ownership is legally revoked and automatically reverts to the municipality, structurally embedding a culture of legality and civic accountability into the local urban tissue.

3: Industrial Democratisation and Circular Economy

In 2015, when the historic Messina Brewery (Birrificio Messina) closed due to bankruptcy, the Foundation stepped in to prevent the permanent exclusion of its workers from the labour market. It supported the laid-off workers in organising themselves into a worker cooperative by helping them draft a robust industrial and business plan, and launched a highly successful social communication campaign ("The City I love chooses its own beer") that repositioned the brewery as a shared community asset rather than a simple commercial brand. Today, the brewery is fully self-sustaining, exports internationally, and operates using low-impact renewable energy. Furthermore, the Foundation is currently partnering with the cooperative to establish a secondary social enterprise dedicated to manufacturing bioplastics utilising the brewery's organic industrial waste.

4: Supportive Social Finance

To support this vast ecosystem of local enterprises, the Foundation has established its own dedicated ethical finance system, which includes a localised microcredit institution, an Asset Management Company that launched an impact investing fund for social enterprises, and a dedicated guarantee fund designed to provide capital to micro, small, and medium-sized local enterprises that would otherwise be excluded from traditional banking channels due to a lack of collateral.

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POLICY INSTRUMENT 3.1E
MAXIMUM INCOME

What is it?

Maximum income (also referred to as income cap) is, as the name suggests, a policy measure that aims at creating a maximum level for income a person can earn. Maximum income can be set as the maximum permissible total income or a maximum income differential within an organisation or a society. These Guidelines focus on maximum income at a societal level. In practice, maximum income differential limits income so that the highest-paid resident would only earn a certain percentage more than the lowest-paid resident. Maximum permissible total income can be set to a certain, agreed level through legislation that forbids higher salaries or by creating progressive income tax up to 100%.

Why is it important from a SIW perspective?

Wellbeing

- For reducing status anxiety: High levels of income inequality foster a culture of positional competition, where individuals experience increased "status anxiety" and engage in zero-sum positional consumption to maintain or elevate their social standing. This dynamic diminishes overall happiness, social connections, and life satisfaction. By narrowing income inequality, maximum income can curb status-driven excess and anxiety and reshape social norms toward sufficiency and fairness, improving collective psychological wellbeing.
- For financing social protection: When implemented as a progressive income tax up to 100 %, maximum income generates revenues that can be used for financing social protection, for instance, universal basic services or universal basic income (see Pillar 3 for more on these policies).

Inclusivity

- For increasing income equality: Earnings at the top of the distribution have been growing faster than median incomes since the late 20th century. Maximum income lowers and limits income differences.
- For limiting wealth inequalities: By creating an upper cap on income, including wage and capital gains, maximum income will reduce wealth inequalities over time. However, for effectively limiting wealth inequalities, maximum income should be combined with policies that more directly address the stock of wealth, such as a wealth tax (see section 3.1a).
- For restoring democratic equality: Wealth often translates into disproportionate political power that can erode the legitimacy of democratic institutions. Wealth enables power to influence policymaking and public debate (through, for instance, lobbying, media ownership, and marketing) and production (for instance, through ownership and investments). By

reducing income differences, maximum income redistributes and decentralises this concentrated power, helping to restore democratic equality and accountability.

Sustainability

- For limiting environmentally harmful luxury consumption: Higher income is associated with a higher carbon footprint, both globally and within nations. Globally, the wealthiest 1% alone are responsible for about 15% of global greenhouse gas emissions based on their consumption, and the wealthiest 10% about half of the emissions. By limiting the highest incomes, maximum income can lower luxury consumption and environmental harms associated with it.
- For financing the green transition**:** When implemented as a progressive income tax up to 100 %, maximum income generates revenues that can be used for financing the green transition.
- For fostering a worldview of sufficiency: By creating a collectively shared cap within a society, maximum income can halt the "rat-race" of ever-increasing top income that social comparison produces and provide room to focus on what is enough and needed.
- For increasing social cohesion: Through limiting income inequalities, maximum income brings lived realities of people closer together, thus increasing social cohesion, which supports security and resilience of a society.

What are the policy actors and policy levels in charge of implementing it?

The European Union level: The European Union bodies are responsible for providing guidance on the implementation of maximum income policy and fostering cooperation to halt tax avoidance. While the EU lacks a mandate in relation to income taxation, the Commission and Parliament could explore the possibility of creating a directive that mandates maximum income, analogous to that of minimum income.

The National Level: National governments in Europe hold legislative powers to implement maximum income policy. National governments have the mandate to implement both a society-wide progressive tax with the highest tax rate at 100 % or close to it and/or a maximum wage cap for public authorities or in specific sectors with high income disparities such as banking or sports (see Box 3.5 for real-life examples). They can also integrate fair-pay standards into public procurement, subsidies and funding conditions. A wage cap in the public sector and as a condition for receiving public funding can act as a pilot and an initial step towards maximum income, but should not be the end goal to avoid creating dual labour market dynamics or shifting excessive remuneration practices to the private sector.

National governments should also foster discussions on the policy with citizens and civil society, for instance through organising a citizens' assembly to debate on maximum income policy and fair design for implementing it.

Regional and local authorities: Regional and local authorities can support implementation of maximum income through piloting maximum wage practices for their employees and integrating fair-pay standards into public procurement, subsidies and funding conditions.

Civil society actors: Civil society holds an important role in promoting maximum income policy, holding policymakers accountable for designing it in a fair process involving citizens' views, taking part in democratic processes for designing the policy, and fostering public dialogue on it.

How to design maximum income?

Implementing maximum income requires overcoming ideological resistance and vested interests and combining it with policies to support employment and livelihoods. Multinational cooperation may be needed to avoid relocation of the highest earners. The design of maximum income should be crafted carefully, informed by citizens' views and balancing comprehensiveness with political feasibility.

Specific enabling conditions

1. **Overcoming ideological resistance:** Maximum income has been opposed for going against meritocratic ideals and limiting individual freedom. Building broad-based support for the policy may require public discussions to reframe freedom as freedom to live in an equal society and a liveable planet. Further, it may require questioning the idea of "meritocracy" in a society where all are dependent on each other. For instance, high-earning CEOs depend on their workers. Moreover, maximum income is also supported by people holding egalitarian and redistributive ideals. Public attitude studies show that people tend to prefer moderate income differences. With suitable design considerations, maximum income has been shown to have the potential for gaining majority support.
2. **Overcoming vested interests:** Maximum income policy may be expected to receive opposition from the richest individuals, holding elite power. Overcoming vested interests may be fostered through debating the policy and making recommendations for its implementation in a citizens' assembly that represents different income groups (see more on citizens' assemblies under section 2.4).
3. **International or EU-wide cooperation to halt tax avoidance:** Maximum income is seen as unfeasible or if it leads to relocation of the rich to other countries. This concern may be mitigated through cooperation within the EU or more widely under the UN to create common ground and cooperation for maximum income policy and avoiding tax avoidance. Many tools already exist for addressing tax avoidance and relocation of high-net-worth individuals, including automatic exchange of financial account information between tax authorities led by the OECD and exit taxes for high-net-worth individuals that relocate abroad, implemented for example in France and Norway.
4. **Addressing potential effects on employment:** Concern related to maximum income is that it would lead to economic hardship and loss of employment through losing investments. This concern may be overcome through realising the state as an investor and combining maximum income with policies providing universal social protection (see Pillar 3) and job guarantee (see Pillar 2).

Designing high-quality maximum income

The key design features of maximum income include:

- **Capping all forms of income, including wage and capital gains:** Highest earners tend to have a large share of their income as capital gains. As such, to be fair and have a meaningful effect on reducing income inequalities, maximum income should cap both wage and capital gains.
- **Targeting all residents:** To meaningfully reduce inequalities within a society, maximum income should be set for all residents, across different fields of work. In addition, companies in specific sectors may apply their own caps to complement the society-wide cap, if seen as relevant in a specific company or sector.
- **Deciding suitable cap level in participatory process that uses citizens' assembly:** To foster legitimacy for maximum income and make sure the cap level is set at a fair level that does not jeopardise current wellbeing nor be too high to have meaningful effect on income inequalities, the cap level should be informed by a citizens' assembly (see more information about citizens' assemblies under section 2.4). Presenting the difference in income as a ratio between highest and lowest earner may help in deciding a suitable level for the cap.
- **Progressive taxation of income below the cap:** For effective redistribution of income and collecting revenues for social and ecological objectives, income should be taxed progressively below the cap formed through maximum income.
- **Setting the cap through taxation:** Maximum income may be set through regulation or tax. Either of the options can work. Beginning with taxation has the advantage of collecting revenues that can be used for social protection or green transition.
- **Adjusting the highest tax rate for political feasibility:** Rather than having a cap with a 100% tax rate from the start, a slightly lower (for instance, 80% or 90%) top tax rate may be introduced first. This may make maximum income more feasible to implement, as lowering the top tax rate slightly has been shown to increase public support for the policy.

What are possible indicators to evaluate Maximum Income from a SIW perspective?

To evaluate the effectiveness of maximum income, policymakers could track the changes in income and wealth concentration and inequality, social cohesion and inclusion, and broader eco-social impacts. A list of candidate indicators for the evaluation follows. Yet these are not always widely available, and occasionally they would involve specially commissioned data collection work.

1. Macro-distributional and inequality indicators

- Vertical income inequality and concentration: tracking shifts in top-end income shares (such as the pre-tax and post-tax income shares of the top 1% or top 0.1% percentiles) and the compression of overall income distribution resulting from a fiscal cap. ← This aspect can be measured through the indicator "Income quintile share ratio (S80/S20)" included in the JRC's streamlined dashboard of 50 indicators.

- Wealth concentration dynamics: monitoring the long-term impact of income ceilings on slowing down capital accumulation and reducing extreme wealth concentration at the top. ← This aspect can be measured through the indicator "Pre-tax national income of the Top 1%" compiled by the World Inequality Database.
- Fair organisational pay ratios: tracking vertical pay differentials within businesses and public institutions to ensure that the gap between executive compensation and the lowest-paid worker does not exceed established social standards (e.g., 10:1 or 20:1 ratios).
- Inequality of opportunity and mobility: assessing if capping excessive accumulation at the top reduces the ex-ante transmission of structural socio-economic advantages across generations
- Inequality-adjusted human development: evaluating the overall improvement in human wellbeing when adjusted for extreme inequalities in income and wealth distribution. ← This indicator is collected by the United Nations Development Programme.

2. Socio-ecological and consumption indicators

- Curbing high-impact luxury consumption: measuring the reduction in carbon-intensive, luxury expenditure patterns (such as private aviation, superyachts, or excessive luxury real estate) among high-net-worth individuals.
- Mitigation of greenhouse gas emissions: evaluating the reduction in individual-level emissions, particularly since the carbon footprint of the top 1% of earners can be many times higher than that of the bottom 50% of the population. ← This aspect can be measured through the indicator "Net greenhouse gas emissions" included in the JRC's streamlined dashboard of 50 indicators.
- Environmental footprint of high-income lifestyles: tracking the systemic shifts in investment capital away from carbon-intensive luxury sectors and toward low-carbon collective public provisioning.

3. Democratic integrity and institutional indicators

- Democratic accountability and equal voice: evaluating whether limiting the monetary assets of elite groups successfully prevents the translation of extreme wealth into disproportionate political influence (such as lobbying, campaign funding, and policy capture).
- Trust in public systems: assessing if the reduction of extreme wage disparities at the top restores the public's faith in the fairness of democratic institutions and social contracts. ← This aspect can be measured through the indicator "Average trust in national government and parliament" included in the JRC's streamlined dashboard of 50 indicators.
- Fiscal revenues for universal provisioning: measuring the additional public funds raised via highly progressive tax structures that can be channelled into funding public goods and basic social protections.

4. Subjective wellbeing and social cohesion indicators

- Reduction of status anxiety and positional competition: surveying whether flatter income distributions reduce status-driven "Veblen consumption" and positional competition, thereby lowering stress and enhancing overall social cohesion.
- Subjective life satisfaction and mental health: measuring self-perceived happiness, emotional health, and life fulfilment across all deciles of the income distribution. ← This aspect can be measured through the indicator “Average rating of life satisfaction overall” included in the JRC’s streamlined dashboard of 50 indicators.

If you are interested in the development of JRC’s dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice “JRC” to see how the dashboard compares to other SIW-related metrics.

BOX 3.5

REAL-LIFE EXAMPLES OF MAXIMUM INCOME

While current cases of maximum income policies are scarce, and no society-wide income cap exists, income taxation used to be much more progressive in both Europe and the USA during and following the second World War. Long-run historical analysis of progressive income tax ratios and inequality shows that higher progressive taxes for top income earners (historically up to 94% in the US in 1944, with a mean top income tax rate of 81% in 1932-1980) contributed to a reduction in inequalities.

Also, current examples exist in the EU in sector- and company-specific cases. Since 2012, France has capped the gross annual wage of public companies' executives at 450 000 euros. This represents about 20 times the mean of the lowest salaries in public companies. In the Netherlands, the Balkenende standard is an unofficial salary cap for top executives in public and semi-public sectors which states that no public official should earn more than the Prime Minister. While not a legally binding rule, the Balkenende standard serves as a benchmark for salary discussions and policy formulations in the Netherlands.

In Spain, the Mondragon cooperative provides an example of company-specific maximum income. The Mondragon cooperative is one of the most well-known examples of cooperative organisation and workers’ self-management in the world, employing more than 71,000 workers. The co-operatives in the group share a commitment to pay equity, which sets the maximum salary differential to a ratio of 1 to 9 in gross terms (around 1:6.5 after tax). This salary ratio was increased from its original 1:3 as pressures emerged from economic growth, increased demand for skilled managers, and evolving attitudes. These changes were debated and decided with approval from the general assembly of worker members, and most cooperatives still maintain smaller ratios than those allowed. Performance bonuses are rarely used and are usually modest.

Survey and interview-based research indicates that Mondragon has faced some challenges in retaining capable managers, which they addressed by widening the pay scale. However, the principle was not given up altogether, and senior managers in Mondragon typically still earn less than their counterparts in conventional companies. While workers might transfer between different co-ops

within the Mondragón network, virtually none return to traditional capitalist firms. This highlights a strong preference and loyalty to the cooperative model. The success of the Mondragon model suggests that a cooperative model which includes a controlled wage differential can be competitive and sustainable and create an attractive work environment in the long term. The ability to attract and retain employees despite lower wage differentials for senior managers compared to conventional companies suggests that Mondragon offers other non-monetary benefits, such as a sense of ownership, recognition, community, and a positive workplace culture.

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3.2 PILLAR 2
LABOUR, CARE AND ECONOMIC DEMOCRACY

GENERAL POLICY OBJECTIVE: BUILDING QUALITY EMPLOYMENT AND DECENT WORK

What are quality employment and decent work?

Quality employment and **decent work** represent a shift in focus from mere employment creation to ensuring that work actively supports human flourishing, societal wellbeing, and economic security by guaranteeing fundamental rights, adequate living standards, and personal development.

Why are quality employment and decent jobs important from a Sustainable and Inclusive Wellbeing perspective?

Wellbeing

- Eradicating in-work poverty through fair and living wages, ensuring that employment lifts people out of financial insecurity.
- Improving mental and physical health by improving work-life balance, reducing fatigue and anxiety, and providing workers with more time for caregiving, hobbies, and social connections. Decent jobs can also fulfil psychological needs by offering a sense of professional self-worth, social recognition, and collective purpose.
- Fostering autonomy and providing individuals with career paths, democratic voice in the workplace, and self-development.

Inclusion

- Empowering vulnerable groups, given that quality employment policies actively target the integration of marginalised groups, including youth, the long-term unemployed, migrants, and persons with disabilities, who are otherwise often forced into the most exploitative or precarious contracts.
- Redressing power imbalances and fostering economic democracy, removing the economic coercion inherent in precarious wage labour. When individuals are not forced to accept poor conditions or meaningless tasks simply to survive, the power imbalance between company owners and workers is significantly reduced. This empowers workers, bolsters trade-union

rights, and strengthens collective bargaining and social dialogue at the company and sectoral levels – paving the way for more democratic workplaces.

- Closing gender gaps, especially by improving pay, working conditions, and social protection in historically undervalued, female-dominated sectors like the care economy.
- Setting higher standards for the whole economy: policies that guarantee decent work – such as a Job Guarantee – act as an "employer of last resort," offering stable public jobs to anyone who wants one. This effectively eliminates involuntary long-term unemployment and forces private-sector employers to raise their own working conditions to attract staff, ensuring a higher baseline of inclusion and reducing income inequality across the entire economy.

Sustainability

- Enabling a just green transition by guaranteeing decent, alternative employment protects workers in resource-intensive "sunset sectors" (like fossil fuels), thereby avoiding mass unemployment and destitution and securing the social and democratic consent necessary to advance the green transition.
- Reorienting labour toward socially and ecologically essential tasks, such as expanding renewable energy, insulating buildings, restoring ecosystems, and delivering public care services, which inherently have a much lower carbon footprint.
- Reducing resource throughput by lowering a society's ecological footprint through shorter working hours. This moderates the pace of industrial production and consumption, lowers greenhouse gas emissions, and reduces the energy and pollution associated with daily commuting.
- Expanding decent work aims to shift the focus of economic activity from the production of unnecessary, resource-intensive consumer goods toward "social provisioning". By creating quality, well-paid jobs in essential services – such as education, healthcare, public transport, and social care – policymakers ensure meeting universal human needs with services that are adequately staffed and highly resilient to external shocks.

Empowerment and participation (Transversal)

- Job quality and dignity increase autonomy and self-esteem, thus affecting people's empowerment and participation in the workplace, and beyond.
- Recognising and valuing care work and improving pay, working conditions, and social protection expand the empowerment and participation of women by reducing asymmetry of power and imbalances within households, workplaces and societies.

What is the current approach at the EU policymaking level to expanding quality employment and decent jobs?

The EU conceives of a decent job as one that guarantees fundamental rights, provides a decent standard of living, ensures equality, and adapts to the modern digital and green transitions. This conception is formally enshrined in the **European Pillar of Social Rights** **(EPSR)** – specifically its chapter on "Fair Working Conditions" – and is actively operationalised through the **2025 Quality Jobs Roadmap** and a robust framework of recent EU Directives. Through the EPSR, the EU set headline targets to have at least 78% of the population aged 20-64 in employment and at least 60% of adults participating in training every year by 2030. Furthermore, the **Occupational Safety and Health (OSH) Strategic Framework** **2021-2027** updates protection standards to tackle new psychosocial, ergonomic, and digital risks (like burnout and telework stress) alongside traditional physical hazards.

Based on the legal and strategic documents, the EU defines and enforces quality employment through the following core dimensions (with information available up to mid-2026):

1. Fair remuneration and equal pay: A decent job must provide a wage that ensures a decent standard of living and actively prevents "in-work poverty".

- Adequate minimum wages: The EU **Adequate Minimum Wages Directive** **(2022)** establishes a framework to ensure statutory minimum wages provide a decent standard of living, reduce in-work poverty, and mandates that Member States with less than 80% collective bargaining coverage create action plans to promote it.
- Pay Transparency and Gender Equality: The **Pay Transparency Directive** **(2023)** combats the gender pay gap by requiring employers to provide transparent criteria for pay levels and progression, banning them from asking about an applicant's pay history, and forcing companies to conduct joint pay assessments if a gender pay gap exceeds 5%.

2. Transparency, predictability, and security: The EU is actively moving to regulate precarious work, recognising that a decent job requires stability and clear terms.

- Predictable Conditions: The **Transparent and Predictable Working Conditions Directive** (2019) dictates that workers must be informed in writing of their essential rights at the start of employment. It sets maximum limits on probationary periods (generally six months) and protects workers with highly variable schedules (like zero-hour contracts) by guaranteeing them predetermined "reference hours" and a minimum notice period before an assignment.
- Eradicating False Self-Employment: To protect workers in the gig economy, the EU's **Platform Work Directive** (2024) tackles the misclassification of employment status. It establishes a "legal presumption of employment" for platform workers, ensuring that those who are directed and controlled by digital platforms are classified as employees rather than self-employed, granting them full access to labour and social rights.

3. Health, safety, and psychosocial wellbeing: A quality job must guarantee a high level of protection for a worker's physical and mental health.

- While historically focused on preventing physical accidents and exposure to hazardous chemicals, the EU's modern Occupational Safety and Health (OSH) framework heavily

emphasises psychosocial and ergonomic risks, including work-related stress, burnout, and harassment.

4. Work-life balance and the right to disconnect: .The EU recognises that quality employment must respect workers' private and caregiving lives.

- Reconciling care and work: The **Work-Life Balance Directive** (2019) grants parents and carers the right to request flexible working arrangements (like telework or reduced hours). It mandates paternity, parental, and carers' leave, explicitly aiming to encourage men to share caregiving responsibilities to close the gender employment gap.
- The right to disconnect: To combat the "always-on" culture exacerbated by digital tools and telework, the EU is advancing the right to disconnect, ensuring workers are not penalised for refusing to engage in work-related communication outside of contractual working hours.

5. Protection in the era of algorithmic management: As the digital transition reshapes the workplace, the EU has pioneered a new dimension of job quality: protection from excessive algorithmic surveillance.

- Under the Platform Work Directive, automated decision-making systems that affect working conditions, pay, or account suspensions must be transparent and subject to human oversight.
- Employers are prohibited from using automated systems to process emotional or psychological data, monitor private conversations, or predict a worker's exercise of fundamental rights (like unionising).

6. Workplace democracy and lifelong learning:.

- Social dialogue: A decent job is inherently democratic. Workers have the right to be informed and consulted on major company changes (like restructuring or the introduction of new automated systems), and the EU strongly promotes trade union representation and collective bargaining.
- Skills development: Quality employment guarantees access to continuous, lifelong learning. The EU aims for at least 60% of all adults to participate in training every year by 2030, supported by initiatives like Individual Learning Accounts and free mandatory training provided by employers.

How can European policymakers build quality employment and decent work?

To improve quality employment and decent work, a number of policies and actions are required. Among these, three illustrative examples of key policy instruments have been selected: universal care income, job guarantee, and working time reduction.

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POLICY INSTRUMENT 3.2A: UNIVERSAL CARE INCOME

What is it?

Universal care income (UCI) is a monthly income paid by society as a social and financial recognition of unpaid care work: taking care of families, other social relations, communities, and ecological stewardship activities. As such, it provides visibility and financial compensation for care work that is fundamental for society's functioning, creation of common wealth, and long-term prosperity. UCI promotes shifting the focus from industrial production to social and environmental reproduction.

UCI can be enacted in different ways. One option is to have unconditional monthly income paid by society for all adults. In this case, it strongly resembles UBI, but in the case of UCI, income is owed as compensation for care work provided by individuals, rather than as a right to subsistence. To make the distinction between these policies clearer in these Guidelines, UCI is considered here as conditionally tied to participation in care work. To be eligible for a care income, one must have engaged in caring activities oriented towards community, household, or the environment.

Why is it important from a SIW perspective?

Wellbeing

- For mental and physical health: UCI provides financial compensation for care work, lowering financial stress and the related burden of doing paid work alongside extensive unpaid care work.
- For economic security: UCI provides secure monthly income for people taking part in care work.
- For meaningful labour: UCI provides the possibility to take part in socially and ecologically important care work that one considers meaningful.

Inclusion

- For supporting gender equality: Unpaid care work is predominantly done by women. In Europe, women dedicate on average 2-3 more hours to care work than men. European Parliamentary Research Service has estimated women's earnings that are lost due to care work to be approximately €242 billion per year, defining it as an "unpaid care penalty". Care income contributes to gender equality by compensating for this crucial labour. The UCI aims to act as a transformational instrument, where the formal recognition of care work encourages men to take part in care activities, and as such balance the share of care work between genders, classes and ethnicities.
- For reducing inequalities: Especially when financed through progressive taxation, UCI provides means to reduce income inequalities.

Sustainability

- For circular economy and nature restoration**:** UCI can be used to compensate for crucial environmental protection and restoration work that goes underfunded or unfunded. This includes nature restoration as well as circular economy or maintenance and repair work, which helps reduce consumption of raw materials.
- For community and social cohesion**:** UCI compensates for, and fosters community cohesion, intercultural and conflict resolution, strengthening resilience and social ties. UCI provides means to compensate for and provide resources to valuable community activities, such as taking part in citizen assemblies that are needed to strengthen democracy (see more on citizen assemblies under section 2.4).
- For reducing environmental footprint of care**:** Care provided in households is less energy-intensive than the monetized care sector services, due to, for instance, less need for commuting.

What are the policy actors and policy levels in charge of implementing Universal Care income?

In Europe, the main responsibility for the provision of support and benefits for carers currently relies mostly on national governments, since the EU has limited legislative competence in core social policies. However, the EU also has a meaningful role in supporting and enabling the implementation of UCI.

The European Union level: The EU plays a crucial role as a strategic hub, coordinator, and financier.

- The European Commission, Parliament, and Council set the overarching political ambitions, such as the headline targets under the European Pillar of Social Rights Action Plan: work-life balance, gender equality, long-term care, and childcare and support to children. The headline targets mark a reduction of at least 15 million in the number of people at risk of poverty or social exclusion. To strengthen these targets, they should be made legally binding.
- In the framework of the European Semester, the Commission provides guidance to Member States, including recommendations in relation to the principles of the European Pillar of Social Rights. The Semester aims to identify social challenges and gaps in national social protection systems and provide appropriate policy responses to them. UCI should be included as a policy used in the recommendations.
- The EU already supports work-life balance and more equal sharing of unpaid care work through, for instance, legislation on parental and care leave that sets minimum standards for regulation at the MS level. This could be strengthened by providing guidance to Member States on adopting UCI as a measure to recognize and compensate care work and encourage its more equal contribution.
- The European Care Strategy already acknowledges the need for allowances and support for those performing informal care work. UCI could be included as a policy solution that provides adequate support and recognition for unpaid care work. Moreover, the Care

Strategy could be modified to also include other forms of care work besides taking care of children and long-term care, such as community building and caring for nature.

- The Commission has announced preparation of the European Care Deal, to be published in 2027. The Care Deal should promote UCI policy.
- The EU can also provide funding for UCI experiments, similar to the support provided for other social security pilots, such as UBI (see Box 3.6 for real-life examples of care income experiments and schemes; see also more on UBI in section 3.3.d).

The national level: national governments hold the primary legal and financial responsibility. They can implement UCI schemes already within the current EU regulations and are responsible for translating EU goals into national action plans and securing the overall funding required to provide UCI.

The regional, local, and municipal levels: depending on the legal context, in some European countries also local authorities and municipalities could provide and pilot UCI.

Civil society: NGOs can advocate the need for UCI, building political momentum for its implementation. Indeed, campaigns already exist, for instance, by Global Women's Strike.

How to design Universal Care Income?

Implementing UCI requires sustainable funding and carefully designed connections with wider social provision, including benefits and services.

Specific enabling Conditions

1. **Maintenance of unconditional benefits and universal services:** As a standalone intervention, UCI is insufficient to provide for adequate care. It needs to be integrated with universal access to professional care.
2. **Overcoming ideological resistance:** Implementing a UCI requires overcoming political and ideological barriers regarding what constitutes work. It calls for acknowledgement of unpaid care work and the crucial role it has in sustaining societies. Besides focusing on care for children and the aging population, UCI would acknowledge daily caring activities that sustain both people and the environment, such as ecological restoration.
3. **Participatory process:** Participatory processes are important to defining which activities are acknowledged by, and compensated with, UCI to ensure an inclusive understanding of care work.
4. **Sustainable funding:** To make sure UCI advances sustainable and inclusive wellbeing, it is important to select funding sources that also advance this goal. These include progressive taxation, wealth tax, and environmental tax (see Pillar 1 for more information on fiscal policies).

Designing High-Quality Universal Care Income

Key design features of UCI include:

- **High enough compensation:** UCI should be set to ensure an adequate standard of living, at least above the at-risk-of-poverty threshold for full-time care work. It can be combined with UBI policy as additional care-related compensation paid on top of the UBI amount.
- **Stackable:** As caregivers are in many instances also care receivers, UCI should not hinder or replace access to other benefits when they are necessary for an adequate standard of living.
- **Paid on an individual basis:** UCI payments should be made directly to the individual who performs care work to provide autonomy and prevent financial control and abuse within households.
- **Separate from the benefits paid to care receivers:** UCI is a compensation for caregivers and should not affect any benefits paid to care receivers, for instance, disability benefits or pensions. It is important that these are paid directly to care receivers, to ensure balanced power dynamics between caregivers and receivers and avoid financial dependency.
- **Accrual of pension:** To ensure UCI does not lead to disadvantage for care workers later in life, it should accrue pension in a similar manner to employment.

What are the indicators to evaluate Care Income from a SIW perspective?

Evaluating UCI from a Sustainable and Inclusive Wellbeing (SIW) perspective requires a specific set of socio-economic and time-use indicators.

1. Income and gender equality indicators (Inclusion & Wellbeing)

- Female/male gross income ratio: This is a primary macroeconomic metric used to evaluate whether the UCI successfully addresses the historical "care debt" owed to women and closes the gender income gap. Empirical simulations conducted in Italy demonstrate that combining a Care Income with Working Time Reduction is the most effective policy to increase this ratio, bringing it up to 0.90.
- Financial wellbeing and poverty reduction: Given that means-tested policies often reproduce social stigma, UCI's unconditional nature should be evaluated through its impact on poverty rates and the ability of households to meet basic needs for food, clothing, and essential services. ← This aspect can be measured through the indicator “At risk of poverty or social exclusion rate (AROPE)” included in the JRC’s streamlined dashboard of 50 indicators.

2. Time use and care work indicators (work, leisure, and autonomy)

- Share of time spent on unpaid domestic chores and care work: This is a core objective indicator that measures the proportion of time spent daily on unpaid domestic and caregiving services by men and women and non-binary people. It is essential for monitoring gender disparities in unpaid work and tracking progress toward shared household responsibilities. ← This aspect can be proxied through the indicator “Inactive population due to caring responsibilities by sex” included in the JRC’s streamlined dashboard of 140 indicators.

- Unpaid care work (in minutes): Collected through official Time Use Surveys (TUS), this metric captures the exact minutes spent on daily activities like childcare, companionship to the elderly, and household chores. Using this indicator makes invisible reproductive work visible and quantifiable, ensuring it is properly valued in national statistics.

If you would like to deepen your knowledge on Time Use statistics, refer to Chapter 5.3 of MERGE Technical Guidelines.

3. Community and ecological care indicators (sustainability and social connections)

- Volunteering and civic engagement: UCI explicitly broadens the definition of care to include environmental protection/restoration and community cohesion and building, such as communal forest management, cleaning beaches, tending to community gardens, preventing forest fires, or organizing citizen assemblies. Therefore, indicators tracking the percentage of the population participating in voluntary, cultural, and social activities and indicators on environmental changes are crucial to measure its impact on community cohesion and the environment. ← Volunteering can be measured through the indicator "Participation in voluntary activities" included in the JRC's streamlined dashboard of 50 indicators.
- Social support and network building: Evaluating whether the policy strengthens community ties, increases social trust, builds solidarity networks, reduces social isolation, and increases participation in collective processes. This can be captured by subjective survey indicators, such as the share of people who report "having someone to rely on" in times of trouble. ← This aspect can be measured through the indicators "Frequency of contacts with family and friends" included in the JRC's streamlined dashboard of 50 indicators and "Average rating of trust in others" included in the JRC's streamlined dashboard of 140 indicators.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.6

REAL-LIFE EXAMPLES OF CARE INCOME

While no country has yet implemented a full UCI, examples of basic income experiments (see section 3.3d, Box 3.14 on the B-MINCOME experiment in Barcelona and Box 3.15 on the basic income experiment of Finland) provide tentative insights. More specifically, the B-MINCOME pilot in Barcelona is relevant for UCI, as about two-thirds of basic income recipients that took part in the pilot were women, almost all of whom had substantial care-work loads. The pilot led to a greater sense of financial and material wellbeing for almost all recipients (see more details from Box 3.14).

Moreover, welfare states have developed cash transfers to support unpaid social care, though these are narrower than UCI proposals, for example, not including care for nature. Many states in Europe

have established parental leave policies that secure income while focusing on care responsibilities. Moreover, welfare systems often include different versions of disability and caregiver allowances that can be paid as cash transfers. The effects of these allowances differ across individual household income quintiles, kinship relationships, and co-residence between caregiver and care recipient.

Caring for nature and the unpaid work done in the circular economy are supported in Germany through two schemes relevant to UCI: "a Voluntary Ecological Year" and "Ecological Federal Voluntary Service". They help young adults experience ecological working practices by working in organic farms, educational institutions, or civil society organisations. All participants are fully insured in the social insurance system and receive "pocket money" as compensation.

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POLICY INSTRUMENT 3.2B
JOB GUARANTEE

What is it?

A **Job Guarantee (JG)** is a transformative labour and social policy where the state acts as the "employer of last resort" to permanently eliminate involuntary unemployment.

At its core, it is a legal entitlement that provides decent, publicly funded employment to anyone who is able, willing, and seeking work but cannot find a job in the open labour market. The program is entirely voluntary and is based on the right to work. It is designed as an employment safety net rather than a coercive "workfare" program, meaning enrolment is never a condition for receiving other welfare benefits.

The JG functions as a labour market stabiliser and "buffer-stock" mechanism: it hires more people during economic downturns and shrinks during economic booms as workers find jobs in the private sector, that is, representing a more just anti-inflationary alternative to unemployment. The Job Guarantee (JG) provides jobs that do not replace professional and occupational personnel in the public sector. Additionally, it can include training and education to help people build their careers.

Why is it important from a SIW perspective?

Wellbeing

- For mental and physical health: by reducing poverty, economic insecurity, social isolation, and the associated physical and mental health issues. Empirical evidence from the Marienthal job guarantee pilot in Austria demonstrated that participants experienced significant improvements in perceived health, reduced stress, and better mood.
- For purpose and meaningful work: beyond simply providing financial income, a JG is structured to produce socially and ecologically useful and fulfilling work rather than "make-work". Participants in JG trials report a renewed sense of professional self-worth, social recognition, improved daily routines, and a strong sense of collective purpose. JG also prevents the erosion of employable skills by putting these into practice, keeping them up to date, or even diversifying them.
- For better everyday working conditions: by guaranteeing a living wage, full healthcare benefits, and strong labour protections, a JG empowers workers and increases their autonomy.

Inclusion

- For integration of disadvantaged social groups that are the least likely to find jobs through conventional markets. This includes the long-term unemployed, low-skilled workers, youth,

older populations, people with disabilities, and ex-convicts, to whom JG provides self-confidence, dignity, and a sense of collective purpose.

- For reversing negative effects associated with unwanted employment. In addition to poverty, these also include social pathology leading to crime and violence. As an indirect effect, JG programs can help reduce public spending on services connected to unemployment, ranging from social services to the management of the penitentiary system, saving funding that can be in turn used to fund the JG program.
- For reducing territorial imbalances, counteracting deindustrialisation by creating targeted jobs in underdeveloped or "left-behind" regions, preventing workers from having to abandon their local communities to find employment.
- For closing gender gaps, by offering flexible and part-time options and significantly lowering participation barriers for women and those engaged in informal caregiving, granting them formal income, autonomy, and social recognition. Alternatively, care work could also be performed and regularised under the JG.
- For setting higher standards for the whole economy: because the state provides a guaranteed alternative, private employers should meet or exceed the JG's wages and working conditions to attract and retain workers. Crucially, this standard-setting function can be explicitly designed to support the ecological transition – for instance, by gradually establishing a Working Time Reduction (WTR) benchmark within the JG. By offering dignified, living-wage employment at reduced weekly hours, the JG incentivises private firms to follow suit, thereby potentially lowering economy-wide carbon footprints, redistributing available work, and improving collective wellbeing.
- For fostering democratic participation: given that JG programs are often locally administered, communities and workers are empowered to democratically decide which public works projects best serve their specific social and environmental needs, strengthening civic participation and legitimacy.

Sustainability

- For a just green transition, by guaranteeing alternative employment, protecting workers from destitution, and providing the social and political stability needed to rapidly decarbonise the economy.
- For decoupling livelihoods from economic growth: by guaranteeing employment regardless of the broader economy's output, a JG decouples human wellbeing from the necessity of continuous, aggregate economic growth. This allows society to intentionally scale down materially destructive forms of production without causing a social crisis and breaks the dependency of employment on profitable jobs, opening up space to direct labour towards activities of high social or ecological value.
- For reorienting labour toward ecological use-value: under a JG, the state can mobilise labour as a public good to serve environmental aims rather than private profit maximisation. Productive capacity is redirected toward labour-intensive, low-material, and low-energy sectors. This means mobilising the workforce for urgent projects such as ecosystem restoration, organic agriculture, building renewable energy infrastructure, retrofitting

buildings, and expanding the care economy. By shifting labour into these sectors, a JG actively helps reduce the overall material and energy throughput of the economy.

- For advancing post-growth working conditions at the job level: by anchoring the labour market with a living wage, the JG removes the existential pressure for workers to chase unlimited salary growth. This shifts the axis of job quality negotiation toward non-material improvements – notably gradual Working Time Reduction (WTR), more generous leave policies, and the reorganisation of work around ecological and social use-value rather than profit maximisation. Consequently, the JG operationalises the beyond-growth principle at the micro-level: wellbeing improves not through more consumption, but through more autonomy, time, and meaning.

What are the policy actors and policy levels in charge of implementing Job Guarantee?

A JG should never be a rigid, top-down bureaucratic exercise; instead, it must rely on a diverse network of actors coordinating across national, local, and community levels – sometimes even promoting the creation of new institutions such as local planning council and labour departments. Its implementation must always consider the institutional and cultural context of the country or region.

The European Union Level: Supranational bodies like those within the European Union can co-finance JG projects through instruments like the European Social Fund, as seen in Greece's *Kinofelis* program (see Box 3.7) and France's *Territoires Zéro Chômeur de Longue Durée* (TZCLD). Moreover, the broader European financial architecture – including central bank and public investment banking functions – could be mobilised to support such initiatives through targeted credit allocation and long-term financing mechanisms. Other international bodies like the International Labour Organization (ILO) can provide essential technical support and oversight.

The national and federal governments: At the highest national level, the state acts as the primary financial engine and regulator for the JG programs, establishing wage and benefit floors, and enforcing economy-wide labour standards. They also set the broad sustainability and inclusion guidelines, and determine overarching industrial and environmental priorities (such as national decarbonisation goals) to guide which sectors should be scaled up. The state coordinates the interaction between JG and other active labour market policies (e.g., training and placement services) – ensuring they function as a complementary pipeline – while simultaneously replacing workfare schemes entirely with the JG.

Local governments and municipalities: While funded nationally, JG programs are designed to be locally administered. Municipalities and local public employment offices identify community needs, propose specific public works, and manage the day-to-day operations of the projects. Local public employment offices are repurposed to guide jobseekers toward tasks that are individually suitable for their skill levels and capabilities.

Civil society, cooperatives, and non-profits: A JG relies heavily on the social and solidarity economy (SSE) and the third sector to provide meaningful work opportunities. Non-profits, cooperatives, community trusts, and local organisations act as direct employers and project

organisers. They help facilitate common practices in sectors like agroecology, ecosystem restoration, and social care.

To ensure the Job Guarantee achieves its goals, these actors must coordinate through a highly structured yet flexible framework. The core coordination principle of a JG is "federally funded, but locally administered", to balance national macroeconomic stabilisation with responsiveness to localised needs. Moreover, the coordination ensures that the JG does not become a uniform, one-size-fits-all program, but rather adapts to the specific economic and ecological conditions of each region.

Coordination between the government and the community must be deeply democratic. Local governments should organise participatory processes, such as citizen assemblies, to identify local needs and determine which works to include in the JG. Moreover, local governments must co-operate closely with professionals, trade unions, and civil society organisations to ensure work tasks are carefully designed. Thus, bloated projects merely for the sake of employment are avoided. In France's TZCLD project, for example, coordination is highly localised. Local authorities work from the bottom up to match the JG jobs directly to the capacities and skills of the long-term unemployed individuals in their specific territory.

Finally, local administration must feed into and complement nationally determined objectives. While a local cooperative might decide *how* to implement a project (e.g., establishing a local community garden or insulating neighbourhood homes), these actions are coordinated to align with the national government's broad ecological regulations and green transition targets.

How to design a Job Guarantee?

Implementing a Universal Job Guarantee (JG) requires a careful balance of macroeconomic funding, local administration, and deliberate policy design to ensure it functions as an empowering eco-social policy rather than a coercive labour mechanism.

Specific enabling conditions

1. **Maintenance of unconditional social protection:** A fundamental enabling condition is that the JG must not replace existing social security systems. Access to basic welfare and unconditional social protection must not be reduced or rolled back for those unable or unwilling to work.
2. **Integration with a broader eco-social policy mix:** The JG is most effective when implemented alongside complementary transition policies, such as Working Time Reduction, Universal Basic Services, as well as Universal Basic Income. Strict regulations on private, polluting production have also to be applied.
3. **Overcoming ideological resistance:** Implementing a JG requires overcoming political and ideological barriers regarding the role of the state, alignment with trade unions and fears of compulsion. Success often depends on strong public dialogue and framing the policy as a voluntary right that guarantees economic security.
4. **Rights-based legal entitlement:** To prevent risks of corruption, discriminatory administration, or unequal access across regions, the JG must be established as a strict legal entitlement (a subjective right to work).

5. **Sustainable funding**. Much like other public provisions, there are several viable avenues for financing a Job Guarantee (JG). A central feature of the JG is that it is highly economically viable because it largely "pays for itself" by transforming passive public spending on unemployment into active, productive investments. For example, in the Marienthal pilot in Austria, the annual cost per participant (€29,841) was virtually equivalent to the passive cost of supporting a single unemployed individual under traditional benefits (€30,000). Similarly, France's Territoires zero chômeur de longue durée (TZCLD) has been widely supported by municipalities because it costs less than alternative passive anti-poverty measures and unemployment schemes.

Designing a high-quality job guarantee

The key design features of the JG include:

- **Strict voluntariness:** participation must be entirely voluntary, offering a safe exit option from the private labour market without ever being a condition for receiving other welfare benefits.
- **Social and ecological use-value (no "make-work"):** jobs must be designed to be socially useful and fulfilling to prevent the creation of "bullshit jobs". Production should be reoriented toward labour-intensive, low-material, and low-energy sectors. The meaningful work that benefits communities may be identified in participatory processes organised locally.
- **Flexibility and personalisation:** a bottom-up design is required to adapt jobs directly to the capacities, needs, and skill levels of the individuals. The program must offer part-time options and flexible hours to accommodate individuals with caregiving responsibilities, particularly helping to lower participation barriers for women.
- **Setting economy-wide standards:** the JG must pay a living wage (or at least the minimum wage) and provide full benefits, such as healthcare and pension contributions. Thereby, it sets an effective baseline that private-sector employers must meet or exceed to attract workers.
- **Embedded training and skilling:** the design should incorporate continuous education, training, and apprenticeship opportunities so workers can enhance their professional skills, enabling them to transition into emerging green or digital sectors in the open labour market if they choose to do so. Moreover, training and skilling are also essential for enabling workers taking part in employment offered by the JG programme to do well in their jobs and provide high-quality, meaningful services for the community.

What are the indicators to evaluate Job Guarantee from a SIW perspective?

Because a JG is designed as a holistic eco-social and wellbeing policy, real-world pilot programs – such as Marienthal in Austria, Kinofelis in Greece (see Box 3.7), and Paltamo in Finland – have utilised indicators spanning individual economic security, psychological wellbeing, social inclusion, and macroeconomic stability. The subsequent list contains possible indicators that could inform the evaluation. Nonetheless, some of such data points may not be commonly on hand, and sometimes they would require substantial, tailor-made data collection efforts.

1. Individual economic and labour market indicators

- Income and economic security: improvements in individual income, specifically whether the JG wages successfully lift participants above the level of standard social benefits and enhance overall economic security. ← This aspect can be measured through the indicator "Real gross disposable income of households per capita" included in the JRC's streamlined dashboard of 50 indicators.
- Poverty reduction: impact on poverty rates. ← This aspect can be measured through the indicator "At risk of poverty or social exclusion rate (AROPE)" included in the JRC's streamlined dashboard of 50 indicators.
- Labour-market integration and transitions: qualitative analysis or follow-up surveys to track if participants use the experience to successfully transition into the open labour market or private sector jobs after the program ends.
- Women's labour-force participation: increase in women's formal participation in the economy, their income autonomy, and the broader social recognition of their work. ← This aspect can be measured through the indicator "Gender employment gap" included in the JRC's streamlined dashboard of 50 indicators.

2. Psychological wellbeing and health indicators

- Mental and physical health: Surveys measure self-perceived health, stress reduction, and overall improvements in both mental and physical conditions.
- Sense of purpose and professional self-worth: psychological benefits of meaningful work, tracking improvements in self-esteem, dignity, community recognition, and a renewed sense of collective purpose or professional self-worth.
- Time use and daily routines: changes in activity levels and whether participants successfully acquire structured daily routines and working schedules, which are often lost during long-term unemployment. ← Want to know more about time use statistics and their use in a SIW framework? Have a look at MERGE Technical Guidelines Chapter 5.3.
- Behavioural health: change in harmful alcohol and substance abuse, as well as violent behaviour among participants.

3. Social inclusion and civic indicators

- Social contacts and networks: improvements in social interactions, access to professional networks, and decreased loneliness or social isolation. ← When JG is in place, this aspect can be measured through the indicator "Frequency of contacts with family and friends" included in the JRC's streamlined dashboard of 140 indicators.
- Civic trust: change in individuals' trust in public institutions. ← When JG is in place, this aspect can be measured through the indicators "Average trust in national government and parliament" included in the JRC's streamlined dashboard of 50 indicators and "Average trust in EU institutions" included in the JRC's streamlined dashboard of 140 indicators
- Social status and anticipation effects: Degree of improvement in social status and social inclusion. ← When JG is in place, this aspect can be measured through the indicator "Feeling

discriminated" included in the JRC's streamlined dashboard of 50 indicators and changes in the "Ex ante inequality opportunity index" included in the JRC's streamlined dashboard of 140 indicators.

4. Macroeconomic and community-level indicators

- Unemployment rates and spillovers: absolute reduction in long-term unemployment in the target area and changes in short-term unemployment to ensure there are no negative spillover effects (e.g., to confirm the JG is not displacing regular private-sector jobs). ← A useful indicator to evaluate this aspect in the JRC's comprehensive dashboard of 140 indicators: "Long-term unemployment rate".
- Trend monitoring of depopulation and internal migration: this should allow monitoring of the effects of the program on the capacity to fix or redistribute population more equitably and permanently between rural and urban areas.
- Cost-benefit and fiscal viability: comparison of the cost of the JG program per participant to the state's cost of keeping a person unemployed, which includes traditional unemployment benefits, lost tax revenue, and missed social insurance contributions.
- Public value and infrastructure creation: measurement of community activities and the ecosystem restoration achieved, as well as any direct revenue generated by the JG activities.
- Macroeconomic stabilisation and inflation: indicators evaluate whether program enrolment successfully expands during economic downturns and shrinks during booms and if it establishes a wage floor without causing demand-driven hyperinflation or wage-price spirals. ← A useful indicator to evaluate this aspect in the JRC's comprehensive dashboard of 140 indicators: "Income stabilisation coefficient".

5. Social, Cultural, and Ecological Use-Value & Output Indicators

- Ecological Restoration, Agroecology, and Climate Action: indicators measuring improvements in ecological restoration and climate action realised through JG programs (i.e., the number of local PV systems installed, the hectares of degraded land, forests, or wetlands restored; the hectares of land converted to organic farming/agroecology; the number of community gardens, urban farms, and seed banks established; the volume of locally produced organic food delivered to public canteens, schools, and vulnerable households).
- Social Care, Public Health, and Community Welfare Services: Total hours of care work, number of home visits conducted for isolated elderly or vulnerable individuals, community health workshops organised, and healthy meals distributed through local social welfare hubs realised through JG.
- Educational, Cultural, and Community Vitality Programs: Number of adult literacy classes, digital/IT training courses, and vocational apprenticeship programs; number of local cultural events, arts workshops, historical preservation projects, and community media initiatives organised to strengthen local identity and social cohesion; number of youth sports, tutoring, and recreational programs established in deprived or rural neighbourhoods conducted by JG participants.
- Civic Infrastructure, Commons, and Local Public Assets: Number of public schools, community centres, healthcare clinics, and social housing units repaired or maintained; kilometres of

dedicated walking paths, bike lanes, and pedestrian zones built or maintained through JG programs.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.7

THE KINOFELIS PROGRAMME

*The **Kinofelis Programme** is a large-scale public works and job guarantee initiative launched by the Greek government to combat the severe high and long-term unemployment rates that gripped the country following its economic crisis. Funded by the European Social Fund, implemented by the Greek Ministry of Labour, and technically supported by the International Labour Organization (ILO), the programme serves as a prominent real-world example of how the state can act as an employer to secure social and economic wellbeing.*

Instead of a universal rollout, the Kinofelis programme strategically targeted the most vulnerable populations across 17 municipalities. It prioritised individuals who were long-term unemployed and those who were not receiving any unemployment benefits. Furthermore, it focused on specific demographic groups that were systematically excluded from the open labour market, including:

- *Youth under 30 and unemployed individuals over 55*
- *Single-parent families*
- *Unemployed farmers and university graduates*

Participants were employed in socially useful municipal projects related to culture, sports, environmental sanitation, economic development, construction, infrastructure repairs, health, welfare, and administrative services.

The conditions of employment evolved over the programme's lifespan to offer greater stability:

- *Duration: During Phases One and Two (2011–2015), the guaranteed jobs lasted for five months. By Phase Three (2016–2020), this was extended to eight months to provide longer-term security.*
- *Compensation and benefits: Participants were paid the minimum wage (noted as EUR 780/month as of April 2023) and were guaranteed full healthcare benefits, parental leave, and retirement contributions.*
- *Skills development: Recognising the need for lifelong learning, the programme introduced optional IT training for participants starting in 2016.*

The programme operated on a massive scale, reaching 200,000 participants between 2015 and 2018, with 45,000 individuals participating in 2018 alone.

Evaluations of the programme highlighted profound benefits across several dimensions of wellbeing:

- *Professional and psychological rehabilitation: The ILO found that the programme successfully transformed the most vulnerable unemployed individuals into "work-ready" citizens. The vast*

majority of beneficiaries reported that Kinofelis advanced their professional lives by helping them regain work discipline (82.2%), re-acquire a daily working schedule (80.3%), improve access to professional networks (75.3%), and develop a renewed sense of professional self-worth (84.4%).

- *Health and social cohesion: Beyond professional metrics, participants reported a higher sense of collective purpose, improved perceived physical and mental health, and better social relations. Notably, the social stability provided by the programme led to a reported decrease in substance abuse and a lower use of violence among participants.*
- *Consumption patterns: The financial security provided by the programme helped participants meet their basic needs. Beneficiaries primarily used their income to increase their consumption of food and everyday products, repay utility bills and tax instalments, or travel to visit relatives. They also invested in technology and goods that improved their future job prospects, explicitly avoiding spending on luxury consumption or taking on new debt.*

Overall, beneficiaries overwhelmingly considered the Kinofelis experience a much more effective mechanism for re-entering the labour market than standalone training programmes. However, evaluators noted a crucial limitation: because the jobs were temporary (lasting up to eight months), the long-term sustainability of these positive psychological and social outcomes heavily depended on participants successfully finding other employment in the regular labour market after their placement ended.

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POLICY INSTRUMENT 3.2C
WORKING TIME REDUCTION

What is it?

Working time reduction (WTR) is defined as the reduction of statutory hours of work per week or per year. In practice, this policy is most commonly implemented through approaches such as adopting a four-day workweek (typically without a reduction in pay) or shifting to six-hour working days. It can also be achieved by encouraging part-time work or lowering the overall retirement age.

A core mechanism underlying this concept is work redistribution. By decreasing the number of hours each individual works, the total available work in an economy can be distributed more evenly across a larger portion of the population. This frees up sufficient wage labour for those seeking jobs or prevents net job losses, particularly in response to technological advancements like automation or planned reductions in economic output.

Why is it important from a SIW perspective?

Wellbeing

- For drastic reductions in stress and burnout: a shorter workweek leads to significant decreases in anxiety, fatigue, and work-related stress. For example, during a massive four-day workweek pilot in the UK, 71% of employees reported lower levels of burnout, and 39% experienced reduced stress.
- For improved physical health and sleep: with more time to recover, workers report better overall health. The 2023 city-wide trial in Valencia, Spain, showed that 64% of participants slept more, while time allocated for physical activity increased by nearly 38% and home-cooked meals by 35%. Other trials also note a reduction in musculoskeletal symptoms.
- For enhanced work-life balance and autonomy: WTR provides individuals with significantly more time for personal pursuits, family, and social commitments (see Box 3.8).

Inclusion

- For work redistribution and unemployment prevention: As technological advancements (like automation) displace traditional jobs, reducing the working hours of the currently employed allows available work to be distributed more evenly across a larger portion of the population. This prevents structural unemployment and ensures economic stability by providing incomes to a broader base of citizens.
- For closing gender gaps in care work: Shorter workweeks allow people to dedicate more time to unpaid care and welfare-improving activities, as proved in the Icelandic experience (see Box 3.8).

Sustainability

- For reducing the pace of production and consumption, and the related emissions: The ability to produce more goods at a faster pace has historically driven up the consumption of natural resources. By capping working hours, societies can moderate the pace of industrial production and consumption, thereby lowering overall greenhouse gas emissions.
- For lowering commuting footprints: By working fewer days, employees can reduce their commuting frequency and lower daily energy use and transportation emissions, contributing directly to urban traffic calming and improved local air quality.

What are the policy actors and policy levels in charge of implementing Working Time reduction?

Implementing working time reduction (WTR) policies requires a multi-level governance approach, whose key actors are listed below.

The European Union level: At the highest level, the EU sets the overarching legal frameworks, minimum standards, and strategic direction for working conditions. The EU issues binding directives – such as the Working Time Directive and the Work-Life Balance Directive – which establish baseline rights regarding maximum working hours, rest periods, and the right to request flexible or reduced working arrangements.

The national level: The state can lower the statutory retirement age, mandate shorter maximum workweeks, or fund massive public sector trials. Furthermore, the national government can coordinate WTR through the implementation of a Universal Job Guarantee.

The regional, local, and municipal levels: cities and local councils frequently act as the pioneers and primary administrators of WTR experiments, testing the policies before they are rolled out nationally. Local governments actively initiate and manage city-wide or public-sector trials. For example, the City Council of Valencia launched a month-long, city-wide pilot program by coordinating local holidays to create a four-day workweek for 360,000 workers. Similarly, the Reykjavík city authorities in Iceland initiated early trials for public sector workers, managing the rollout across diverse municipal workplaces including care homes, preschools, and maintenance facilities (see Box 3.8).

Social partners, trade unions and employer organisations: organised labour and employer representatives are the essential negotiating actors that translate broad WTR goals into binding, sector-specific realities. Trade unions advocate for the trials, monitor their fairness, and negotiate collective agreements (see the Icelandic experience in Box 3.8).

Civil society and campaign groups: Non-governmental actors serve as catalysts, recruiters, and evaluators for WTR initiatives. In the UK's massive four-day week pilot, civil society groups (like the 4 Day Week Campaign and Autonomy) launched the recruitment drive, organised the trials, and provided essential workshops, coaching, and mentoring to participating companies.

Private companies and non-profit employers: Individual businesses are the direct implementers of WTR, responsible for reorganising daily operations to make shorter hours viable. Employers must adapt WTR to their specific operational constraints by implementing tailored scheduling models.

To successfully implement WTR and avoid negative side effects (such as stagnant wages or intense overwork), these actors must coordinate through highly collaborative and democratic mechanisms. Coordination between the state and the market is also needed and is s primarily handled through formal social dialogue. The EU actively mandates that workers' representatives be informed and consulted in good time regarding substantial changes to work organisation. Additionally, WTR cannot be treated as an isolated labour policy; it requires horizontal coordination across different government sectors (e.g., aligning employment rules with environmental and health goals) and vertical integration between national and local levels. For example, if a national government implements a Job Guarantee with a 30-hour workweek, local municipalities must coordinate the actual public works projects, while the national state ensures the fiscal funding and overarching legal rights are maintained. Furthermore, coordination must happen dynamically also at the firm level, with the flexibility to design specific WTR models that suit firms' specific industry and departmental cultures (see Box 3.8).

How to design Working time reduction?

Realising working time reduction (WTR) requires a deliberate shift in how economies and workplaces organise labour. Effectively realising and designing WTR relies on specific enabling conditions and highly adaptable frameworks.

Specific enabling conditions

1. **Income protection:** WTR must generally be implemented without pay cuts to maintain workers' purchasing power and avoid worsening financial insecurity for lower-income groups. If working hours are reduced while hourly pay remains constant, a sufficiently high minimum wage or living wage must be secured to prevent financial insecurity.
2. **Comprehensive support for employers:** Transitioning to shorter hours requires significant operational adjustments. Successful initiatives, such as the UK's massive four-day week pilot, rely on a dedicated preparation phase where participating companies receive workshops, coaching, mentoring, and peer support from researchers and experts.
3. **Integration with broader welfare policies:** To secure livelihoods, WTR functions best when bundled into a broader eco-social policy mix. It is frequently proposed alongside Universal Basic Services, a minimum income guarantee, or a Job Guarantee, which together ensure that individuals can meet their basic needs even as the economy shifts away from maximising production.

Designing high-quality working time reduction

The real-world trials demonstrate that successfully designing WTR requires flexibility, democratic workplace involvement, and sector-specific planning:

- **Utilising diverse scheduling models:** Instead of forcing every business to simply take Friday off, effective WTR designs utilise a variety of models. These can include traditional "Friday off" arrangements, as well as "staggered" shifts (where different teams take different days off), "decentralised" schedules (delegated to individual departments, teams or

management), "annualised" hours (reducing total yearly hours rather than weekly), or "conditional" structures (reductions tied to specific performance conditions).

- **Workplace co-production and efficiency:** The design must involve managers and workers cooperating to reorganise daily tasks, improve time management, and eliminate inefficiencies, ensuring that the reduction in hours leads to staff actually working less without a drop in service delivery.
- **Sector-specific workforce planning:** Policymakers must adapt WTR designs for sectors where maintaining service is directly tied to the number of working hours, such as healthcare or emergency services. In these fields, WTR must be paired with societal-level skill enhancement and re-education to ensure there are enough trained professionals available to cover the reduced hours of the existing workforce.
- **Mitigating environmental "rebound effects":** While WTR generally promotes environmental sustainability by moderating the pace of production and consumption, its design must account for rebound effects. If individuals use their newly acquired free time for resource-intensive activities (such as increased travel or shopping), the environmental benefits could be lost. Therefore, WTR must be accompanied by policies that incentivise sustainable leisure and active transport.

What are the indicators to evaluate Working Time Reduction from a SIW perspective?

To assess the impacts of Working Time Reduction (WTR), evaluations typically combine administrative data, employee surveys, interviews, and even city-wide sensor data to measure outcomes across several dimensions. Presented here is a range of indicators that might contribute to the evaluation, but might, however, entail large-scale, ad hoc data collection exercises.

1. Wellbeing and health indicators

- Stress and burnout: Tracking self-reported levels of workplace stress, burnout, fatigue, and anxiety.
- Sleep and physical health: Measuring improvements in sleep duration, perceived sleep quality, and reductions in physical ailments like musculoskeletal symptoms.
- Psychological wellbeing: Evaluating changes in general mood, happiness, positive affect, personal satisfaction, and overall life satisfaction. ← When a WTR scheme is in place, this aspect can be measured through the indicator "Average rating of life satisfaction overall" included in the JRC's streamlined dashboard of 50 indicators.
- Lifestyle habits: Tracking shifts in personal habits, such as the amount of time dedicated to physical activity, reading, consumption of home-cooked meals, visiting green spaces, or changes in tobacco and alcohol consumption. ← When a WTR scheme is in place, this aspect can be measured through the indicator "Smoking prevalence" included in the JRC's comprehensive dashboard of 140 indicators

2. Work-life balance and time-use indicators

Want to know more about time use statistics and their use in a SIW framework? Have a look at MERGE Technical Guidelines Chapter 5.3.

- Caregiving and domestic responsibilities: Measuring employees' ability to juggle paid work with household chores and caregiving duties.
- Social connections: Tracking the amount of time spent with extended family, partners, and friends, as well as the ability to integrate work with social lives. ← This indicator corresponds to the JRC's streamlined dashboard of 50 indicators, under the name: "Frequency of contacts with family and friends".
- Time affluence: Assessing the increase in time availability and the flexibility individuals have to pursue personal hobbies, interests, or simply rest. ← This indicator corresponds to the JRC's comprehensive dashboard of 140 indicators, under the name: "Participation in any cultural or sport activities in the last 12 months".

3. Workplace and economic indicators

- Long working hours in the main job: changes in the percentage of persons in employment that usually work 49 hours or more per week in their main job.
- Economic viability and service delivery: Assessing the economic viability of companies' activities despite shorter hours.
- Revenue and employee retention: Tracking objective administrative data such as company revenue growth and employee turnover/resignation rates during the trial periods.
- Work intensification: measuring whether employees are forced to do the same amount of work in less time, potentially negating the stress-reduction benefits.
- Sector-specific economic shifts: broader trials (like the city-wide trial in Valencia) measure macroeconomic shifts, such as decreased sales in general commerce versus increased customer volume in the hospitality, leisure, and tourism sectors, as well as potential capacity overloads in emergency medical services.

4. Environmental and ecological indicators

- Commuting and traffic: using city sensors to measure reductions in traffic volume and corresponding improvements in air quality due to fewer commuting days.
- Energy and resource throughput: evaluating whether the policy successfully drives a broader structural shift away from material- and energy-intensive production and moderates the pace of both production and consumption. .← A useful indicator to evaluate this aspect when a WRT scheme is in place is provided by the JRC streamlined summary dashboard of 50 indicators: "Consumption footprint per capita".

5. Social justice and inclusion indicators

- Gender distribution of unpaid work: measuring whether the extra time off leads to an improved and fairer distribution of domestic responsibilities among men and women in households. ← Useful indicators to evaluate this aspect in the JRC dashboards: "Gender

employment gap", in the streamlined summary dashboard of 50 indicators; and "Inactive population due to caring responsibilities", in the comprehensive dashboard of 140 indicators.

- Impacts on vulnerable groups: tracking how the policy specifically affects single parents who typically face severe time constraints.
- Financial security: assessing workers' satisfaction with their household finances and monitoring whether lower-income groups experience concerns about making ends meet if the policy is not carefully designed. ← This indicator corresponds to the JRC's comprehensive dashboard of 140 indicators, under the name: "Inability to make ends meet".

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.8

WORKING TIME REDUCTION AND THE CASE OF ICELAND

Between 2015 and 2019, Iceland conducted two major, large-scale trials of working time reduction (WTR), cutting the standard 40-hour workweek to 35 or 36 hours without any reduction in pay. These trials were initiated following longstanding advocacy from grassroots organisations and unions; they yielded groundbreaking evidence on the feasibility of shorter working hours. On this ground, the country moved to a more generalised reduced working time regime.

The trials were broken into two main initiatives:

- ***The Reykjavík Trial:*** *Initiated by the Reykjavík city authorities and the major trade union confederation BSRB. It started in 2015 with just 66 staff members, but eventually expanded thirtyfold to include over 2,500 employees.*
- ***The National Government Trial:*** *Launched in 2017 between the Icelandic government and BSRB, this trial included an additional 440 workers.*

Combined, these trials involved more than 1% of Iceland's entire working population. The trials were notable for testing WTR across a highly diverse range of public sector workplaces, including traditional offices, preschools, city maintenance facilities, care homes for individuals with disabilities and special needs, and even the Reykjavík City Mayor's office. The trials also specifically assessed whether the hours of workers on irregular shift patterns could be successfully reduced.

The trials were driven by two primary objectives:

1. *To determine if reducing working hours could alleviate the poor work-life balance that had been highlighted by public campaigns.*
2. *To evaluate if shorter working hours could maintain or boost productivity, finding practical ways to ensure the exact same level of service provision despite staff working fewer hours for the same pay.*

To implement the changes, two committees were established to manage the scheme and develop metrics for success. The specific time reductions were tailored to the operational needs of individual workplaces. Crucially, the reduction in working hours was achieved through rethinking work strategies: workplaces focused heavily on time management, improving efficiency, and reorganising tasks through close cooperation between workers and managers.

Extensive quantitative and qualitative data were gathered throughout the trial period, and the results were overwhelmingly positive:

- *Productivity: The trials successfully maintained, and in some cases even enhanced, productivity and service delivery across the participating public sector workplaces. Workers accomplished the same amount of work in less time by reorganising tasks, shortening meetings, and improving efficiency, meaning they became more productive per hour worked. Crucially, this was achieved with no reduction in pay, so workers retained the full benefit of their increased productivity.*
- *Wellbeing and work-life balance: participants experienced profound improvements in their overall wellbeing. Employees reported reduced stress at home and having more time for partners, hobbies, and rest.*
- *Social and domestic equity: The extra time off led to a better, fairer distribution of domestic responsibilities. It also had significant positive effects for single parents, who typically face severe time constraints.*
- *Community benefits: participants enjoyed increased time spent with extended family and friends, which created a positive spillover effect into the broader community. Furthermore, workers had greater flexibility to complete household chores during the week, enhancing the quality of their weekends.*

Control workplaces that maintained a full 40-hour working week during the same period showed no such improvements in wellbeing or work-life balance.

The scale and undeniable success of the trials provided the evidence needed for systemic change. Following the trials, Icelandic trade unions and their confederations used the data to secure permanent working time reductions for tens of thousands of their members nationwide. As a direct consequence, approximately 86% of Iceland's entire workforce has now either officially transitioned to shorter working hours or gained the contractual right to do so.

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3.3 PILLAR 3
UNIVERSAL BASIC SERVICES AND SOCIAL PROTECTION

GENERAL POLICY OBJECTIVE: EXPANDING SOCIAL PROTECTION

What is Social Protection?

Social Protection comprises welfare mechanisms designed to shield individuals from social risks, economic vulnerabilities, and poverty throughout their life cycle.

- **Universal Basic Services (UBS)** are comprehensive, collectively provided essential goods and services designed to satisfy people's fundamental human needs, offered either entirely free of charge or at an affordable price. They include welfare services (such as healthcare, education, childcare, and elderly care) as well as public infrastructure (such as housing, public transport, water, electricity, and the internet).
- **Transfers in Cash** protect individuals against social risks (e.g., unemployment, old age, ill-health or disability) and redistribute income between different socio-economic groups to reduce inequalities. They include social insurance schemes and cash transfers such as minimum income guarantees, pensions, and unemployment benefits.

Together, UBS and cash transfers are intended to be a comprehensive system that enables everyone to participate in society and flourish, and are delivered through a combination of direct public provision, collective investment, and the strict regulation of non-state providers. This regulation refers to the so-called "social licensing", i.e., a regulatory framework where the right of corporate enterprises or non-state providers to operate and profit from delivering essential services is made strictly conditional upon them fulfilling a shared set of public interest obligations.

Why is Social Protection important from a Sustainable and Inclusive Wellbeing perspective?

Wellbeing

- Empowering citizens to meaningfully participate in society and reducing people's dependence on the labour market.
- Improving economic efficiency, as collectively provided services can deliver more effective and cost-efficient outcomes than individual consumption.
- Fostering mental and physical health.

Inclusion

- Promoting equity and poverty reduction. Approximately one in five Europeans is at risk of poverty or social exclusion.
- Fostering solidarity and social cohesion by creating a sense of shared responsibility and opportunities for diverse social interactions.

Sustainability

- Driving environmental sustainability: Universal services can be designed to directly support sustainable consumption, for instance, by utilising renewable energy in public infrastructure or offering plant-based meals in schools.
- Buffering the costs of the green transition for lower-income households, which face a disproportionate risk of energy poverty and financial hardship as governments implement policies to mitigate the climate emergency, such as environmental taxes on consumption.
- Managing "eco-social risks" caused by the climate emergency, including the destruction of livelihoods due to extreme weather events, rising food and water insecurity, climate-induced migration, and new health crises. Social protection is crucial for the most vulnerable populations, which are disproportionately exposed to environmental hazards.
- Building institutional resilience, societal trust, and cohesion through leaving no one behind.
- Fostering human capital through providing economic space for education and skill development.

Empowerment and participation

- Access to basic social services for all is the key to expanding people's empowerment and participation, and it also mitigates the transmission of inequalities across generations.
- Enhanced social protection generates capacities for active participation in communities, especially for vulnerable groups.

Transversal

- Strengthening societal resilience. Ensuring that everyone has access to a decent standard of living regardless of their personal income or employment status, shielding them from economic downturns.
- Securing democratic consent. Achieving ecological sustainability requires deep, structural transformations of the economy, which will inevitably lead to job displacements. If the costs of this transition are pushed onto vulnerable workers, it might provoke a backlash against climate policies.
- Building societal resilience and crisis management by reducing systemic vulnerabilities. When people have guaranteed access to essential services, they are better equipped to respond to sudden economic or ecological crises and adapt to changing circumstances.

What is the current approach at the EU policymaking level to expanding social protection?

Within the European Union, the conceptualisation and implementation of UBS are intertwined with major policy frameworks and national welfare traditions, thus requiring a wide array of EU initiatives as summarised below (with information available up to mid-2026).

At the EU level, the expansion of universal basic services is viewed by researchers as a necessary tool to complement the **European Pillar of Social Rights (EPSR)** and the **European Green Deal**. These policy frameworks specifically advocate for investing in UBS to ensure that "no one is left behind" during the transition to a climate-neutral economy. In this context, UBS is envisioned to provide citizens with guaranteed access to low-carbon public transport, affordable clean energy, efficient social housing, and greener social services. By reducing the effective cost of living, these services act as a buffer to shield vulnerable households from the financial impacts of environmental taxes and decarbonisation policies.

The EPSR translates its 20 principles into concrete actions, setting EU headline targets for 2030 regarding employment, adult skills training, and lifting at least 15 million people out of poverty. Principle 20 specifically mandates universal access to essential services (water, sanitation, energy, transport, financial services, and digital communications), thereby providing strong political and normative backing for the expansion of Universal Basic Services (UBS). Indeed, while the EPSR provides the rights-based framework, UBS serves as the concrete policy mechanism and infrastructure required to practically implement and deliver on those rights.

A key development is the Council Recommendation of 30 January 2023 on adequate minimum income ensuring active inclusion (2023/C 41/01), based on Principle 14 of the European Pillar of Social Rights. It recommends that Member States set adequate minimum income levels through a transparent methodology, achieve adequacy by 2030, and regularly review benefits, while supporting income security for women, young adults, and persons with disabilities. However, the Recommendation is non-binding, and the 2025 Minimum Income Report shows uneven implementation and persistent gaps in adequacy, coverage, accessibility, and take-up. EU social civil society – including Social Platform, EAPN, Caritas Europa, and Eurodiaconia – and the European Parliament have therefore called for a binding EU Directive on adequate minimum income. The Directive on adequate minimum wages (EU) 2022/2041 offers a precedent and model: it established a binding framework on wage adequacy, collective bargaining, and action plans below 80% coverage. Its first monitoring report (COM(2026) 388 final) shows wide variation in minimum wages across the EU – from EUR 399 in Bulgaria to EUR 2,509 in Luxembourg – and that only six Member States reached 60% of the median wage, illustrating both the potential and limits of such an approach.

How can European policymakers expand access to social protection for all?

Social protection includes several social benefits, welfare services, as well as public infrastructure. Four illustrative examples of key policy instruments are provided: early childhood education and care, universal transportation services, universal housing provision, and universal basic income.

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POLICY INSTRUMENT 3.3A
EARLY CHILDHOOD EDUCATION AND CARE

What is it?

Early Childhood Education and Care (ECEC) provides education and care specifically designed for pre-school-aged children. ECEC provides a foundation for development and learning: it gives children the basic skills they need to navigate fast-changing societies. By supporting early cognitive, language, and physical development, ECEC serves as the basis for lifelong learning and continuous skills development.

Why is it important from a SIW perspective?

Wellbeing

- For empowering children's capabilities: ECEC can help children's cognitive, language, and physical development, fostering their emotional and educational growth. ECEC also acts as a foundation for school readiness and lifelong learning, while also promoting healthy and active lifestyles early in life.
- For facilitating adults' engagement in work: ECEC might represent for parents, and still for mothers in particular, the necessary support for them to meaningfully engage in paid work. This also enhances the financial security and personal autonomy of parents, and reduces psychological backlash coming from being forced to stay at home for childcare.

Inclusion

- For reducing poverty: By providing essential services either free of charge or at heavily subsidised, income-adjusted rates, ECEC acts as a redistributive mechanism that actively breaks the intergenerational cycle of poverty and disadvantage. This drastically reduces the effective cost of living for lower-income families, freeing up resources for other necessities.
- For empowering vulnerable groups:
    - children: ECEC directly narrows the developmental and educational gaps between children from advantaged and disadvantaged categories (see Box 3.9 on Norway);
    - women, on whom unpaid care responsibilities still fall predominantly. ECEC supports women's labour market participation, directly contributing to reducing the gender employment gap, the gender pay gap, and the gender pension gap.

Sustainability

- For environmental protection:
  - Right from the design stage, ECEC can be explicitly conceived to operate under shared sustainability protocols, which dictate how centres are constructed, equipped, and maintained, how much energy and non-renewable resources they use, and the impact on how children commute to and from the facilities.
  - Childcare services generate a substantial number of stable, labour-intensive jobs that rely on human relationships and care rather than resource-intensive or highly polluting material production.
  - Furthermore, ECEC can be leveraged to encourage children from a very young age to value, enjoy, and safeguard the natural environment, fostering long-term pro-environmental attitudes.
- For future wellbeing: Finally, by proactively preventing social, health, and developmental harms, ECEC reduces the future need for costly, resource-intensive downstream interventions by public health and emergency social agencies.

What are the policy actors and policy levels in charge of implementing ECEC?

The successful provision of ECEC requires a highly coordinated, multi-level governance approach, including a wide range of policy and social actors.

The European Union level: while the EU has limited legislative competence in core social policies (which remain the primary responsibility of Member States), it plays a crucial role as a strategic hub, coordinator, and financier.

- The European Commission, Parliament, and Council set the overarching political ambitions, such as the revised Barcelona targets (aiming for at least 50% participation for children under three, and 96% for children from age three to primary school age) to be met by 2030. Principle 11 of the European Pillar of Social Rights explicitly declares that all children have the right to affordable early childhood education and care of good quality.
- Through frameworks like the European Care Strategy and the European Child Guarantee, the EU mandates that Member States ensure free and effective access to ECEC for children at risk of poverty.
- The EU is also a major funder, utilising instruments like the European Social Fund Plus (ESF+) and the European Regional Development Fund (ERDF) to finance childcare infrastructure and subsidise programs.
- To ensure Member States coordinate their efforts and meet their targets, the EU utilises the European Semester process. The Commission monitors national progress on ECEC enrolment, issues country-specific recommendations, facilitates mutual learning and the exchange of best practices, and links the successful implementation of these policies to the disbursement of EU funds.
- In the framework of the European Semester, the Commission provides guidance to Member States, including recommendations in relation to the principles of the European Pillar of

Social Rights. The Semester aims to identify social challenges and gaps in national social protection systems and provide appropriate policy responses to them. ECEC provision should be included as a policy used in recommendations.

The national level: national governments hold the primary legal and financial responsibility. They are responsible for translating EU goals into national action plans and securing the overall funding required to subsidise care and enact the foundational legislation establishing ECEC as a legal entitlement (see Box 3.9 on Norway).

The regional, local, and municipal levels: local authorities and municipalities carry the main responsibility for the actual delivery and organisation of childcare services. They must ensure that a sufficient number of facilities are available, accessible, and integrated into local long-term and land-use planning, also considering specific geographic and demographic conditions of their communities. Local authorities must engage in a continuous and transparent dialogue with their communities to ensure ECEC services meet community needs.

Service providers: the actual ownership and operation of ECEC facilities is often a public-private mix, often with an important role assigned to social economy actors (such as non-profits and cooperatives), due to their person-centred approach and their practice of reinvesting profits back into their social mission and local communities.

Social partners, civil society, and parents: trade unions, employers' organisations, NGOs, and parents are essential actors because they play a crucial role in shaping policies, monitoring quality, improving working conditions for care staff, and participating in the direct governance of the facilities (e.g., through parental involvement on kindergarten boards). Moreover, trade unions have a key role in negotiating fair wages, continuous professional training, and good working conditions for ECEC staff, which is critical for maintaining high-quality education.

How to design ECEC?

Realising ECEC as a comprehensive, universal basic service requires a combination of structural enabling conditions and meticulous system design.

Specific enabling conditions

1. Establishing a legal entitlement and rights-based framework. A foundational step to realising universal ECEC is transitioning it from a market commodity to a recognised legal right. Public authorities must establish a legal entitlement that guarantees a place for all children whose parents demand it. Ideally, there should be no gap between the end of adequately paid family leave and the start of a child's legal entitlement to an ECEC place. Norway and Finland, for example, have successfully expanded their systems by legally recognising the child as a rights holder and thus obliging the public sector to guarantee childcare places.

2. Sustainable public financing and affordability. High costs are one of the most significant barriers to ECEC access, particularly for low-income households. Realizing ECEC requires public investment through national grants, municipal funds, and EU funding. To make it universally affordable, governments can introduce income-adjusted fee caps (e.g., capping fees at a maximum percentage of household income) or provide a set number of free hours per week for families below

certain income thresholds. Public spending on ECEC is highly cost-effective; it is a social investment that yields high returns by boosting parental – and particularly maternal – labour market participation and generating additional tax revenues.

3. Enhancing workforce capacity and working conditions. ECEC cannot be realised without a robust, stable workforce. The sector currently faces severe labour shortages driven by poor working conditions, low wages, and high physical and mental demands. Enabling a high-quality system requires comprehensive collective agreements, strong social dialogue, and policies that guarantee fair wages and labour rights for all care workers. Furthermore, governments must invest heavily in upskilling and reskilling, ensuring that staff have access to continuous professional development, innovative teaching methods, and digital skills training.

4. Overcoming accessibility and territorial barriers. Services must be accessible for all children. This requires conducting gap analyses and mapping available infrastructure to address severe territorial inequalities, particularly the lack of facilities in rural, remote, and low-density areas. Facilities must also be adapted to ensure physical access for children and caregivers with disabilities. Furthermore, cumbersome administrative registration processes must be simplified so they do not act as a barrier for vulnerable families seeking to enrol their children.

5. Implementing "social licensing" and governance. While ECEC can be delivered through a mixed economy of public, private, and social economy providers, all operators must be governed by a robust regulatory environment to ensure they are bound to comply with quality standards, fair pay for workers, limitations on profit extraction, and environmentally sustainable practices.

Designing high-quality ECEC systems

The design of ECEC services must be focused on:

- **Pedagogical and relational quality**. High-quality ECEC design requires well-trained and properly qualified caregivers, highly favourable child-to-staff ratios, and the fostering of warm, supportive, and consistent relationships between the children and the staff.
- **Inclusivity and anti-segregatio**n. Systems must be designed to be non-segregated, actively encouraging a diverse mix of children from different social, economic, and ethnic backgrounds. Targeted design measures must ensure the inclusion of children in vulnerable situations, such as those with disabilities, ethnic minorities, children with a migrant background, and those experiencing poverty or homelessness.
- **Alignment with parents' working lives**. ECEC design must accommodate the realities of modern employment. This involves adapting opening hours to suit parents' working schedules, including providing care at atypical hours for shift or night workers. Additionally, care infrastructure should ideally be located at a reasonable commuting distance or near workplaces to ease logistical challenges. As children grow, the design could also integrate affordable out-of-school care and homework support to cover the hours when primary school is closed.
- **Democratic and parental involvement**. The governance of ECEC facilities should be democratically steered and participatory. Local governments play a significant role in ensuring the services remain responsive to community needs. Parents should also be

actively involved in the management of the centres, such as holding positions on kindergarten boards.

- **Ecological sustainability**. The physical and operational design of ECEC centres must be tailored to respect planetary boundaries. Through shared sustainability protocols, centres can be designed to use renewable energy, minimise non-renewable resource use, feature energy-efficient buildings, and promote sustainable commuting (like safe walking and cycling routes) for children and parents. Furthermore, curricula must be designed to encourage children from a young age to value, enjoy, and safeguard the natural environment.

What are possible indicators to evaluate ECEC from a SIW perspective?

To evaluate the effectiveness, quality, and reach of ECEC, policymakers and statistical frameworks can utilise a combination of quantitative targets, financial metrics, and qualitative assessments. The following is a list of possible indicators that could guide the evaluation. Yet these indicators are not always readily accessible, and in some cases, they would demand considerable, specially designed data-gathering work.

1. Enrolment and participation rates

% of children accessing care, typically split by specific age categories to monitor the revised "Barcelona targets":

- at least 50% of children below 3 years of age. ← This indicator corresponds to the JRC's comprehensive dashboard of 140 indicators, under the name: "Children aged less than 3 years in formal childcare"
- at least 96% of children from age 3 to mandatory primary school age. ← This indicator corresponds to the JRC's comprehensive dashboard of 140 indicators, under the name: "Early childhood education"

2. Time-intensity of participation

Number of hours a child attends ECEC per week. This time-intensity indicator is crucial for assessing whether the provided care actually covers enough hours to allow parents, particularly mothers, to meaningfully engage in paid employment.

3. Inclusivity and the attendance gap

Gap in attendance between children at risk of poverty or social exclusion and the overall child population. Effective evaluation requires granular data on specific vulnerable statuses, including disability, ethnic background, or living in a homeless family.

4. Quality of care

Key indicators, also related to qualitative assessment, could include:

- training and qualification levels of caregiving staff
- child-to-staff ratios, with lower ratios generally indicating higher quality.
- mix of children from different social and ethnic groups.
- qualitative measures of the warmth and consistency of relationships between staff and children.
- degree of parental involvement in managing the childcare centres.
- alignment of facility opening hours with parents' working schedules.

5. Financial and investment metrics

To evaluate governmental commitment and the affordability of the system, two main financial indicators are used:

- Macro-level: Public spending on early childhood education and care as a percentage of Gross Domestic Product (GDP) or per child to reduce sensitivity to changes in GDP.
- Household-level: The reduction in the effective cost of living, as the cash equivalent that families have because they do not have to pay direct market costs for childcare.

6. Labour market impacts for women

The effect of ECEC on gender equality is frequently evaluated by its impact on maternal employment. Specific indicators include tracking women's labour market participation rates or comparing employment gaps, such as the ratio of the employment rate for women with young children (e.g., aged 0–5) to the employment rate of women without children. ← Useful indicators to evaluate these aspects in the JRC dashboards: “Gender employment gap” in the streamlined summary dashboard of 50 indicators; "Inactive population due to caring responsibilities by sex" in the comprehensive dashboard of 140 indicators.

7. Child-centric wellbeing metrics

This can include evaluating children's experiences of participation, pressure at school, peer bullying, and their individual experiences of material deprivation. ← Useful indicators to evaluate these aspects in the JRC comprehensive dashboard of 140 indicators: “Severe material and social deprivation rate of children, 0-17, %”; “AROPE (At Risk of Poverty or Social Exclusion) for children, 0-17%”.

If you are interested in the development of JRC’s dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice “JRC” to see how the dashboard compares to other SIW-related metrics.

BOX 3.9

THE NORWEGIAN APPROACH TO ECEC

The Norwegian Early Childhood Education and Care (ECEC) system is a highly successful example of scaling up universal public services. Norway has progressively expanded its ECEC programmes since the 1970s, transforming childcare from a private responsibility into a legally guaranteed, highly regulated, and affordable public good.

Norway's approach is fundamentally rooted in recognising childcare as a right rather than a market commodity. Two critical pieces of legislation in the 2000s – the Kindergarten Act of 2005 and the Framework Plan for the Content and Tasks of Kindergartens – established the child's right to participate and enshrined the principle of the "best interest of the child". In 2009, early learning and childcare were officially recognised as a legal right, and in 2014, Norway explicitly recognised the child as a rights holder in its national Constitution.

The ECEC system is designed to seamlessly integrate with parents' working lives and parental leave policies. Norwegian parents with newborns receive up to one year of paid parental leave, meaning very few children enter non-parental care before they are 9 months old. Following this leave, parents are given a choice: they can either enrol their child in a publicly subsidised ECEC facility or receive a cash benefit to stay at home with the child until they reach the age of three.

While the Norwegian system is not universally free, it is heavily subsidised to ensure affordability for all families. The system is jointly financed through national grants, municipal funds, and parent fees. To protect low- and middle-income families, the government strictly regulates these fees:

- *Income caps: The maximum parent fee is set annually in the national budget and is legally capped so that it cannot exceed 6% of a household's income*
- *Sibling discounts: Families receive a 30% fee reduction for a second child, and a 50% reduction for three or more children.*
- *Free hours for the vulnerable: Since 2015, families with an annual household income below a certain threshold are legally entitled to 20 hours per week of free ECEC provision.*

The responsibility for ECEC is shared across different levels of government and society. The central government manages the funding, legal, and regulatory aspects, while municipalities carry the main responsibility for actually delivering the services. Municipalities are mandated to provide the same level of service regardless of their size or local tax revenues, and they must integrate kindergartens into their long-term land-use planning.

Furthermore, the actual ownership of the facilities is a mix of public and private operators. Norway has managed to expand provision through private businesses without sacrificing quality because the government covers a high proportion of costs. Furthermore, the public actor enforces strict "social licensing" regulations: private providers face limits on what is considered "reasonable" profit, must adhere to tight regulations regarding staff qualifications, and are required to have parents sit on their kindergarten boards to ensure democratic oversight. The system boasts well-qualified staff, favourable child-to-staff ratios, and provides a consistent form of care (the kindergarten) from age one to six.

The implementation of this universal model has yielded massive, measurable successes:

- *Surging enrolment: Full-time childcare enrolment for 1- to 5-year-olds passed from 63.4% in 2000 to 98.5% in 2020. In 2022, Norway ranked first in the EU for enrolling children under two (40.9%), and over 94.7% of two-year-olds attended ECEC.*
- *Reducing inequality: attending ECEC significantly increased math and English test scores for 5th graders whose parents had low education levels. Similarly, low-income children who attended ECEC at 18 months had noticeably higher language scores by age three compared to their peers who did not attend.*

Still to be improved is the degree of socio-economic segregation, given that families from similar socio-economic backgrounds tend to apply to the same local centres, and that some private centres may still find ways to "cherry-pick" children from more advantaged backgrounds.

Critics of ECES have warned about the risk that separating children from their parents very early could cause them externalising behaviour problems. Studies on the Norwegian experience have found very little evidence on this, provided that children spend no more than 40 hours a week in early childcare.

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POLICY INSTRUMENT 3.3B
UNIVERSAL TRANSPORTATION SERVICES

What is it?

Universal transportation services (UTS) represent a collective, public approach to mobility that guarantees everyone access to essential travel regardless of their ability to pay. Access to UTS should rely on collective interventions, through public planning, investments and subsidies, rather than market forces. This is a category of UBS that is mainly implemented at the local level.

The ultimate goal of universal transport is to create a scheme that is well-regulated, inter-connected, frequent, reliable, adequately funded and in line with sustainability targets. The services must be useful to as many people as possible, ensuring that they become the preferred mode of travel for the public over private vehicles in order to support emission reduction. This includes coaches, buses, trams, trains, underground railways, ferries, and micro-mobility (shared urban transport), combined with well-maintained, safe routes for walking and cycling. Providing completely free local transport (such as free bus travel) is often highlighted as a critical first step to realising UTS.

Why is it important from a SIW perspective?

Wellbeing

- For health**:** Shifting from private cars to public transit and active mobility (cycling and walking) improves public health by drastically reducing air pollution, noise pollution, and traffic accidents. Furthermore, using public transport generally increases daily physical activity, as passengers walk longer distances than those travelling by private car.
- For satisfaction of basic needs: Mobility is required to access work, education, healthcare, and social relationships. As such, the availability of some forms of motorised transport is an absolute, irreducible condition for basic need satisfaction.
- For psychological and social wellbeing: Access to reliable and free (or low-fare) transit reduces social isolation, increases personal independence, and fosters a greater sense of belonging to one's local community.
- For financial security: Because transport expenses represent a significant portion of household budgets, making transit free or highly affordable directly reduces the cost of living.

Inclusion

- For eradicating transport poverty: Lower-income households spend a disproportionately high share of their disposable income on transportation compared to wealthier households.
- For empowering vulnerable groups**:** The lack of accessible transit heavily penalises specific groups; for example, women often manage complex, multi-stop trips due to caregiving

responsibilities and rely more heavily on walking and public transit. Older people, who may no longer drive, become entirely reliant on public transport to maintain their independence. A properly designed universal system prioritises barrier-free access and physical accessibility, serving as a lifeline for persons with disabilities and reduced mobility.

- For bridging territorial divides: Expanding transport networks is essential for spatial equity, by connecting remote, rural, or segregated suburban areas to economic centres and mainstream services.

Sustainability

- For decarbonisation: High-quality, low-carbon and well-connected public transport schemes – especially when combined with disincentives for driving like congestion charges – actively drive a "modal shift" away from private car reliance. This is critical for climate mitigation, as greenhouse gas emissions from cars and taxis are more than seven times higher than those from buses.
- For resource efficiency: True ecological sustainability cannot be achieved merely by replacing internal combustion engine cars with individual electric vehicles, particularly large SUVs, as this continues to drive massive resource appropriation and destructive mining for batteries and infrastructure. Universal public transit provides mobility collectively, meaning it requires vastly less material throughput and energy to satisfy the population's needs.
- Enabling a just green transition: Environmental policies that raise the price of fossil fuels can be highly regressive, pushing vulnerable households into poverty. Universal transit systems act as a sustainable safety net, ensuring that citizens have affordable, low-carbon alternatives to private vehicles, which can contribute to increased democratic consent for rigorous climate action.

What are the policy actors and policy levels in charge of implementing UTS?

The provision of UTS relies on a highly coordinated, multi-level governance approach that spans from supranational frameworks down to local municipalities and individual citizens.

The European Union level: The EU acts as a strategic guide and a major financial enabler.

- The EU sets regulatory frameworks, such as the new EU urban mobility framework (adopted in 2021), which encourages Member States and cities to develop safe, accessible, inclusive, and zero-emission urban mobility. It also establishes legislation like the European Accessibility Act to ensure transport interfaces and services are accessible to persons with disabilities.
- The EU also provides financial support to build and upgrade transport networks through the Connecting Europe Facility and Cohesion Policy funds.
- In the framework of the European Semester, the Commission provides guidance to Member States, including recommendations in relation to the principles of the European Pillar of Social Rights. The Semester aims to identify social challenges and gaps in national social

protection systems and provide appropriate policy responses to them. UTS provision should be included as a policy used in recommendations.

- The EU also provides financial support to build and upgrade transport networks through the Connecting Europe Facility and Cohesion Policy funds. The trans-European transport network (TEN-T) policy complements this by providing the strategic framework for planning and developing a coherent, multimodal, and high-quality transport infrastructure across the EU. In particular, since its revision in 2024, the TEN-T also aims to reduce the environmental and climate impact of transport and to increase the safety and resilience of the network

The national level: While the provision of UTS rests mainly at the local level, the national state is responsible for two essential functions:

- Setting and enforcing quality standards and public interest obligations, for instance by setting the essential levels of service.
- Collecting and investing the necessary funds (through progressive taxation and national subsidies) and distributing them across territories to maximise inclusion.

The regional, local, and municipal levels: Regional or local authorities are often responsible for the practical organisation of essential transport services, including public bus and train networks, to regional or local authorities. Depending on the institutional context, local authorities may be able to levy specific taxes to fund their transit systems.

Service providers: The actual operation of transport services is carried out by a diverse range of state and non-state organisations. These can include publicly owned regional rail companies, private bus operators, and social enterprises. Such a mix can better help cover heterogeneous needs across different social groups and territories. For instance, in the UK, where large corporations dominate the market, a lack of coordination has led to infrequent services, lack of shared ticketing, and rising prices.

To realise a truly universal and fair transport space, these actors cannot operate in fragmented silos. They must coordinate through structural, democratic, and regulatory integrations:

- **Democratic dialogue and co-production:** Coordination between the state and citizenry must be institutionalised. Key decisions regarding the scope of transport services, eligibility for free or low-fare schemes, and provider accountability should be subjected to structured democratic dialogue including forms of direct participation of citizens, by means of assemblies and juries, as well as online participatory tools, giving privileged voice to vulnerable groups.
- **Blending collective interventions:** Ultimately, coordination means aligning urban planning, public investment, and strict regulation with subsidies to ensure that sustainable public transit is preferred over private car use, while concurrently supporting safe active travel like walking and cycling.

How to design Universal Transportation Services?

Realising Universal Transportation Services (UTS) requires a shift away from market-driven transport toward a collective, rights-based approach.

Specific enabling conditions

1. **Robust and sustainable public financing.** Universal transport requires a coherent mix of public investment and subsidies to make services highly affordable or free. Funding can be secured through a variety of mechanisms, including local income and property taxes, sales and tourism taxes, corporation taxes, and road user charges.
2. **Social licensing and strict regulation:** While UTS can be delivered through a mixed economy of public, private, and non-profit operators, all operators are required to guarantee equality of access, high-quality standards, fair pay and living wages for transport workers, and environmentally sustainable practices.
3. **Disincentives for private car use:** For public transport to reach its full environmental and social potential, enabling conditions must include policies that actively discourage reliance on private vehicles, such as congestion charging, parking fees, or reallocating road space away from cars. These measures can also provide funding for UTS.

Designing high-quality UTS systems

The design of a UTS system must be focused on:

- **Comprehensive, integrated, and multimodal networks.** The transport system must be designed as a seamless, interconnected web rather than a fragmented patchwork of competing corporate routes. Transport authorities must actively coordinate timetables and routes, ensuring that urban centres are well-linked to rural and remote areas. The network must be multimodal, combining coaches, buses, trams, underground railways, and ferries, and seamlessly integrated with safe, dedicated routes for active travel (walking and cycling). Furthermore, the system should feature shared, integrated ticketing across all modes of transport.
- **Affordability and decommodification.** A core design principle is removing financial barriers by designing ticketing schemes that are highly affordable or entirely free at the point of use. Implementing free public transport or introducing heavily subsidised low-fare passes (see Boxes 3.10 and 3.11) are highly effective design choices for increasing ridership and shifting users away from private cars.
- **High quality, capacity, and reliability.** To make public transport the preferred mode of travel, the system must be designed to be frequent, safe, and highly reliable.
- **Inclusivity and barrier-free accessibility.** The physical and digital design of the transport network must prioritise the needs of vulnerable groups, including persons with disabilities, older people, women, and children.
- *Physical accessibility:* Vehicles, stations, and surrounding infrastructure must provide barrier-free access, allowing independent travel for those with reduced mobility.

- *Digital accessibility:* As transport becomes increasingly digitalised (e.g., electronic ticketing, real-time travel apps, and interactive information screens), these interfaces must comply with strict accessibility standards, such as those outlined in the European Accessibility Act, ensuring they are perceivable and operable for individuals with sensory or cognitive impairments.
- *Non-digital alternatives:* The design must maintain non-digital ticketing and information alternatives to avoid excluding individuals who lack digital skills, smartphones, or internet access.

- **Ecological sustainability.** To operate within planetary boundaries, the physical infrastructure of UTS must be designed for decarbonisation. This requires investments in low- and zero-emission transportation (such as electric or hydrogen buses and electrified rail), and ensuring that the overall design minimises resource intensity while delivering high-quality mobility to the population. This should be complemented by promoting multimodality and supporting active mobility (e.g., walking and cycling), which further reduces emissions and delivers additional health and wellbeing co-benefits.

What are possible indicators to evaluate UTS from a SIW perspective?

To evaluate the effectiveness, inclusivity, and sustainability of UTS, policymakers and researchers rely on a mix of quantitative metrics, household expenditure data, and qualitative user assessments.

However, unlike other essential services (like energy or water), there are currently no structural, regularly collected EU indicators specifically dedicated to monitoring the affordability of transport services. Consequently, evaluations often draw on ad hoc surveys, regional case studies, and broader socio-economic data. What follows is a list of potential indicators that might inform the evaluation. Not always, however, are such indicators widely available, and sometimes they would require extensive ad hoc data collection efforts.

1. Affordability and "transport poverty"

- Inability to afford regular use of public transport: the percentage of the population (and specifically those at risk of poverty) who cannot afford to use public transit regularly. Usually, this is a self-reported condition.
- Transport expenditure as a share of disposable income: often disaggregated by income quintiles, geographical location, or vulnerability status (e.g., households at risk of poverty or social exclusion).
- Public vs. private transport expenditure ratio: how much households are forced to spend on private transport (like cars) versus public transit, which can highlight whether a lack of public transport availability is driving up living costs for rural or vulnerable households.

2. Ridership and modal shift

- Total journeys and active users: Tracking the absolute increase in the number of trips, the number of active public transport users, and the proportion of new users with a travel pass.
  ← A useful indicator to evaluate this aspect in the JRC streamlined summary dashboard of 50 indicators: "Share of buses and trains in inland passenger transport (passenger/km)".

- Passenger Kilometres (PKT) and Passenger Hours Travelled (PHT): Measuring the intensity of public transport use before and after a policy intervention.
- Modal shift percentage: The proportion of passengers who have substituted private car trips with public transport, active travel (walking/cycling), or micro-mobility.

3. Availability, reliability, and quality of service

- Service frequency and connectivity: Evaluating if timetables, connections and travel times suit the individual needs of users and are competitive with private vehicles.
- Service punctuality: Measuring the percentage of trips that arrive on time, as well as the average delay.
- Distance to infrastructure: Measuring whether transit stops are too far away or difficult to reach.
- Congestion levels: Assessing whether the public transit network successfully reduces traffic volumes on major urban routes.
- Multi-channel ticketing: Assessing the effectiveness of the ticketing system through the number of physical and digital ticketing points and the availability of different ticketing modalities.

4. Inclusivity and barrier-free accessibility

- Physical accessibility: number of stops with autonomous access, number of working accessible vehicles.
- Digital accessibility: Assessing whether electronic ticketing services, mobile travel apps, and interactive information screens are usable by people with sensory or cognitive impairments. Evaluators also note whether non-digital alternatives remain available to prevent the exclusion of those lacking digital skills or smartphones.
- Territorial coverage: Number of services covering peripheral routes and rural areas compared to urban centres.

5. User experience and safety

- Perceptions of safety: Measuring whether users (particularly women or those travelling at night) feel safe while walking to stops or while using the public transport system
- Subjective satisfaction: Utilising surveys to gauge overall user satisfaction with the transport offer, including pricing, reliability, and network integration.

6. Environmental and health impacts

- Emissions reductions: Estimating the decrease in greenhouse gas emissions and improvements in local air quality resulting from the modal shift away from private cars. ← Useful indicators to evaluate these aspects in the JRC dashboards: “Net Greenhouse Gas Emissions” and “Air pollution PM2.5” in the streamlined summary dashboard of 50 indicators; "Electric and hydrogen passenger fleet" and “Air pollution PM10” in the comprehensive dashboard of 140 indicators.

- Road safety: Tracking the reduction in traffic accidents and road fatalities (e.g., road deaths per 100,000 population) as reliance on private cars decreases. ← This indicator corresponds to the JRC's streamlined dashboard of 50 indicators, under the exact name: "Traffic deaths".

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.10

THE CASE OF DUNKIRK FREE-FARE PUBLIC TRANSPORT

In 2018, the city of Dunkirk (France) and its surrounding regions introduced a universal free-fare public transport (FFPT) system on its 'DK'BUS' network. This initiative demonstrates how eliminating fares can transform local mobility and reduce car dependency when combined with structural improvements.

Here is an in-depth look at how the Dunkirk experience was designed, financed, and evaluated:

***1. Civic engagement and infrastructure preparation**. The transition to free transport was a multi-year process that heavily involved the public. The initiative began in 2014 with a series of public consultation meetings to discuss the policy proposal with the community. Rather than just dropping fares on the existing system, the local government spent years preparing the infrastructure. Starting in 2016, significant investments were made to completely restructure the network, which improved the capacity, routing, and overall connectivity of the transport system serving the Dunkirk urban agglomeration.*

***2. The financing mechanism.** A primary challenge of universal free transport is replacing the lost revenue from ticket sales. Dunkirk solved this by leveraging the 'versement mobilité' (VM), which is a local employer contribution dedicated to mobility. The local government increased this tax for all companies in the area that employ at least 11 people, effectively shifting the financial burden from individual passengers to local businesses that ultimately benefit from a more mobile workforce.*

***3. Explosive growth in ridership.** The initial goal of the project was relatively modest: to increase the total number of bus journeys by more than 10% by the year 2020. However, the actual results vastly exceeded expectations. An evaluation comparing the period of January to May 2019 against the same period in 2017 found that the overall number of bus trips increased by 85%; ridership rose by 65% during the weekdays, and weekend ridership saw a massive 120% surge, indicating that the free buses were heavily used for leisure, socializing, and community participation outside of regular commuting.*

***4. Achieving a modal shift from cars to buses.** Beyond just increasing ridership, the Dunkirk initiative successfully changed how people chose to travel. A survey of 2,000 network users revealed that the free system attracted a completely new demographic, with 50% of all riders being new users. Most importantly for ecological sustainability, nearly half (48%) of these new users had switched to taking the bus instead of using their private cars. Across all passengers, the overall modal shift from private cars to buses was recorded at 24%.*

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Free or low-fare public transport. Policy Database on Sustainable Prosperity website: https://sustainable-prosperity.eu/policy-database/

BOX 3.11

UTS MODELS ACROSS EUROPE

Nationwide Free-Fare Public Transport (FFPT) Models

- Luxembourg: *In February 2020, Luxembourg became the first country globally to make all public transit – including buses, trams, and trains – entirely free at the point of use. The primary goal of this national policy was to increase passenger numbers by 20% within five years, tackling the country's exceptionally high car density. While simulations indicated that the policy brought significant increases in passenger kilometres and travel time, the overarching finding was that making transport free was not sufficient on its own to drastically reduce traffic congestion. Studies concluded that for FFPT to be fully effective, it must be paired with structural improvements that address reliability, in-vehicle travel time, overcrowding, and safety.*

*- **Malta:** Following Luxembourg's example, Malta introduced a nationwide free public transport policy for its bus network in October 2022. This policy provides free transit for all residents who hold a registered bus pass.*

National low-fare and flat-rate pricing initiatives

*- **Germany's 9-Euro-Ticket:** In response to the 2022 cost-of-living crisis and soaring fossil fuel prices driven by the war in Ukraine, the German federal government introduced a heavily subsidized national transit ticket. Valid for June, July, and August 2022, this ticket allowed unlimited travel on all local and regional public transport networks across Germany for just 9 euros per month. The policy was a massive success, selling 52 million tickets. Empirical tracking data revealed that regular public transport usage rose from 29% before the initiative to 38% during its implementation, stabilizing at 32% afterward. Crucially, roughly 20% of the ticket holders substituted some of their private car trips with public transport, demonstrating the policy's effectiveness in driving ecological sustainability.*

Targeted national pricing and social tariffs

*- **Demographic targeting:** It is highly common for European nations to mandate free or heavily subsidized travel based on age or disability status. For example, children travel for free under the age of 7 in Greece, under 6 in Slovakia, and under 5 in Ireland. Retirees are also frequently granted free national travel, such as those aged 70 and over in Malta, 66 and over in Ireland, and 65 and over in Hungary, Denmark, and Sweden. Additionally, persons with disabilities are legally entitled to free public transport in countries including Germany, Ireland, and Malta.*

*- **Income-based social tariffs:** Several nations deploy strict income criteria to provide reduced tariffs to the most financially vulnerable populations. For instance, Portugal implemented the 'Passe Social +' in its major metropolitan areas, granting a 50% discount to beneficiaries of minimum income and the solidarity supplement for older people, and a 25% reduction for specific low-income pensioners and unemployed individuals. In Cyprus, national policies ensure free school bus tickets for pupils from minimum-income households and free transport for recipients of low-pension assistance.*

A central challenge in providing free or highly subsidized universal transport is replacing the lost revenue from ticket sales and financing the necessary infrastructure expansions. National governments achieve this through a mix of redistributive taxation and international funding mechanisms.

*- **Employer and payroll levies:** A highly effective model used to shift the financial burden away from individual passengers is the implementation of employer taxes. In France, public transport is heavily funded by the Versement Mobilité (VM) or Versement Transport (VT). Applied by over 80% of France's urban transport authorities, this payroll levy charges local businesses that employ 11 or more people, effectively requiring companies that benefit from a mobile workforce to fund more than half of the region's transport infrastructure investments and operator subsidies.*

*- **Diverse national and local taxation:** Across the globe and within Europe, public authorities finance transport systems by pooling revenues from a wide variety of taxes, including local income and property taxes, sales and tourism taxes, corporation taxes, and road user charges. For example, Luxembourg funded its Free Universal Transport Project through the general state budget, through higher rates of tax paid by companies and high earners.*

*- **EU Cohesion and Recovery Funds:** At the European level, Member States heavily rely on supranational funding instruments to finance the massive capital investments required for these networks. Funds from the European Regional Development Fund (ERDF), the Just Transition Fund, and the Recovery and Resilience Facility (RRF) are actively used. For instance, Poland's national recovery plan utilizes these funds to invest EUR 7.1 billion in railway transport and EUR 3.9 billion in urban transport, specifically targeting the provision of low-emission rolling stock for bus connections in remote areas to combat the fact that 65% of its rural population lacks access to public transit. Similarly, Portugal allocated over EUR 1.5 billion of ERDF and Cohesion funds specifically to expand and improve the accessibility of its urban transport networks.*

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Free or low-fare public transport. Policy Database on Sustainable Prosperity website: https://sustainable-prosperity.eu/policy-database/

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POLICY INSTRUMENT 3.3C
UNIVERSAL HOUSING PROVISION (UHP)

What is it?

The **universal provision of housing (UHP)** is the collective effort to ensure everyone has access to healthy, adequate, secure, and affordable shelter according to their needs, rather than their ability to pay. It is built on the premise that housing is a fundamental human right and an essential good. Adequate housing involves not only affordability, but also security of tenure, sufficient space, accessibility, thermal comfort, good indoor environmental quality, climate resilience and access to essential services.

Universal housing should therefore be evaluated through housing adequacy rather than affordability or supply alone: a dwelling cannot be considered adequate if it is affordable but unhealthy, insecure or inaccessible, or if its location prevents residents from accessing essential services.

UHP shifts the treatment of housing away from being a financial asset or an opportunity for profit extraction (which caters to developers, financiers, and corporate landlords) and returns it to its primary function of fulfilling a basic human need. Universal housing is not meant to be a substandard "safety net" or last-resort option, but rather to offer attractive, high-quality living spaces.

Housing as a universal service can be realised through:

1. Collective provisioning and ownership. Universal housing relies heavily on alternatives to the commercial, for-profit market. This includes the significant expansion of public housing, social housing, and cooperative housing models, where housing is managed with a public interest obligation rather than a profit motive.

2. Strict market regulation and affordability over the long. term. Because housing costs constitute a massive and growing portion of household expenses, making housing universally accessible requires drastically reducing these costs. This is achieved by:

- Implementing strict rent controls and capping the amount landlords can charge.
- Applying "social licensing" to housing providers to limit profit extraction.
- Limiting the number of rental units that any individual or corporate firm can own. Forcing the sale of surplus properties drives prices down, allowing municipalities to buy units and expand the public housing stock.

Why is it important from a SIW perspective?

Wellbeing

- For health and safety: Housing conditions are a major determinant of health. Damp and mould, overcrowding, noise, poor ventilation and indoor air quality, and exposure to extreme temperatures can contribute to respiratory and cardiovascular disease as well as poorer mental health. Poor-quality and precarious housing negatively affects both mental and physical health, while also trapping people in poverty and restricting their access to employment. Making sure that everyone has access to decent, adequate and secure living conditions directly improves their quality of life and reduces the downstream demand for emergency services required to cope with health and social crises. Universal housing therefore requires healthy housing standards alongside affordability and tenure security.
- For social cohesion and for meeting people's changing needs across the life course: Housing systems should provide different dwelling sizes, tenure arrangements and support models that respond to changing household structures and needs – from young people leaving the parental home, to families, single-person households, people with disabilities and older people. For instance, creating multigenerational housing facilities supports intergenerational contacts, solidarity, and social interactions, which is particularly beneficial for the wellbeing of those in need of care.
- For independence: Different housing options such as co-housing, supported housing and intergenerational housing enhance people's independence. For instance, creating small studios for young people to move out from their family homes, or offering solutions to help vulnerable categories to move out from abusive housing conditions, or co-housing solutions between students and people with disabilities or older people.

Inclusion

- For poverty eradication and living costs reduction**:** Housing costs often consume a massive portion of household incomes. By keeping rents affordable, universal housing frees up household finances, preventing energy poverty and ensuring low-income families are not forced to choose between heating and other basic needs.
- For housing insecurity prevention: Universal housing provision should prevent housing insecurity from escalating into homelessness. Early-warning mechanisms can identify risks such as rent or utility arrears, eviction notices and insecure tenure, connecting households with housing, income, health and social support before crisis occurs.
- For spatial segregation prevention: Purely market-driven systems cater to developers and financiers. This contributes to spatial segregation and concentration of low-income, vulnerable groups in shrinking social housing sectors, and pushes working-class people and racially marginalised groups out of city centres. Community-owned housing models also empower local residents and protect them from predatory lending and foreclosures. The Vienna model is an example of housing policy ensuring an adequate social mix.
- For inclusive neighbourhoods: Universal housing provision should address not only the dwelling but also the neighbourhood. Adequate housing needs to provide access to transport, healthcare, care services, education, employment, public and green spaces and

opportunities for social interaction. Universal, public, or cooperative housing ensures that people of all income levels have equitable access to urban resources, infrastructure, and opportunities and contributes to creating diverse, integrated communities.

Sustainability

- For energy efficiency scaling up: In some surveys, such as the UK Department of Levelling Up, Housing & Communities, the social and public rented sectors consistently demonstrate better performance in terms of environmental sustainability than owner-occupied or privately rented homes. Because public authorities and housing associations are not driven by short-term profit extraction, they are much more likely to comply with national climate goals and invest heavily in upgrading, insulating, and retrofitting homes.
- For transport emissions reduction: By providing affordable public housing within city centres, universal housing prevents urban sprawl. This reduces the phenomenon of commuting from distant suburbs, thereby actively reducing society's dependence on cars and lowering fossil-fuel emissions.
- For climate adaptation: Extreme weather events, such as floods or heatwaves, disproportionately harm the most vulnerable members of society. Universal housing initiatives ensure that homes are adapted to the realities of climate change, protecting in particular the most vulnerable categories. Renovation and new buildings should jointly improve energy performance, indoor environmental quality, accessibility, thermal comfort and resilience to heat, flooding and other climate risks.
- For preventing displacement from housing improvements: As renovation and housing improvements can generate higher housing costs, displacement and gentrification, publicly supported renovation, regeneration and neighbourhood improvement should include affordability and tenure safeguards so that existing residents benefit from improvements rather than being displaced by subsequent rent or property-value increases.

What are the policy actors and policy levels in charge of implementing UHP?

Similarly to the other UBS, the provision of universal housing also relies on a highly coordinated, multi-level governance approach.

The European Union level: The EU acts as a strategic guide, standard-setter, and major financial enabler for housing policies:

- Through the European Pillar of Social Rights (EPSR), the EU emphasises that vulnerable people have the right to access good quality essential services, which includes housing and assistance for the homeless.
- In the framework of the European Semester, the Commission provides guidance to Member States, including recommendations in relation to the principles of the European Pillar of Social Rights. The Semester aims to identify social challenges and gaps in national social protection systems and provide appropriate policy responses to them. Universal housing provision should be included as a policy used in recommendations.

- The European Affordable Housing Plan sets out to support all levels of national authorities and gather stakeholders together to bring affordable housing to all Europeans, based on 4 pillars: Boosting housing supply; Mobilising investment; Enabling immediate support while driving reforms; Protecting the most affected.
- The EU sets strict minimum energy performance standards through the Energy Performance of Buildings Directive (EPBD) to ensure housing is highly insulated, ecologically sustainable, and helps combat energy poverty.
- The EU drives local action through mechanisms like the Recovery and Resilience Facility (RRF), Cohesion Policy funds, and specific initiatives like the Affordable Housing Initiative, which pilots 100 renovation districts across Europe.
- Provision of universal housing could be included in measures of the EU Anti-Poverty Strategy to combat housing exclusion and homelessness. Council Recommendation on fighting housing exclusion calls for increasing the supply of social and affordable housing as crucial to tackling housing exclusion in Europe, recommending Member States to take advantage of different housing models, including social and public housing, cost-rental and limited-profit housing, housing cooperatives, social rental agencies and other non-profit or public interest models.

The national level (the State): National governments hold the primary legal and regulatory responsibility for shaping the housing market:

- The state enacts foundational housing laws and establishes strict rent controls to keep prices below market levels.
- National governments create the financial oversight bodies necessary to monitor housing providers.

The regional, local, and municipal levels: In line with the principle of subsidiarity, the actual delivery and management of housing are heavily devolved to local authorities:

- Municipalities often act as direct providers, with the aim of maintaining affordable, quality housing through extensive municipal land ownership and local subsidies (see the Vienna experience in Box 3.12).
- Local governments are responsible for integrating social housing into long-term land-use plans, preventing spatial segregation, and actively acquiring vacant lots to expand the public housing stock.

Social economy actors (non-profits, cooperatives, and trusts): A defining feature of universal housing is the massive reliance on the social economy rather than commercial, for-profit developers:

- **Housing associations:** In some real-world cases, private, non-profit housing associations manage a significant share of all rental homes and national housing stock, operating with financial independence while pursuing a social mission, such as in the Dutch model.
- **Community Land Trusts (CLTs):** They remove land from the speculative market to build affordable, cooperative housing, thereby protecting residents from predatory lending and evictions.

Citizens and communities: They mobilise to form neighbourhood initiatives, co-design local redevelopment plans, and govern cooperative housing models.

Delivering universal housing requires dismantling institutional silos through structural, democratic, and regulatory coordination:

- **Community-led planning and democratic co-production.** Coordination must occur directly between local governments and the communities they serve. Housing policies should be subject to democratic dialogue, ensuring that residents have a meaningful role in designing their neighbourhoods, defining their own housing and commercial needs.
- **Multi-level and cross-sectoral integration.** Providing universal housing requires vertical integration (aligning EU renovation goals with national laws and local municipal execution) and horizontal integration (coordinating housing policy with health, energy, climate, transport, spatial planning, social and labour-market policies). For instance, housing authorities must coordinate closely with energy departments to ensure that massive home insulation and retrofitting projects (as mandated by the EU's EPBD) successfully eradicate energy poverty without allowing landlords to pass the renovation costs onto vulnerable tenants in the form of higher rents.

How to design UHP?

Realising housing as a universal public service involves shifting its treatment from a speculative financial asset or market commodity to a fundamental human right. It requires a highly coordinated approach that emphasises decommodification, affordability, adequacy, ecological sustainability, climate adaptation, and democratic governance.

Specific Enabling Conditions

1. Land decommodification and community control. To provide universal housing, land must be shielded from speculative market forces. This can be enabled by expanding municipal land ownership or by utilising models like Community Land Trusts (CLTs). For example, the Dudley Neighbours Inc. (DNI) in the United States successfully formed a CLT by holding land in perpetuity for the benefit of the community, which removes it from the speculative market and protects residents from predatory lending and forced evictions. In some cases, governments can enable this by granting community-based non-profits "eminent domain" authority to acquire and redevelop vacant land. Another proposed intervention is legally limiting the number of rental units any individual or corporate firm can own, thereby forcing the sale of surplus properties to drive down prices and allow municipalities to expand the public housing stock.

2. Robust financial mechanisms. Universal housing models must be financially coordinated to ensure long-term stability and affordability without relying solely on precarious government subsidies. A key enabling condition is establishing structures that allow housing providers to secure credit at highly favourable rates. Effective coordination allows non-profit housing providers to secure favourable credit rates and use rental income or proceeds from selective property sales to continuously reinvest in new housing developments, ecological renovations, and neighbourhood regeneration projects (see the Dutch model in Box 3.13). Moreover, where public guarantees,

subsidies, EU funding or blended finance are used, support should be conditional on long-term affordability and public-purpose requirements.

3. "Social licensing" and strict regulation. A crucial condition is that providers are granted by public authorities at the municipal level (e.g., the urban planning departments) the right to operate only if they adhere to strict public interest obligations, which limit profit extraction, limit debt finance, and bind them to ecologically sustainable practices and fair labour standards. Investment success should be evaluated not only through capital mobilised or units constructed, but through lasting affordability, security of tenure, accessibility and wellbeing outcomes.

4. Sufficient supply, including renovation, to meet demand. A systemic enabling condition is simply ensuring that the supply of public and social housing keeps pace with demographic trends. If the supply of universal housing fails to match demand, waiting lists increase, and low- or middle-income households are forced into the expensive, liberalised private market. To match the housing stock to current and future demographic needs, prioritise renovation and adaptation - where they offer a more efficient and sustainable alternative to new construction - and repurpose vacant or underused buildings where appropriate.

5. **Taxation of multiple property ownership and investment properties.** A complementary enabling condition is the use of tax policy to discourage speculative demand and the concentration of housing wealth. This can include progressive recurrent taxes on second and subsequent homes, higher taxes on investment properties (e.g., limiting tax advantages for buy-to-let investors), and taxes on vacant or under-utilised properties to encourage owners to bring idle housing stock back into use. Such measures reduce financial incentives for treating housing primarily as an investment asset, help curb speculative demand, and can increase housing supply by activating vacant units.

Designing high-quality UHP

The main points for designing high-quality UHP can be summarised as follows:

- **Strict affordability and rent controls.** Strict rent controls and legal caps on annual rent increases need to be designed. For instance, the Netherlands uses a regulated "point system" where rents are determined not by market speculation, but by specific dwelling characteristics such as size, available facilities, and energy efficiency.
- **Universality, high quality, and anti-stigmatisation.** Universal housing must be designed as an attractive, high-quality living option that is naturally integrated into the fabric of the city, rather than a substandard, last-resort "safety net". Vienna's model (see Box 3.12) demonstrates that when public housing is of high quality, it can be utilised by a very high share of the population. If strict income limits are used to allocate housing only to the absolute poorest, it leads to the concentration of low-income groups in a shrinking social sector, actively causing spatial segregation and the stigmatisation of residents.
- **Ecological sustainability, climate resilience and energy efficiency.** To stay within planetary boundaries, housing design must include mandatory building insulation, heat pumps, and integration of renewable energy to meet net-zero emission standards. Crucially, the policy design must ensure that the costs of these green renovations are not passed onto tenants in the form of higher rents, which would otherwise exacerbate energy poverty.

- **Prioritising vulnerable groups.** Those in the most urgent need should be housed first. Design rules can mandate that housing associations lease a specific, large percentage of their vacant units (e.g., 80% in the Dutch model, see Box 3.13) directly to low-income families. To tackle homelessness and in line with principle 19 of the European Pillar of Social Rights, scale up Housing First (permanent housing first, followed by flexible, person-centred support rather than requiring people to become "housing ready" before receiving a home) and other housing-led approaches, while maintaining personalised access to health and social services, coupled with income support.

What are possible indicators to evaluate UHP from a SIW perspective?

Evaluating the provision of universal housing within a Sustainable and Inclusive Wellbeing perspective means using indicators aimed at measuring whether housing is functioning as a fundamental right that satisfies human needs, rather than as a speculative financial asset, by tracking affordability, physical quality, energy security, and market dynamics. Below is a set of potential indicators that may be useful for the evaluation. However, such indicators are frequently unavailable, and occasionally they would necessitate major, purpose-specific data collection initiatives.

1. Affordability and financial burden

- Housing affordability: share of a household's adjusted disposable income that is required to cover overall housing costs, including rent (or imputed rentals for owners), maintenance, water, electricity, and gas.
- Housing cost overburden rate: percentage of households – particularly those in the bottom 40% of the income distribution – that are forced to spend more than 40% of their disposable income on housing costs. ← This indicator corresponds to the JRC's streamlined dashboard of 50 indicators, under the name: "Housing cost overburden rate".
- *Rent levels and housing debt:* specific indicators on actual rent levels and the accumulation of housing cost debt (including both mortgage debt and debt taken on for energy efficiency renovations), in order to capture a more granular picture beyond national averages. ← Housing debt is included as a relevant debt in the indicator Household debt (% of net disposable income) in the JRC's streamlined dashboard of 50 indicators

2. Housing quality, space, and adequacy ← An useful indicator to evaluate these aspects in the JRC comprehensive dashboard of 140 indicators: "Severe housing deprivation rate".

- Major deficiencies: percentage of the population living in dwellings with severe structural issues, such as a leaking roof, damp walls, floors, or foundations, and rot in window frames or floors.
- Overcrowding rate: share of households living in overcrowded conditions. It is calculated using strict space requirements based on household composition (e.g., mandating at least one room per couple, or per pair of children).

- Lack of basic sanitary facilities: proportion of the population living in households without a bath, a shower, or an indoor flushing toilet. This remains a critical indicator for identifying severe deprivation among homeless populations and marginalised communities.

3. Energy poverty and sustainability

- Energy poverty: percentage of households reporting that they cannot afford to keep their dwelling adequately warm. ← This indicator corresponds to the JRC's streamlined dashboard of 50 indicators, under the name: "Inability to keep home adequately warm".
- Building energy inefficiency: physical energy performance of the housing stock. Poor insulation and inadequate heating systems disproportionately burden low-income households.

4. Security and market dynamics

- Homelessness rates: number of individuals without a fixed domicile, representing the ultimate failure of housing provision.
- Eviction rates: measuring the security of tenure and the direct displacement of vulnerable renters.
- Property concentration and short-term rentals: tracking the concentration of residential property ownership and the proliferation of short-term rentals, as these market dynamics actively restrict the supply of affordable homes in stressed urban areas.

5. Subjective user experience

- Satisfaction with housing: percentage of the population reporting satisfaction with their dwelling, which captures their subjective assessment of space, comfort, and amenities.
- Satisfaction with neighbourhood: residents' satisfaction with their local environment, factoring in perceived safety, social cohesion, and the quality of local public spaces.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.12

UNIVERSAL HOUSING PROVISION IN VIENNA

Vienna is consistently highlighted as a premier real-world model for the provision of attractive, high-quality public housing. Unlike many modern housing systems that treat shelter purely as a highly financialized market commodity or restrict public assistance only to the most destitute, Vienna approaches housing as a broadly accessible public good.

The origins of Vienna's universal public housing system lie in the radical municipal reformism of "Red Vienna" (1919-1934), which shaped housing policy to this day. Prior to World War I, Vienna faced a dire housing crisis; 85% of land space was occupied by buildings, resulting in cramped, dark, and often unsanitary conditions. The war stopped new construction, and the inflow of population following the collapse of the Austro-Hungarian Empire exacerbated the shortage.

*After gaining control of the municipal administration in 1919, the Social Democratic Workers' Party moved aggressively to redefine housing as a public responsibility, not a commodity. In 1923, they launched a large-scale, long-term building program. Their objective was not merely to build units, but to shape a more equitable urban environment. The program was financed by novel redistributive taxes, including a housing tax and a wage tax introduced in the same year. Between 1923 and 1934, the city built nearly 400 municipal housing complexes (*Gemeindebauten*), comprising almost 64,000 apartments and providing homes for about 220,000 people. The iconic Karl-Marx-Hof (1930), with 1,382 apartments and a length of 1.2 km, remains the flagship of this era. By 1934, one-tenth of Vienna's population lived in municipal housing, a remarkable achievement born of crisis and political will.*

Nowadays, the city continues to be the largest municipal landlord in Europe, never having sold the 220,000 council apartments built since the 1920s. This commitment, with renewed investment in the post-war era – adding another 100,000 apartments in the 1950s and 60s alone – has allowed Vienna to maintain a stable supply of affordable housing and a balanced social mix throughout the city.

One of the most defining features of the current Vienna model is its massive scale and inclusivity. Public housing in the city functions as a universal basic service rather than a marginalized safety net. It is enjoyed by a vast majority of the population – roughly 60% to 80% of residents. By extending eligibility to the middle class and integrating public housing naturally into the daily fabric of the city, the Vienna model successfully avoids the spatial segregation, isolation, and stigmatisation that are frequently associated with low-income housing projects in other parts of the world.

By keeping a significant portion of land and the housing stock under public control, the local government acts as a powerful counterbalance to the private real estate market. This structural power allows the city to suppress rent inflation, ensure that housing is genuinely affordable, and prevent the displacement of residents.

In addition, Vienna's large-scale public housing model serves as a highly effective mechanism for driving environmental transitions. Because non-profit and municipal entities are not driven by the necessity to extract maximum short-term profits, they can prioritize long-term ecological investments. This centralized, public approach can be utilized to achieve rapid efficiency improvements across the housing sector. This includes the coordinated, large-scale installation of high-quality building insulation, heat pumps, and efficient appliances, which helps the city achieve

rapid decarbonisation while simultaneously protecting residents from energy poverty and extreme weather.

While Vienna's overarching municipal housing system is a highly successful model of universal provision, recent analyses of the city's housing landscape point to challenges within smaller, alternative housing experiments. Studies examining innovative housing solutions in Vienna that are specifically designed around a "degrowth" narrative – aiming to advance very specific ecological and cooperative social practices – have found that these creative projects can sometimes exhibit a high degree of elitism. Consequently, if not carefully managed or integrated into a broader universal system, highly specialized, niche housing initiatives risk perpetuating inequality rather than solving the broader societal need for inclusive shelter.

Vienna's ability to deliver high-quality, affordable housing on a massive scale rests on a sophisticated and legally embedded financing framework. The system is designed to be reliable, transparent, and to promote long-term sustainability. Under Austrian federal law, 1% of the combined gross salaries of all employees (0.5% paid by the employee, 0.5% by the employer) is earmarked for housing construction. This national tax provides the City of Vienna with a stable, annual sum, forming the bedrock of its annual housing budget.

This capital is deployed through a system of direct and indirect subsidies to developers, regulated by the Vienna Housing Promotion and Housing Rehabilitation Act (WWFSG). The cornerstone is a 1% interest loan, covering roughly 35% of construction costs for up to 40 years; the remainder is financed via bank loans and developer equity. This low-interest, long-term loan is coupled with cost-rental principles: for the entire repayment period, rents are legally capped to cover only the actual costs of construction, financing, land, and operation, ensuring ongoing affordability. This cost-rent model also mandates reserves for long-term maintenance and future investments.

A critical, complementary element is proactive land policy. The Wohnfonds Wien, a not-for-profit land bank founded in 1984, actively purchases land on the open market to build strategic reserves for development. By 2018, it had amassed over 3.2 million m² of land. This land is released to developers – both non-profit and for-profit – only under strict conditions: they must participate in design competitions and, in return for subsidies, agree to rent ceilings. Together, these integrated financing and land-use mechanisms create a powerful, transparent system that deliberately counters speculative market forces and ensures the provision of housing as a stable, long-term public good.

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BOX 3.13

THE DUTCH HOUSING SYSTEM

While the Netherlands' system of housing associations does not perfectly fit the strict definition of "Universal Basic Services" due to its income eligibility criteria, it serves as a highly informative, large-scale model of how to successfully provision housing to meet social needs while maintaining financial stability.

The Dutch housing system has evolved significantly over the past century and a half. It began between 1850 and 1860 with housing associations (HAs) founded as cooperatives by affluent workers and employers, driven by ideals of philanthropic capitalism. State intervention formally began with the 1901 Housing Law, which established housing quality standards and a framework for government support.

Following World War II, the Dutch government heavily subsidised these HAs to construct a massive volume of social rental dwellings. However, by the 1980s, these direct government subsidies began to disappear as HAs achieved financial independence. This led to a period of marketisation and neo-liberalisation where HAs expanded into commercial real estate, which unfortunately resulted in accusations of fraud and mismanagement. In 2011, the central government intervened to take back control, establishing new allocation rules designed to target socially disadvantaged populations.

Today, Dutch Housing Associations operate as private, non-profit enterprises that dominate the nation's housing sector. They manage approximately 75% of all rental homes in the Netherlands and account for 35% of the country's entire housing stock.

To ensure the housing serves those who need it most, HAs operate under strict allocation rules: they are legally required to lease 80% of their vacant units to low-income families and 10% to intermediate-income families. To maintain affordability, rents are kept below market levels and are determined by a highly regulated point system. A dwelling's rent is calculated based on its market value alongside specific property characteristics, such as size, available facilities, and energy efficiency. Furthermore, rents are protected from market spikes because they can only increase at a set, predetermined rate each year.

A remarkable feature of the Dutch HA model is that it achieves financial stability without relying on direct government subsidies. The system sustains itself entirely through its own rental income and the proceeds from selective property sales. These funds are then directly reinvested into new housing developments, property renovations, and neighbourhood regeneration projects. Because HAs rely on commercial practices to support social objectives, strong governance is required to prevent moral hazard. HAs utilise specific structures that allow them to secure credit at highly favourable rates, and they are strictly supervised by the Central Fund for Social Housing (CFV), which acts as the primary financial regulator overseeing their activities, management, and governance.

The system successfully provides high-quality, affordable housing on a massive scale, renting out 2.3 million dwellings. In 2014, roughly 85% of lower-income renters benefited from a regulated rent of below 700 euros. However, the system currently faces several critical challenges:

- The trap of "residualisation": by implementing stricter income limits to target the lowest earners, the system has created a concentration of low-income groups within a shrinking social rental sector. This residualisation leads to increasing spatial segregation and leaves lower-middle-income households – who earn slightly too much to qualify – locked out of the system.

- Severe supply shortages: the supply of residential buildings in the Netherlands has failed to keep pace with increased demographic demand over the last decade. Consequently, the housing cost overburden rate reached 9.5% in 2023 (above the EU average).

- A divided market: because of the supply shortages, eligible low-income households face incredibly long waiting times for social housing, while ineligible households are forced to navigate a pricey, hard-to-access liberalised private market.

Ultimately, the Dutch experience highlights that while financial autonomy and regulated pricing are highly effective, a system must provide an adequate quantity of supply and truly universal access to prevent segregating the population and leaving the middle class behind.

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POLICY INSTRUMENT 3.3D
UNIVERSAL BASIC INCOME

What is it?

Universal Basic Income (UBI) is a regular, unconditional cash payment provided to all citizens/residents/individuals regardless of income, employment status, or wealth.

The idea of UBI dates back centuries, with early roots in the writings of Thomas More and Thomas Paine. In modern times, UBI has attracted support because of the precariousness of labour, growing income and wealth inequalities, and the unsustainability of work-and-spend lifestyles driven by productivity growth. Unconditional cash payments have been tested through over 200 pilot programs in Europe and around the world.

More recently, universal care income (UCI) similar to UBI has been advocated for, acknowledging directly that the income is paid not only as a right to subsistence but as compensation for crucial unpaid care work people perform for society as part of families, communities and caring for nature. The difference is that while UBI is the same for everyone, UCI provides higher compensation for those performing more unpaid care work. See Policy instrument 3.2.2 for more information on Care Income.

Why is it important from a SIW perspective?

Wellbeing

- For increased physical and mental health. Unconditional cash payments increase physical health, mental health, health during pregnancy and child health, subjective wellbeing, and food security, based on results of experiments conducted in high-income countries. UBI supports satisfaction of a variety of basic needs, including care, social relations, and autonomy. The universality and unconditionality features of UBI release mental load and economic stress, according to a basic income experiment conducted in Finland.
- For eradicating poverty. UBI shows potential for eradicating poverty across all households and demographic groups in Europe with European wide UBI set at an at-risk-of-poverty threshold, based on simulation study. Unconditionality of UBI provides possibilities to combat non-take-up of minimum income benefits, which is an important issue in Europe. Available estimates of non-take-up in minimum-income schemes range from 20% to as high as 50% across the EU Member States, according to the EU Anti-Poverty Strategy.
- For enabling quality jobs and strengthening workers' bargaining power. UBI provides more freedom for people to choose which employment they accept, thus providing possibilities to incentivise quality jobs. UBI improves workers' bargaining power by providing them with the leverage to reject poor and precarious working conditions.

Inclusivity

- For reducing income inequalities. UBI shows potential for substantial redistribution and improved equality in Europe, especially when combined with progressive taxation. This is supported by a simulation study examining the effects of a European-wide UBI that is set at an at-risk-of-poverty threshold and financed with progressive income tax, tax on GHG emissions, and wealth.
- For social acceptability of receiving benefits as rights. Universality and unconditionality of UBI reduce social stigma around receiving benefits by framing them as a right for each citizen.
- For increasing gender equality. UBI benefits vulnerable groups and provides possibilities to increase gender equality: a basic income experiment in Barcelona showed improvement, especially for women, and provided financial means to leave abusive relationships. Moreover, UBI can provide means to enable care work that is currently unpaid and, on average, borne primarily by women, in the absence of Care Income (see Policy Instrument 3.2a for more information on Universal Care Income).

Sustainability

- For reducing reliance on unsustainable work. Through offering financial security, UBI can enable people to reduce their reliance on unsustainable forms of work and allow individuals to engage in community-focused and environmentally friendly activities. Furthermore, it could allow individuals to choose more environmentally friendly goods, for instance, organic groceries.
- For offering social protection for a just green transition. UBI can support environmental policy. Social assistance and insurance buffer regressive effects of environmental taxes in Europe, and social protection with broad coverage is associated with more support of carbon taxation in Europe.
- For strengthening social cohesion and institutional trust. Universal and rights-based provisioning of UBI supports social cohesion and trust in society that leaves no one behind. UBI also provides possibilities to have time for meaningful societal participation that strengthens social ties and communities.

What are the policy actors and policy levels in charge of implementing UBI?

In Europe, the main responsibility for the provision of UBI currently relies mostly on national, regional, or local governments, since the EU has limited legislative competence in core social policies. However, the EU also has a meaningful role in supporting and enabling the implementation of UBI.

The European Union level: The EU plays a crucial role as a strategic hub, coordinator, and financier.

- The European Commission, Parliament, and Council set the overarching political ambitions, such as the target under the European Pillar of Social Rights Action Plan of at least 15 million in the number of people at risk of poverty or social exclusion.

- In the framework of the European Semester, the Commission provides guidance to Member States, including recommendations in relation to the principles of the European Pillar of Social Rights. The Semester aims to identify social challenges and gaps in national social protection systems and provide appropriate policy responses to them. UBI should be included as a policy used in the recommendations.
- The EU also already provides guidance for the Member States in enacting minimum income schemes under the European Pillar of Social Rights Action Plan. UBI could be included in this guidance as a policy solution that provides answers to the non-take-up of minimum income benefits, along with other benefits of UBI. Indeed, the Commission already acknowledges in the 2025 minimum income report that "granting the benefit automatically without the need to apply is also a tool to address non-take-up". This notion should be accompanied by guidance on UBI.
- Under the EU Anti-Poverty Strategy, the Commission has promised to publish a Compendium of best practices to help address non-take-up of income support. UBI should be included there as a recommended policy solution.
- The EU can also provide funding for UBI experiments. The EU has previously funded, for instance, the B-MINCOME experiment in Barcelona through the Urban Innovative Actions programme (see Box 3.14)
- Researchers and citizen initiatives have also suggested UBI that would be provided at the EU level. Such a scheme would ensure that all Europeans benefit equitably from the wealth created by European integration, acting as a solidarity mechanism that could also increase legitimacy and support for European integration. However, enacting it would require changes in the mandate of the EU.

The national level: national governments hold the primary legal and financial responsibility. They are responsible for translating EU goals into national action plans and securing the overall funding required to provide universal basic income. National governments can take up UBI policy, designing it to fit the country's context and beginning with piloting where existing pilots are missing. The government should also include civil society in designing UBI, for instance, through citizen assemblies (see more information on citizen assemblies in section 2.4) to debate the appropriate level of the benefit.

The regional, local, and municipal levels: depending on the legal context, in some European countries also local authorities and municipalities have the capacities to pilot or provide UBI. For instance, Barcelona has piloted UBI (see more information from Box 3.14).

Civil society: NGOs can advocate for the need for UBI, building political momentum for its implementation and taking part in designing the implementation of UBI in coordination with the public sector.

How to design UBI?

Implementing UBI requires policy design that considers its function within the social protection system, provides support for community activities, and secures sustainable funding.

Specific enabling conditions

1. **Overcoming ideological resistance.** Implementing a UBI requires overcoming political and ideological barriers regarding work and contribution to society. Ideas of "free riding" or "getting something for nothing" are common criticisms of UBI. Overcoming them requires acknowledging basic subsistence as a human right and acknowledging that economic security is a crucial foundation that enables contributing to society.
2. **Sustainable funding.** There are many possibilities for financing UBI, as is the case for other public benefits and services. Part of the costs can be covered through decreasing bureaucracy and preventing health care and other costs through the wellbeing benefits that UBI provides. To make sure UBI advances sustainable and inclusive wellbeing, it is important to select funding sources that also advance this goal. These include progressive taxation, wealth tax, and environmental taxes (see Pillar 1). Indeed, according to a simulation study, a European-wide UBI set at an at-risk-of-poverty threshold could be financed with these taxes.
3. **Integration with a broader social protection system.** Implementation of UBI depends on services and other benefits that are available in the social protection system. UBI can replace some benefits. However, for some groups, additional benefits on top of UBI may be needed, such as disability benefits. Moreover, UBI and universal basic services both provide social protection. They are complementary possibilities that may best serve as a mix. Without any universal services, UBI could leave people vulnerable to price changes of basic goods, such as electricity, housing, and food.
4. **Combining with environmental policies to ensure sustainability.** UBI in itself does not guarantee environmental benefits but should be combined with, for instance, luxury carbon taxation, wealth tax (see Pillar 1) and rationing luxury commodities (see Pillar 4).

Designing high-quality Universal Basic Income

The key design features of the UBI include:

- **Recurrent payment:** To provide trust, economic security, and the wellbeing benefits associated with UBI, it should be a recurrent payment. It is important that the payment comes at a specific time, typically once a month, that the recipients know and can count on.
- **Paid in cash transfers.** UBI provides a benefit that allows the recipients' autonomy to decide how they use it.
- **Large enough to live on.** UBI should provide an adequate standard of living. In practice, this means that it should be set at minimum to the at-risk-of-poverty threshold. When determining a suitable level of UBI, the combination of other benefits and public services should be considered, so that they together provide an adequate living standard.

- **Unconditional.** UBI is provided for all as a right to decent living, and as such it does not have additional conditions attached. Unconditionality of UBI provides possibilities to tackle stigma related to receiving benefits and non-take-up of benefits.
- **Universal.** Ideally, UBI provides the same unconditional benefit to all citizens or residents. As a first and initial step towards this goal, the payment can be directed to a specific group, such as the unemployed or people living in specific unprivileged neighbourhoods, and expanded to other residents or citizens later on.
- **Paid on an individual basis, rather than on a household basis**. Providing UBI on an individual basis provides people autonomy that enables, for instance, leaving abusive relationships.
- **Combined with progressive income taxation.** To redistribute income in society and fund UBI through taxing high-income people more than they receive as UBI.
- **Embedded community activities and services.** To support people in forming networks, finding employment, or starting a business, it is important that community spaces and employment and educational services are available. For instance, the basic income experiment in Barcelona contributed to community participation and cohesion through combining basic income with services (see Box 3.14).
- **Using local currency.** Potentially, part of the UBI benefit can be paid in a local currency, which increases the sustainability of the local economy. However, to provide meaningful income, it is crucial that the currency is widely used and accepted by local stores and businesses.

What are possible indicators to evaluate UBI from a SIW perspective?

Evaluations of Universal Basic Income (UBI) experiments – such as the Finnish Basic Income experiment and Barcelona's B-MINCOME pilot – as well as theoretical assessments of the policy, rely on a broad spectrum of indicators that go beyond traditional economic impacts to measure profound psychological, social, and physical wellbeing outcomes. Insights gained through indicators should be accompanied by qualitative evaluations, such as interviews of UBI recipients, to form an adequate understanding of their lived realities behind the numbers.

1. Psychological and cognitive wellbeing indicators

- Subjective wellbeing and mental health: increases in general life satisfaction and reductions in mental strain, depression, sadness, loneliness, and the overall risk of mental illness. ← These aspects can be measured through the indicators “Average rating of life satisfaction overall” and "Deaths from suicide", both included in the JRC’s streamlined dashboard of 50 indicators.
- Cognitive functioning: individuals' self-perceived improvements in cognitive abilities, such as memory, learning capacity, and concentration.

2. Financial security and deprivation indicators

- Severe material deprivation: overall reduction in material deprivation among participating households. ← A useful indicator to evaluate this aspect in the JRC comprehensive dashboard of 140 indicators: "Severe material and social deprivation rate".
- Food security: reductions in the probability of "going to bed hungry" and the level of worry about not having enough food.
- Housing and energy vulnerability: changes in housing insecurity and energy poverty. ← This indicator can be approximated by indicators such as "Housing cost overburden rate" and "Inability to keep home adequately warm", included in the JRC's streamlined dashboard of 50 indicators, as well as by the indicator "Severe housing deprivation rate", in the JRC comprehensive dashboard of 140 indicators.
- Economic confidence: participants' confidence in their own economic wellbeing and their future employment prospects. ← This aspect can be measured through the indicator "Inability to make ends meet" in the JRC comprehensive dashboard of 140 indicators.

3. Social and institutional trust indicators

- Interpersonal and institutional trust: changes in the level of trust participants have toward other people and societal institutions. ← These aspects can be measured by indicators such as "Average trust in national government and parliament" included in the JRC's streamlined dashboard of 50 indicators, and by "Average rating of trust in others" in the JRC comprehensive dashboard of 140 indicators.
- Agency and empowerment: level of individuals' belief in their ability to influence their own life circumstances. ← Partially addressed by the "Active citizenship" indicator in the JRC comprehensive dashboard of 140 indicators.
- Bureaucratic burden: reductions in the administrative stress and bureaucratic hassle associated with managing traditional, conditional social benefits.

4. Employment and labour market indicators

- Employability and employment rates: changes in the employment rate of UBI recipients compared to control groups.
- Macro-level labour supply: reliance on unsustainable or precarious forms of work. ← Depending on the focus, this can find comparable indicators in the "In-work at-risk-of-poverty rate" in the JRC's streamlined dashboard of 50 indicators, the "Involuntary temporary employment" or the "Long working hours in main job" in the JRC comprehensive dashboard of 140 indicators.

5. Alternative feminist and care-based indicators

- Health and access: improvements in bodily and mental health, as well as the ability to access education and basic services like housing. ← Possible similar indicators in the JRC comprehensive dashboard of 140 indicators: "Share of people with good or very good perceived health", "Adult participation in learning", "Early childhood education", and "Severe housing deprivation rate".

- Gender justice and emancipation: impacts on gender justice, work-related and in-family emancipation, and the fairer distribution of unpaid care work. ← The JRC's streamlined dashboard of 50 indicators includes "Gender employment gap", while the JRC comprehensive dashboard of 140 indicators includes "Inactive population due to caring responsibilities by sex".
- Community ties: establishment of solidarity networks, mutual aid, and social bonding resulting from the cash transfers. ← Similar reference indicator in the JRC's streamlined dashboard of 50 indicators: "Participation in voluntary activities". The JRC comprehensive dashboard of 140 indicators also includes "Frequency of contacts with family and friends", and "Average rating of trust in others".

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.14

B-MINCOME EXPERIMENT IN BARCELONA, SPAIN

The B-MINCOME, launched by the Barcelona City Council, combined a minimum guaranteed income with active social policies in deprived urban areas of Barcelona. The project was part of the EU's Urban Innovative Actions programme, receiving part of its funding from the EU and being partly funded by redirecting city council funds.

The experiment lasted 36 months, with 24 months of intervention and evaluation from November 2017 to October 2019. The experiment combined a monetary transfer with active social policies. It provided up to 950 vulnerable households with a monetary transfer (Municipal Inclusion Support or SMI), among which 531 were also recipients of four active policies in the areas of: training and employment (152), entrepreneurship in the social, solidarity and cooperative economy (99), housing reforms for refurbishing and renting rooms (10), and a community participation program (270). The amount of support was a maximum of 1675 euros a month per household, depending on the composition, overall income, and living conditions of the household. Part of the benefit was paid in local currency introduced as part of the experiment.

Although the B-MINCOME was given at the household level rather than the individual level, it is still a very close example of what a UBI would be in theory, as it was designed and supported by UBI advocates and is used in the literature as a famous case study of a UBI experiment.

Key results: Reduced deprivation and increased wellbeing. On average:

- 8% reduction in severe material deprivation

- 10% reduction in probability of "going to bed hungry"

- 18% reduction in worry about not having enough food

- 27% increase in life satisfaction. Participants who received additional training and employment support were 9.5% happier than the average.

- Reduction in the risk of mental illness, improved quality of sleep, and higher probability of engaging in social leisure activities.

- Support for gender equality through female economic empowerment and wellbeing.

- No significant effect on participation in paid employment when given unconditionally. When income support was combined with active policies or had conditionalities, it led to a small reduction in employment due to a lock-in effect, with people lacking time to look for work from taking part in the policy.

- Participants' desire to participate usefully in their communities increased, as did participation in community activities.

- Uptake in training and employment policies provided was high even when it was not a condition for receiving the BI benefit.

- The local currency increased revenue for local businesses.

- No significant quantitative effects on self-perceived health, energy poverty, housing insecurity, probability of having a quality job, deciding to open a business, or undergoing training for adults.

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BOX 3.15

BASIC INCOME EXPERIMENT IN FINLAND

The Finnish Government launched a Basic Income experiment in 2017. The experiment was implemented by Kela, the Social Insurance Institution of Finland. It involved 2,000 unemployed individuals aged 25 to 58 who received a monthly payment of €560 unconditionally and without the need to register (note: Some benefits, e.g., housing benefits, were not included in the BI experiment, meaning that the recipients were eligible to apply for them on top of this monthly payment). The participants were randomly selected from labour market support or basic unemployment allowance recipients. Basic income was paid to the experimental group for two years, and income from work or self-employment did not reduce the benefit. The primary objective set for the experiment by the

BOX 3.15

BASIC INCOME EXPERIMENT IN FINLAND

government was to assess the employment effects of basic income, with secondary evaluations focused on wellbeing.

Key results: Financial stability provided by consistent monthly income provided improvement of wellbeing among basic income recipients

- Higher life satisfaction and reduced mental strain, depression, sadness and loneliness.

- Improved perception of one's cognitive abilities (memory, learning and concentration)

- Higher levels of trust in other people, societal institutions and one's own ability to influence circumstances.

- Less burden related to social benefits and financial management

- Improved confidence in economic wellbeing and future employment prospects

- The employment rate for basic income recipients showed a slight improvement compared to the control group. Recipients felt encouraged to seek and retain employment. Other employment measures were implemented during the basic income pilot, making it difficult to isolate the effects of basic income alone.

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3.4 PILLAR 4
ECOLOGICAL JUSTICE

GENERAL POLICY OBJECTIVE: ENSURING FAIR ECOLOGICAL SUSTAINABILITY

What does ensuring fair ecological sustainability mean?

Ensuring fair ecological sustainability prioritizes human wellbeing while strictly respecting the "planetary boundaries", identifying critical Earth system processes – such as climate change, biodiversity loss, and land-use change – that humanity must not transgress to avoid catastrophic environmental breakdown.

This means combining the ecological ceiling with a social foundation – guaranteeing that every person has access to the resources needed for a decent life (e.g., food, housing, healthcare, equity), for instance via the establishment of "consumption corridors", i.e., defining minimum living standards to eradicate poverty, alongside maximum consumption limits for the wealthy to prevent ecological collapse.

A critical step is transforming agri-food systems. Since industrial agriculture is a primary driver of planetary boundary transgressions, the transition must move towards agroecology – based on regeneration, sufficiency, and food sovereignty (see Box 3.16).

Why is ensuring a fair ecological sustainability important from a Sustainable and Inclusive Wellbeing perspective?

Wellbeing

- Physical and public health: ensuring ecological sustainability directly improves air and water quality, mitigates heat stress, and protects against environmental risks. Furthermore, preserving biodiversity is critical for physical health; for example, the loss of natural microbial diversity in the environment is directly associated with unhealthy human microbiota and various consequent health problems.
- Building a strong "social foundation" to ensure everyone's basic needs are met, while simultaneously respecting the "environmental ceiling" so that human activity does not destabilize the planet. A crucial role in this can be played by agroecological transition (see Box 3.16).
- Psychological and immaterial wellbeing: beyond physical needs, maintaining a connection with thriving, biodiverse nature promotes mental health and psychological wellbeing. A fair ecological approach ensures that urban and rural populations have access to green spaces

and natural living environments, which are essential metrics for evaluating a society's current quality of life.

Inclusion

- Ensuring equitable access to ecosystem services: Fair ecological sustainability ensures that all people, regardless of their socio-economic background, have equitable access to the benefits provided by nature (such as clean water, fertile soil, and energy), which are material prerequisites for decent living standards.
- Protecting vulnerable communities: global warming and environmental degradation disproportionately impact the most vulnerable and marginalized communities. Ensuring fair ecological sustainability requires robust climate policies that shield these communities from environmental shocks, ensuring that the burdens of the ecological crisis do not fall on those least responsible for it.
- Establishing a "fair consumption space" (corridors): The current state of wellbeing in the Global North has often been achieved by accumulating an "ecological debt" and appropriating resources from the Global South. A fair ecological approach utilizes the concept of "consumption corridors" or “sufficiency". This means capping the excessive, resource-intensive consumption of the wealthiest populations (the ecological ceiling) to ensure there are enough global resources left to eradicate poverty and provide basic necessities (the social foundation) for the global poor (also see Pillar 5).

Sustainability

- Operating within a safe and just space: Ensuring ecological sustainability means that human activities (such as resource extraction and waste emissions) are strictly managed to stay within "planetary boundaries" (e.g., climate change, biodiversity loss, land-use change). This guarantees that the safe operating space required to maintain the Earth's resilience is not transgressed.
- Intergenerational justice and regeneration: By transitioning to regenerative economic practices and circular models, fair ecological sustainability ensures that natural capital (forests, waterways, atmosphere) is not depleted for short-term economic gains. It fulfils the core mandate of sustainable development: meeting the needs of the present without compromising the ability of future generations to meet their own needs, thereby maintaining intergenerational equity.

Empowerment and participation (Transversal)

- Ecological literacy contributes to expanding people’s agency towards more sustainable production and consumption.
- Fair and equitable access to the benefits provided by nature in all contexts allows people to live with dignity, fostering active participation in collective decision-making to protect nature.

BOX 3.16

THE AGROECOLOGICAL TRANSITION: REDESIGNING AGRIFOOD SYSTEMS FOR SUSTAINABLE AND INCLUSIVE WELLBEING

Industrial agriculture and the globalized meat system are primary drivers of planetary boundary transgressions, causing massive biodiversity loss, climate change, and the severe disruption of biogeochemical nitrogen and phosphorus cycles. An "agroecological transition" moves away from the capitalist logic of efficiency, economies of scale, and the externalisation of environmental costs.

Instead of relying on the disproven logic of "green growth" – which focuses on technological fixes and efficiency gains while maintaining high production and consumption – this transition embraces a post-growth model that respects the Earth's biophysical limits while ensuring equitable access to nutrition.

The agroecological transition requires a systemic overhaul across production, consumption, and socio-economic governance based on five core principles: regeneration, sufficiency, distribution, commons, and care.

1. Biophysical and production shifts (regeneration). *At the biophysical level, the transition reshapes the metabolic flows of agriculture to eliminate waste and pollution:*

- *Phasing out synthetic inputs: a full agroecological scenario requires the abandonment of fossil-fuel-based synthetic nitrogen fertilizers and chemical pesticides. Fertility is instead rebuilt through organic farming practices, specifically by generalizing crop rotations that rely on symbiotic nitrogen-fixing legume crops.*
- *Reconnecting crop and livestock farming: the transition demands an end to highly specialized, disconnected farming. Livestock must be re-integrated with crop production at the regional level, ensuring animals are fed entirely with local biomass, permanent grasslands, and agricultural surpluses. This is also a core means of preventing forest fires in Southern Europe*
- *Ending extractive feed imports: By relying on local resources, regions can eliminate their dependence on imported feed (such as soy), which currently drives massive tropical deforestation and "ecologically unequal exchange" by draining land and resources from the Global South to fuel the economies of the Global North (also see section 3.5 – General policy objective: Fostering more equal international trade conditions).*

2. Consumption and demand shifts (sufficiency and corridors). *Agroecological production must be coupled with structural changes in consumption, particularly targeting the resource-intensive diets of high-income nations:*

- *Meat consumption corridors: because the industrial meat system accounts for the vast majority of global agricultural land use and is a leading cause of extinctions, high-income societies must implement "consumption corridors", i.e., maximum consumption limits on animal products for affluent populations, preventing ecological collapse.*
- *The planetary health diet: diets must shift toward plant-based proteins to align with both public health recommendations and ecological limits.*

3. Socio-economic and governance shifts (distribution, commons, and care). *A fair transition democratizes food systems and dismantles the concentrated power of massive agri-industrial corporations:*

- *De-commodifying food: food, land, water, and seeds must be de-commodified as shared commons and fundamental human rights, rather than financialized commodities designed for profit maximisation.*
- *Universal Basic Services managed by governments: governments can implement Universal Basic Services for food by providing public support and funding for regenerative urban gardens, local farms, and community cafeterias, ensuring that everyone has unconditional access to nutritious and sustainable diets.*
- *Empowering peasant agroecology: the transition requires land redistribution measures that facilitate small-scale farming and the promotion of short-distance supply chains and Community-Supported Agriculture (CSA).*
- *Participatory governance: Food Policy Councils and citizen assemblies should be established to allow communities, farmers, and experts to collaboratively and democratically design local food policies.*

Quantitative modelling of the European agri-food system demonstrates that only a fully agroecological scenario – characterized by organic rotations, relocalized livestock, and zero synthetic inputs – can successfully halve nitrogen waste and keep environmental impacts safely within Earth System Boundaries.

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What is the current approach at the EU policymaking level to ensuring fair ecological sustainability?

Ensuring fair ecological sustainability is a central policy objective of the European Union, formally anchored in foundational strategies, legislative frameworks, and institutional commitments that – based on information available up to mid-2026 – guide the EU's environmental, economic, and social policies.

The European Green Deal (EGD), launched at the end of 2019, is the EU's primary growth strategy, designed to transform the bloc into a modern, resource-efficient, and competitive economy. Its core commitment is to ensure a just and inclusive transition that respects the planet's ecological limits. It aims to "decouple economic growth from resource use, respect planetary boundaries, and ensure no person or place is left behind in this green transition". This commitment is operationalised through instruments like the Just Transition Mechanism (2021-2027) and the Social Climate Fund (operating from 2026), which are designed to mitigate the social and economic costs of the transition for the most vulnerable regions and communities in light of the launch of the new European Trading System (ETS 2) to be operational by 2028 (see Box 3.17).

The 8th Environment Action Programme (EAP) is the EU's legally binding framework for environment and climate policy for the period 2022-2030. It translates the Green Deal's ambitions into a clear, long-term vision. It establishes the EU's long-term priority objective for 2050 as "living well, within planetary boundaries". This vision is the guiding star for all subsequent environmental and climate policies. The programme sets out six thematic priority objectives for 2030, covering climate neutrality, climate adaptation, a circular economy, zero pollution, biodiversity protection, and reducing environmental pressures. The 8th EAP mandates monitoring progress using indicators that measure economic performance and societal progress "beyond GDP," moving towards a "wellbeing economy".

The Circular Economy Act (CEA), due to be adopted by 2026, is a new flagship initiative intended to accelerate the EU's transition from a linear "take-make-waste" economy to a circular one. Its central purpose is to align resource consumption with planetary boundaries. The European Economic and Social Committee (EESC) prepared an opinion on the CEA, emphasising that the Act must go beyond efficiency and recycling to address the fundamental issue of overconsumption. It calls for "demand-side policies and primary material reduction" – a shift from "better use" to "use less". The EESC strongly supports the development of binding material footprint targets for the EU, aligned with planetary boundaries, to provide a framework similar to climate targets. The goal is to limit the EU's overall resource use.

This general framework has been, however, partially hollowed out by two emerging priorities in EU policymaking: competitiveness and defence.

The shift to the Clean Industrial Deal (CID), proposed in early 2025, represents the most concrete manifestation of the first aspect. The CID is officially presented as a follow-up program to the EGD; however, this is widely interpreted as a shift from the "environmental and climate agenda" of the first von der Leyen Commission to the "pro-business Clean Industrial Deal era" of the second, where "boosting competitiveness is the primary aim".

While the EGD had a strong emphasis on environmental protection, biodiversity, and social fairness, the CID focuses narrowly on harmonising decarbonisation with economic competitiveness. It focuses primarily on two interconnected sectors: energy-intensive industries (like steel, metals, and chemicals) and the clean-tech sector. Its six key objectives are: (1) lowering energy prices, (2) boosting clean supply and demand, (3) driving investment, (4) ensuring access to key materials, (5) strengthening global partnerships, and (6) reskilling workers. To achieve this, it promises to mobilise over €100 billion for EU-made clean manufacturing and aims to ensure that 40% of key components in clean tech products on the EU market are domestically produced.

This refocusing has concrete implications for the policy pipeline. The European Commission's work programme for 2026 reflects this shift. Ambitious environmental legislation, such as the reform of REACH (the bloc's flagship chemical regulation), has been sidelined. The only major environmental policy file remaining on the 2026 timetable is the Circular Economy Act. Furthermore, there are proposals to switch the terminology from "renewable" to "clean" energy, a move that could legitimise nuclear power and carbon capture and storage (CCS).

As regards the second EU priority, i.e., defence, in March 2025 the EU launched the "Rearm EU" Plan (Readiness 2030), aimed at mobilizing up to €800 billion for defence spending. This represents a massive "once-in-a-generation surge in European defence investment". The plan explicitly prioritises defence and industrial rebuilding, creating a possible direct conflict with the climate agenda.

In this framework, the Green Deal legal framework and strategies are still operational. For instance, the EU Climate Law was amended in early 2026 to introduce a 2040 climate target, the Carbon Border Adjustment Mechanism (CBAM) entered its definitive phase in January 2026, and the Commission adopted new Green Deal initiatives on deforestation and waste management as recently as June 2026. However, the Deal’s holistic vision is being narrowed down to a primarily technical and industrial agenda focused on decarbonisation and competitiveness. It is facing a significant and ongoing erosion of political priority and resources due to the new geopolitical landscape.

BOX 3.17

THE ROLE AND REFORM OF THE EU EMISSIONS TRADING SYSTEM

The EU Emissions Trading System (EU ETS), established in 2005, is a cornerstone of European climate policy and one of the world's largest carbon markets. It operates on a "cap-and-trade" principle, where a limit (cap) is set on the total amount of greenhouse gases that can be emitted by covered sectors; companies receive or buy emission allowances, which they can trade as needed. Over time, the cap is reduced, incentivizing industries to adopt cleaner technologies. While the system has successfully contributed to a 47% reduction in emissions in covered sectors since its inception, its evolution raises critical questions regarding ecological and distributive justice.

In fact, to prevent carbon leakage (the risk of industries relocating abroad to avoid carbon costs), the EU grants free allowances to sectors considered highly exposed to international competition, such as steel, cement, and chemicals. In many cases, these sectors receive up to 100% of their allowances for

free. While this measure protects industrial competitiveness, it also exempts companies from bearing any marginal cost for their baseline emissions. The financial incentive to invest in breakthrough low-carbon technologies (like green hydrogen or carbon capture) is significantly weakened. Instead of a "polluter pays" principle, the system partially becomes a "polluter receives" scheme, slowing down the deep industrial transformation needed to meet climate goals.

In addition, in 2027 it is expected to enter into force the EU ETS 2 system. Unlike the original system (still in place), which focused on large industrial emitters and power generation, the EU ETS 2 will cover road transport, buildings, and small business emitters. This expansion is critical for decarbonizing everyday consumption but poses significant risks of regressive socio-economic impacts. Vulnerable and low-income households often spend a higher percentage of their income on heating and transportation fuel, making them more susceptible to price increases in these sectors. For instance, in Hungary, the poorest 10% of households are projected to experience welfare losses 1.6 times higher than the wealthiest 10% due to carbon pricing.

To align these market-based instruments with the principles of ecological justice, the EU has emphasized the necessity of revenue recycling. Using auction revenues to support vulnerable groups can mitigate the adverse effects of the transition and increase social acceptability. The Social Climate Fund (SCF) is the primary tool designed for this purpose, aiming to channel part of the EU ETS 2 revenues into structural investments – such as home renovations, energy efficiency upgrades, and affordable public transport – as well as temporary direct income support for those hit hardest by rising energy costs.

On a global scale, since 2026 the EU is implementing the Carbon Border Adjustment Mechanism (CBAM) to prevent "carbon leakage," which occurs when industries move to jurisdictions with weaker climate regulations. By levying a carbon price on imports of emission-intensive goods (such as steel, cement, and fertilizers), the EU aims to ensure a level playing field: foreign producers pay the same carbon price as EU industries, theoretically eliminating the incentive to relocate. However, a notable tension arises concerning the aforementioned free allowances under ETS 1. The CBAM was originally conceived as a mechanism to progressively supplant these allowances; the planned phase-out was intended to coincide with the gradual implementation of the border levy, thereby ensuring parity in carbon costs between domestic and foreign industries. Nevertheless, in light of recent policy revisions, this phase-out trajectory has been significantly decelerated, with the complete elimination of free allowances now deferred until 2038.

In addition, from an ecological justice perspective, there are concerns that the uniform application of CBAM might unfairly penalize developing economies in the Global South that lack the resources to rapidly transition to low-carbon production. To address this, recommendations include allocating a portion of CBAM revenues to climate finance and technology transfer for vulnerable trading partners.

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POLICY INSTRUMENT 3.4A
RATIONING LUXURY COMMODITIES

What is it?

Rationing luxury commodities is a policy that creates a cap on the consumption of luxury goods and services with high environmental impact to ensure a fair share of commodities for everyone within sustainable use of natural resources and emissions. The cap is formed through allocating each person a quota for the use of the rationed commodities.

Similarly to luxury carbon taxation (see section 3.1b), what is considered a luxury may be determined through citizen deliberation on what is necessary for wellbeing and what is fair distribution of consumption possibilities, informed by income elasticities and environmental footprints of different commodities. Rationing may entail:

- **Setting quotas for the use of specific commodities:** A commodity may be a necessity up to a certain level of consumption but turn into a luxury after that level is surpassed. As such, rationing could set quotas, for example, for petrol, meat, (fast fashion) clothing, or long-haul flights.
- **Banning specific commodities:** Some commodities can be considered luxury regardless of the level of their consumption, in which case they may be banned altogether. Example luxury commodities like this could be SUVs or luxury yachts.

Rather than targeting specific commodities, rationing can also be enacted through setting an overall personal cap on emissions, often referred to as a personal carbon allowance. Setting a cap that considers overall consumption could be developed in connection with digital purchasing, though it may encounter complexities related to emission calculations and privacy concerns.

This section focuses on rationing of specific commodities, as it may be easier to enact and can be combined with a luxury carbon taxation (see section 3.1b) to achieve overall consumption reduction. A luxury-focused carbon tax would reduce general consumption while targeted ratios would be used to a) rapidly reduce consumption of particularly problematic commodities with high environmental impacts and low importance to wellbeing and b) ensure that essential goods are distributed more equally than would be possible with only price-based distribution.

Why is it important from a SIW perspective?

Wellbeing

- Securing consumption space for necessities: By ensuring that resources, such as energy or housing, are not consumed excessively by a few, rationing ensures that there are enough resources for the health and wellbeing of all.

- Reducing status anxiety: Wealth inequality drives status consumption, where people consume excessively simply to display prestige, forcing others into a zero-sum "rat race" towards higher consumption that increases societal status anxiety. Rationing luxury consumption helps tackle this through capping the visible excess of the highest earners.

Inclusion

- Equalising consumption possibilities: Rationing of luxuries brings the consumption possibilities closer together across income groups, thus helping to halt unsustainable increases in societal consumption standards. It limits the consumption of highest earners, thus bringing their consumption possibilities closer to those with lower incomes. Halting unsustainable increases in consumption standards mitigates situations where relative poverty, as in inability to participate in average societal standards, is experienced while consumption levels are ecologically unsustainable. As rationing sets a quantitative limit to consumption, this limit is the same for everyone regardless of the ability to pay.

Sustainability

- Guiding emissions and consumption of natural resources to a sustainable level: Rationing establishes a physical limit to consumption. It removes the uncertainty of how consumers will respond to price changes, which is present with price-based steering enacted through taxation.
- Mitigating rebound effects: A rationing scheme establishes a physical limit to consumption. This mitigates the risk of so-called 'rebound effects' that tend to follow when efficiency improvements lead to lower prices that in turn drive increases in consumption.
- Strengthening the sense of collective responsibility: Rationing shifts the focus of environmental policy from individual consumer 'choice' to collective responsibility, framing natural resources as a shared asset that must be managed fairly.
- Supporting social cohesion: Equalisation of consumption possibilities and status signals associated with it through capping the visible excess of the highest earners can improve overall social cohesion.

What are the policy actors and policy levels in charge of implementing rationing of luxury commodities?

Effective implementation of rationing of luxury commodities requires a multi-level governance approach with coordinated actions from the EU to the local level.

The European Union level: The EU has an important role in establishing overall reduction targets for emissions and material use, creating standards and guidance for rationing, and preventing leakage of rationed luxury consumption across borders. More progressive policies may include:

- Setting union-wide emission and resource use reduction targets that create a basis for rationing in the Member States. The EU already has greenhouse gas emissions reduction targets embedded in the European Climate Law. Targets should also be established for

resource use. This could be enacted as a cascading material footprint reduction framework for the EU, for example based on a target of 65% reduction by 2050.

- Setting standards for transparent information on environmental impacts of commodities to inform rationing, for example through further development of Digital Product Passports.
- Setting standards for environmental impacts and qualities of products, such as cars and airplanes, that effectively restrict luxury commodities. For example, the EU has already set emission standards for new passenger vehicles. The standards may be planned to target luxury items, for instance, through setting stricter emission standards for heavier passenger vehicles, thus indirectly targeting SUVs.
- Providing guidance and recommendations on rationing to the Member States.
- Coordinating regional flight quotas and luxury trade agreements.

The national level: The national governments hold legal competencies to regulate consumption of luxury commodities. The governments should organise citizen assemblies (see section 2.4) to design rationing schemes to fit the local contexts.

The regional, local and municipal levels: Local and regional governments can enact some rationing schemes at the local level. Depending on the legal context, local governments may, for instance, enforce occupancy requirements in municipal housing that regulate sharing of housing space in relation to the number of residents, giving larger homes to larger families (see Box 3.18).

Citizens, experts, and civil society: Citizens, experts, and civil society have a key role in building political momentum to enact rationing through advocating for it. Citizens may form cooperatives within which a culture around need-based allocation and rationing can be fostered, as has been done, for instance, in housing cooperatives in Switzerland (see Box 3.18). Moreover, experts, civil society and citizens have a key role in taking part in citizen assemblies to determine what constitutes a luxury that should be rationed. These deliberations should bring together the experiential knowledge of citizens of wellbeing requirements of everyday life and codified, scientific expert knowledge regarding, e.g., the environmental footprint of specific goods.

How to design rationing luxury commodities?

Enabling conditions

- **Cultural norms of sufficiency, sense of collective responsibility and public understanding of the carbon and resource budgets:** Rationing is based on the idea of sufficiency, which reduces excess consumption to secure everyone enough for need satisfaction. It has been historically accepted by the public when a scarcity of a rationed resource has been experienced, for instance during wartime or an energy crisis. However, using rationing as a policy tool to mitigate environmental problems, such as climate change and biodiversity loss, involves rationing of commodities even though there is no experienced or immediate scarcity of those particular commodities. For example, a large amount of available fossil fuels needs to stay on the ground to prevent the worst effects of climate change. For the legitimacy of rationing, it is important to foster understanding of the necessity of rapid reductions in emissions and the use of natural resources to mitigate worsening climate

crises and ecosystem collapses, and the limitations of technological solutions alone in reaching these. This requires public discussion on rationing policies and participatory citizen assemblies to deliberate which commodities should be rationed. Climate assemblies show promise for public support for rationing. For example, the Citizens' Climate Convention in France has recommended a ban on short-haul flights where an alternative rail connection that takes less than 4 hours exists, while a citizens' assembly in the UK has recommended flight quotas.

- **System for monitoring use of rationed commodities:** The required system depends on rationed commodities. It can entail, for example, digital rationing books for specific commodities or systems connected to bank transactions.
- **Infrastructure that provides sustainable alternatives for need satisfaction:** Rationing supports sustainable and inclusive wellbeing only when it is imposed on commodities that are not necessary for need satisfaction. The necessity of specific commodities depends on available alternatives. Introduction of high-quality universal basic services (see Pillar 3) is pivotal for providing these alternatives. For example, providing public transport makes private vehicles less necessary, thus providing room to deliberate on rationing the use of private vehicles.

Key design features

- **Deciding rationed commodities and quota levels through democratic and participatory processes informed by expert knowledge:** To ensure legitimacy, fairness and need satisfaction possibilities, it is important to decide the rationed commodities and their quotas with a participatory process, using citizen assemblies (see more about citizen assemblies in section 2.4) informed by expert knowledge. In the deliberation, three core principles should be considered: individual wellbeing, social fairness and ecological sustainability. To be meaningful, rationing must provide real reductions in emissions and/or use of natural resources. To be fair, it needs to be designed so that it ensures universal access to commodities to the level that is necessary for need satisfaction.
- **Regular updates:** The quota levels and objects of rationing should be updated to consider changes in societal and environmental contexts, including, for example, developments in relation to the emission reduction and wellbeing targets, increased knowledge of Earth systems, and developments in technology.
- **Considering need in the division of quotas:** Rationing aims at providing equal shares of resources for equal needs. This means that quotas are not necessarily the same for all but depend on considerations of justifiable need. For instance, during wartime in Great Britain, food rationing was arranged so that pregnant women received larger quotas and vegetarians a different composition of food items. In Switzerland, living space is rationed in relation to the number of residents (see Box 3.18). Similarly, for example, flight quotas could be divided so that people would receive some extra quotas for visiting family who are at a distance that is very difficult to reach with other modes of transport.
- **Clear and transparent rules and processes:** Having clear and transparent rules and processes in deciding on rationing as well as dividing quotas is essential for fairness and

legitimacy. Information on the rules around rationing and division of quotas must be clearly articulated and available to everyone.

What are possible indicators to evaluate rationing of luxury commodities from a SIW perspective?

Evaluating the rationing of luxury commodities is essential for limiting overall household consumption and enabling a transition to provisioning systems that respect planetary boundaries. Because market-based instruments like carbon taxes still allow affluent segments of the population to appropriate a disproportionate share of the global carbon budget, rationing acts as a complementary post-growth policy that sets a hard ceiling on excessive, high-impact consumption.

To evaluate and operationalize the rationing of luxury commodities, policymakers and researchers utilize specific indicators across two main phases: **identifying what constitutes a luxury** and **defining the exact thresholds (rationing levels) for those commodities**.

1. Indicators used to identify "luxury" commodities

Before rationing can occur, institutions must evaluate which goods and services are basic necessities and which are unnecessary luxuries. This is typically evaluated using two primary types of indicators:

- Income elasticity of consumption: This macroeconomic indicator is used to quantitatively differentiate between basic and luxury goods. Goods that are consumed in roughly the same quantities regardless of a household's available income are classified as basic necessities (e.g., day-to-day food requirements). Conversely, goods and services whose consumption rises sharply with higher income levels and are consumed primarily by the most affluent – such as long-distance flights – are empirically identified as luxury commodities.
- Reference budgets via deliberative processes: Identifying luxury can also be evaluated qualitatively through structured deliberative discussions that combine the codified knowledge of experts with the experiential knowledge of everyday citizens. These processes evaluate and determine "reference budgets," which define the specific baskets of goods and services considered strictly necessary for a decent standard of living within a given country or region. Commodities that fall significantly outside these essential baskets can be evaluated as non-essential luxuries subject to rationing or luxury-focused taxation.

2. Indicators for defining rationing thresholds (ceilings)

Once luxury commodities are identified, the actual rationing levels (the hard ceilings on consumption) are evaluated and set by combining three specific threshold indicators:

- Individual wellbeing threshold ("uselessness" point): This indicator evaluates the marginal utility of consumption. The rationing point is set at the threshold where any further increases in the consumption of a good or service bring negligible or zero additional wellbeing benefits to the individual, rendering further consumption essentially useless from a human-development perspective.

- Societal fairness threshold ("unfairness" point): This indicator evaluates consumption ceilings in relation to a societal floor. It establishes a maximum point above which the consumption of resources by a single individual is deemed socially unfair when compared to the minimum level of resources available to the rest of the population.
- Planetary boundaries threshold ("unsustainability" point): This biophysical indicator evaluates consumption against strict ecological limits. The rationing point corresponds to the level at which average consumption exceeds a predefined, safe per-capita environmental target, such as a maximum average carbon budget per capita. Consumption beyond this metric is classified as ecologically unsustainable.

3. Empirical and sector-specific rationing indicators

In practice, evaluating the rationing of luxury commodities often translates into specific, sector-based metrics. While large-scale implementations are currently scarce, localized examples provide concrete indicators of how this works:

- Occupancy-to-room ratios (housing): In the housing sector, rationing excessive living space is evaluated using strict occupancy metrics. For example, in Switzerland, much of the non-profit housing sector (such as municipal and cooperative housing) utilizes an indicator where the permitted number of rooms per household must strictly equal the number of residents plus one, effectively rationing luxury excess space.
- Time and distance alternatives (mobility): For luxury or high-emission mobility like aviation, rationing is evaluated against the availability of low-carbon alternatives. For instance, following proposals from the Citizens' Climate Convention, France introduced a ban on domestic short-haul flights based on the indicator of whether a viable rail alternative of under 2.5 hours exists.
- Distributional metrics (Gini and Lorenz curves): To evaluate the baseline necessity for rationing and its subsequent effectiveness, researchers utilize distributional indicators such as the Gini coefficient and Lorenz curves to map the extreme inequality of specific luxury activities, such as tracking the disproportionate concentration of frequent flying among top income deciles.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.18

REAL LIFE EXAMPLES OF RATIONING

Evidence for the feasibility of rationing is found in both historical precedents and contemporary small-scale implementations. Rationing has been historically used as a policy in crisis contexts such as scarcity of resources during the World Wars or low supply of oil during the 1970s oil crisis and, more recently, in relation to the 2026 war in Iran. During then World Wars, many items, including food, petrol and clothes, were rationed. Though there were also difficulties in the rationing, it was successful in securing necessities. For example, in the UK, rationing contributed to a reduction in malnutrition.

While these historical examples are connected to a fixed, limited period during a crisis, rationing has also been enacted as a policy with no end date connected to a limited time span, for example in housing and to limit short-haul flights.

Distributing housing space according to the number of residents in Switzerland

Construction is a major contributor to environmental damage, accounting for 5-12% of carbon dioxide emissions, 50% of all extracted materials, and 37% of waste. Beyond construction, maintenance, cooling, and heating of homes require energy, more for larger living spaces. While the average living space per capita has increased from the 90s to the 2020s across most EU member states, about 17% of people in the EU live in overcrowded households, showing unequal distribution of living space.

Rationing of living space can be used to alleviate housing shortages while minimising new construction. The Swiss housing market provides an example of this. In several housing providers within non-profit cooperatives and municipal ownership, occupancy requirements mandate a minimum number of residents per dwelling throughout the tenancy. The rules typically require that number of residents to equal the number of rooms minus one. When the number of residents reduces, for instance due to children moving out, remaining residents must either relocate to a smaller flat offered by the housing provider (typically more than one relocation option is offered) or find new flatmates. A rehousing period that has extensions in cases of hardship, such as the loss of a family member, is typically offered. When a larger flat is freed up, residents who have previously lived in overcrowded space, for instance due to growing family size, have the priority to get it.

The rules have successfully limited overcrowding and underutilisation of living space. Based on interviews of residents from housing cooperatives, the residents tend to consider the policy as fair and needs-oriented. This is supported by collective values and a strong sense of community that cooperatives foster.

These features do not necessarily apply to the same extent to municipal housing, let alone private housing markets, and as such, implementing rationing of living space at a wider scale should incorporate them to ensure legitimacy. Indeed, enacting the policy may require building cultural ideals around community responsibility. In Switzerland, the tradition of cooperative housing and the good example it provides of rationing have contributed to inspiring similar practices in municipal housing, for example in Zurich.

Ban on short-haul flights in France

Aviation is one of the major sources of greenhouse gas emissions, especially when considered as per capita emissions of each passenger. While several suggestions for rationing flying exist, the 2024 ban on short-haul flights in France is an example of enacted policy within Europe.

The ban is specific to routes where a rail alternative that takes less than 2.5 hours exists. The policy has received criticism for being too narrow in scope for effective emission reduction. Major criticism is related to the calculation of the rail alternative, which is done from airport to airport rather than, for instance, the city centre to another. This has led to the ban only affecting three domestic routes between one of the Paris airports (Orly) and the cities of Lyon, Bordeaux and Nantes, while allowing flights between other Paris airports and these cities. Moreover, the 2.5-hour time limit is a watered-down version of a recommendation by the France Citizen Climate Assembly in 2020 that recommended a 4-hour time limit.

However, it acts as a precedent for mobility rationing that shows that removing high-impact options is possible when lower-impact alternatives are available. The policy can be strengthened by changing the limitations. For example, changing the calculation of the 2.5-hour limit to be from one city to another rather than between airports would multiply the emission reduction potential of the policy.

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POLICY INSTRUMENT 3.4B
GRANTING RIGHTS TO NATURE

What is it?

Granting Rights to Nature (RoN) refers to the legal recognition and protection of the inherent rights of natural entities and ecosystems, affirming their fundamental right to exist, thrive, regenerate, and evolve. This concept challenges the traditional, anthropocentric view that treats nature merely as "property" or a commodity to be exploited for human economic growth and enables the legal defence of the environment in court – not merely for the benefit or utility of human beings, but for the sake of nature itself – represented by appointed guardians, people, or organisations acting on their behalf. Natural entities such as rivers, forests, mountains, and entire ecosystems are therefore elevated to a status akin to a legal person.

Why is it important from a SIW perspective?

Wellbeing

- For psychological wellbeing: Beyond physical necessities, RoN deeply impacts the subjective, spiritual, and cultural aspects of current wellbeing. RoN fosters a sense of "unity with the world". It redefines wellbeing away from material accumulation and towards a condition of harmonious balance, sufficiency, and reciprocity with nature. By doing so, it ensures that nature is valued for its own intrinsic worth, enriching the psychological and cultural lives of communities.

Inclusion

- For the empowerment of local communities: Ecological overshoot and biodiversity loss are often driven by unequal power dynamics that dispossess vulnerable communities through extractive investments. RoN tackles this structural injustice by redistributing legal authority over land and ecosystems from transnational capital back to local stewards. While in the Global South (or among indigenous groups in the Global North like the Sami) this requires securing community land tenure to avoid top-down "fortress conservation", RoN is equally critical in the highly urbanised European context, where it can act as a democratic shield for municipal governance against corporate overreach. By elevating local ecosystems to legal persons, RoN introduces legal protections that prevent multinational corporations from using centralised commercial permits or international investment treaties to override municipal environmental regulations, community-level planning, and collective participation processes.

Sustainability

- To improve ecological governance: Because future administrations would have to undergo rigorous legal debate to repeal the biodiversity and planetary boundaries rights, RoN serves as a powerful accountability and commitment device that delineates a 'safe space' for

ecological governance. Furthermore, it operationalises the precautionary principle, placing the burden of proof on extractive industries to demonstrate that their activities will not cause environmental harm. Crucially, it shifts the legal framework from punitive justice to restorative justice; when environmental harm occurs, the law explicitly mandates efforts to repair and regenerate the damaged ecosystems, actively preserving natural capital and resilience for the future.

What are the policy actors and policy levels in charge of implementing RoN?

Implementing the RoN requires the orchestrated involvement of state actors, judicial systems, and, crucially, grassroots communities.

The global and supranational level: UN agencies, international human rights treaty bodies, and international climate finance mechanisms (such as the Global Environment Facility and the Global Biodiversity Framework funds) provide the overarching normative frameworks (such as the UN Declaration on the Rights of Indigenous Peoples [UNDRIP]) and the financial conditionalities necessary to support community land rights and ecological stewardship globally.

The national level: National legislatures are responsible for embedding RoN into constitutions (e.g., Ecuador in 2008) or enacting national laws (e.g., Bolivia's Law of the Rights of Mother Earth in 2010, Uganda's National Environment Act in 2019). High Courts play a pivotal role in recognising these rights through jurisprudence, such as the Colombian Constitutional Court recognising the Atrato River, the Supreme Court recognising the Colombian Amazon, or the Spanish Constitutional Court recognising Mar Menor (see Box 3.19) as subjects of rights.

Regional and local authorities and provincial courts: Local ordinances and adjudication of specific territorial disputes can be implemented at the regional and local levels. For example, the residents of Toledo, Ohio, passed the "Lake Erie Bill of Rights" at the municipal level, and the Loja Provincial Court in Ecuador enforced RoN to protect the Vilcabamba River from infrastructure development.

Non-state actors: indigenous peoples and local communities, civil society organisations, paralegal networks, and environmental NGOs act as the primary advocates, plaintiffs, and ultimate guardians of natural entities. They are the actors who bring cases to court and carry out the daily monitoring and stewardship of the ecosystems.

How to design RoN?

Implementing the Rights of Nature (RoN) requires a careful shift from anthropocentric legal systems to eco-centric ones. However, declarations of these rights are often purely symbolic unless they are backed by robust institutional architecture and grounded in community stewardship.

The RoN frameworks should be designed through the following principles:

- **Application of Free, Prior, and Informed Consent (FPIC):** FPIC states that all peoples have the right to self-determination and to freely pursue their economic, social and cultural development. It must apply not only to extractive projects but also to the design,

implementation, and amendment of the RoN frameworks themselves, ensuring that Indigenous territorial sovereignty is respected.

- **Shared guardianship models:** The framework should mandate that legal "guardians" are drawn from the communities whose governance relationship with the natural entity is being formalised. These guardians should be constituted as separate legal entities with clearly defined liabilities.
- **Conflict-of-laws protections:** The design must include explicit "conflict of interest" clauses. This ensures that national ministries cannot issue extractive permits (e.g., mining concessions) that automatically override local RoN obligations.

Specific enabling conditions

For RoN to effectively protect biodiversity and prevent corporate or state overreach, several structural preconditions must be met in the socio-economic and legal environment:

- **Secure community land tenure:** This is the most critical enabling condition. RoN must serve as a complement to, not a substitute for, legally recognised land tenure rights. Without secure land tenure, communities lack the legal asset base and governance authority to act as effective stewards or guardians of the ecosystems recognised by RoN.
- **Integration of indigenous and local knowledge:** The framework requires an ontological shift that integrates pluriversal and non-Western knowledge systems. Concepts such as the Andean *Buen Vivir* (Good Living) or *Pachamama* (Mother Earth) provide the cultural and philosophical enabling conditions necessary to view nature not as an exploitable resource, but as a relational partner.
- **Stable public funding and legal resources:** Enforcement requires significant resources. Guardianship bodies must have access to stable public funding to operate. Furthermore, there must be funded, gender-transformative paralegal networks and legal protections to ensure the physical safety of environmental human rights defenders.
- **Overcoming the transnational "code of capital":** At a macro level, RoN must be enabled by reforming the transnational legal architecture (e.g., Investor-State Dispute Settlement [ISDS] mechanisms and trade agreements) that systematically privileges foreign investor rights and extractive capital over community rights and ecological limits.

Designing high-quality RoN

Realising RoN involves enacting these designs through multiple levels of the legislative and judicial system.

- **Constitutional and statutory enactment:** the Rights of Nature to exist and regenerate should be formally recognised constitutionally, at the national statutory level, or by law.
- **Judicial rulings and court enforcement:** Courts must embed such rights in the case law, adjudicating disputes and mandating restorative justice accordingly.

What are possible indicators to evaluate RoN from a SIW perspective?

The frameworks for Sustainable and Inclusive Wellbeing (SIW) and the UN Special Procedures identify specific sets of quantitative and qualitative indicators across three main dimensions: Community Land Tenure (Inclusion), Ecosystem Health (Sustainability), and Institutional/Legal Governance (Wellbeing and Accountability).

1. Community land tenure and gender-equitable governance indicators

- SDG indicator 1.4.2: proportion of the total adult population with secure tenure rights to land, possessing legally recognised documentation, and who perceive their rights to land as secure (disaggregated by sex and type of tenure).
- SDG indicators 5.a.1 and 5.a.2: proportion of the agricultural population with ownership or secure rights over agricultural land (by sex), and the share of countries where the legal framework explicitly guarantees women's equal rights to land ownership and control.
- Time-use data: women's unpaid care burdens and their direct relationship to land tenure and the accessibility of healthy ecosystems, ensuring that the conservation efforts do not disproportionately burden rural women.

Want to know more about time use statistics and their use in a SIW framework? Have a look at MERGE Technical Guidelines Chapter 5.3.

2. Ecological health and biophysical indicators. ← This category partially corresponds to the set of indicators on "Nature and Planet Boundaries" included in the JRC's comprehensive dashboard of 140 indicators.

- Biodiversity and habitat metrics: extinction risk of species, bird indices, and the preservation of biological diversity within the jurisdiction of the protected natural entity.
- Land use and ecosystem extent: proportion of protected natural areas, the extent of natural and semi-natural vegetated land cover, and rates of deforestation versus reforestation/reclamation.
- Water and air quality: For entities like rivers, specific indicators include the condition of natural streams and waterways, water quality indices, and the reduction of urban/industrial exposure to particulate matter.

3. Institutional design, enforcement, and restorative justice indicators

- Implementation of restorative justice: number of court rulings that mandate actual ecological remediation and restoration of damaged ecosystems (as opposed to merely issuing punitive financial fines).
- Guardianship and co-governance vitality: measuring whether the legal "guardians" of the natural entity are constituted as separate legal bodies, whether they include

local/Indigenous representation, and crucially, whether they receive stable public funding to execute their duties.

- Conflict-of-laws protections: evaluating the presence and enforcement of explicit legal clauses that prevent national ministries from overriding local RoN obligations.
- Community-controlled monitoring: existence and capacity of local paralegal networks, territorial observatories, and community feedback mechanisms that empower citizens to monitor ecosystem health and report violations safely.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.19

GRANTING RIGHTS TO THE MAR MENOR – A EUROPEAN PIONEER

Evidence for the feasibility of granting Rights to Nature (RoN) in Europe is found in both legislative breakthroughs and groundbreaking judicial rulings. While Europe lags behind Latin America in constitutional recognition (e.g., Ecuador's 2008 constitutional recognition and Bolivia's 2010 Law of the Rights of Mother Earth), there are few pioneering and growing grassroots initiatives. The most relevant case is the one of Mar Menor, Spain.

Between 2016 and 2021, the Mar Menor – Europe's largest saltwater lagoon – suffered a series of devastating ecological crises. Massive algal blooms, fuelled by excessive nitrate runoff from intensive local agriculture, depleted the lagoon's oxygen, turning its once-clear waters a toxic green. These eutrophication events led to the asphyxiation and death of millions of fish and crustaceans washing up on its shores. In 2016 alone, the blooms killed 98% of the lagoon's population of the highly endangered fan mussel, alongside seahorses, crabs, and other marine life. The repeated nature of these disasters, compounded by poor sewage systems and mining discharge, made it painfully clear that the ecosystem was facing terminal decline.

Despite the existence of laws designed to protect species, habitats, and water quality, they proved entirely insufficient to halt the degradation. The traditional, anthropocentric legal system, which treats nature as property to be managed, was unable to address the scale and systemic nature of the damage. Frustrated by the inaction and inadequacy of existing protections, local residents and activists decided to take action by launching in 2020 a Popular Legislative Initiative (PLI), a citizen-led mechanism. In collaboration with several NGOs, the legal scholars Prof. Teresa Vicente Giménez and Dr Eduardo Salazar-Ortuño drafted the text recognising the lagoon as a legal person with rights. By August 2021, over 600,000 signatures had been collected, surpassing the 500,000 threshold required to trigger a parliamentary vote.

In September 2022, Spain adopted Law 19/2022, granting legal personhood to the Mar Menor lagoon and its basin – the first ecosystem in Europe to receive such status.

At its core, the PLI was motivated by a philosophical shift. It sought to establish a new legal stage founded on Ecological Justice and Earth Jurisprudence, where the intrinsic value of ecosystems is

prioritised. The law's Preamble explicitly called upon constitutional interpretations that view the human being not as a master of nature, but as an integral part of it. The goal was to enforce a new eco-centric vision that recognises the value and defence of the ecosystems of which we are all a part.

The law articulates four fundamental rights of the Mar Menor:

- *to exist and evolve naturally,*
- *to protection,*
- *to conservation,*
- *and to restoration.*

It also establishes the lagoon's governance structure, comprising three committees tasked with acting as legal guardians and representing the ecosystem in administrative and judicial proceedings.

In August 2023, a local court applied the law in judicial proceedings against environmental damage caused by landfill discharges, granting the Mar Menor (through its Guardians) the right to appear as a civil party in court, empowering multiple NGOs and municipalities to act on its behalf. In November 2024, the Spanish Constitutional Court (Judgment 142/2024) reaffirmed the law's constitutional validity against political opposition, describing it as a "moderate ecocentrism" consistent with Articles 10.1 and 45.2 of the Constitution. The Court accepted the "undeniable connection between the quality of life of ecosystems and the quality of human life" – the first EU case to recognise the Rights of Nature at the constitutional level.

The Rights of Nature law has yielded some positive but still fragile effects on the Mar Menor's ecological health. The legislation has unlocked over €675 million in restoration funding, and between 2022 and 2024, seagrass meadows (Cymodocea nodosa) expanded by 175 hectares, while key water quality indicators such as transparency, dissolved oxygen, and chlorophyll have maintained good levels. In June 2025, the restoration initiative was recognised as a UN World Restoration Flagship. However, these gains remain nascent and precarious: a "white patch" of approximately 700 hectares persists in the central lagoon devoid of vegetation, and nutrient pollution continues to enter via the aquifer. As of mid-2026, the ecosystem is described as "stable" but still "in intensive care," with water temperatures exceeding 32°C in July testing its fragile equilibrium.

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POLICY INSTRUMENT 3.4C
RENEWABLE ENERGY COMMUNITIES

What are they?

Renewable Energy Communities (RECs) are collective, citizen-driven legal entities designed to produce, consume, store, and share energy exclusively from renewable sources. Officially established within the European Union by the revised Renewable Energy Directive, RECs move the system away from centralised, corporate-controlled infrastructure toward a decentralised, democratic model where local actors become "prosumers" (both producers and consumers of energy).

According to the EU legislative framework, RECs are defined by three foundational characteristics:

1. Unlike traditional energy utilities, a REC is not designed to maximise financial returns for investors, but to provide environmental, economic, and social community benefits to its members and the local areas where it operates. These benefits include decarbonising the local economy, tackling energy poverty by lowering energy bills, creating local green jobs, and fostering social cohesion and energy independence.

2. Participation is open and voluntary, and it is limited to natural persons (individual citizens and households), small and medium-sized enterprises (SMEs), local and regional authorities, public bodies, research and training institutions, cooperatives, associations, religious bodies, third sector organisations, and environmental protection bodies. For private undertakings, participation must not constitute their primary commercial or professional activity. Large corporations or enterprises whose primary commercial activity is the energy sector are excluded from exercising control.

3. A key distinctive feature of RECs compared to other forms of energy collectives (like Citizen Energy Communities, established by Directive (EU) 2019/944) is that they must maintain organisational and operational autonomy from individual members and traditional market players (such as large energy suppliers or commercial utilities). This guarantees that decision-making remains genuinely decentralised, preventing external corporate interests from taking over governance or shifting the community's focus away from local social and environmental goals. Additionally, RECs foster territorial energy autonomy, empowering local communities to reduce reliance on centralised grids and retain generated wealth within the local economy.

4. A second key feature of RECs is that members or shareholders must be located in the proximity of the renewable energy projects owned and developed by the community itself, and RECs must focus exclusively on renewable energy sources. However, unlike other entities that only focus on electricity, RECs can manage multiple renewable energy vectors, encompassing both electrical and thermal energy (heating and cooling networks).

Why are they important from a SIW perspective?

Wellbeing

- For economic security and affordability: RECs can lower household energy bills and reduce exposure to fossil fuel price volatility for the share of consumption that is self-consumed or shared within the community.
- For health and environmental quality: By displacing centralised, fossil-fuel-based energy generation with clean alternatives, RECs can significantly reduce local air pollution.
- For employment and local prosperity: RECs create high-quality, local green jobs in the installation, maintenance, and management of renewable infrastructure. Most of this employment is concentrated in the installation phase and is temporary, but procurement choices can determine the local share and its durability.
- For social cohesion: Beyond material benefits, RECs rely on community trust as much as they foster immaterial wellbeing through participation, building social capital and enhancing community resilience. Indeed, the relationship is one of mutual reinforcement rather than a one-directional effect.

Inclusion

- For mitigating energy poverty: By designing targeted, transparent methods to analyse energy poverty among their members, RECs can implement progressive benefit-sharing mechanisms that explicitly support low-income and vulnerable households.
- For energy democracy and empowerment: RECs ensure that the energy transition is governed by participatory, democratic processes where ordinary citizens have a direct voice and voting power in how local resources are managed.
- For territorial cohesion: RECs support sustainable development in sparsely populated, remote, or marginalised areas by diversifying local economies and creating localised job opportunities for vulnerable groups that traditional markets often leave behind, helping bridge the urban-rural divide.
- For fair allocation of network costs: RECs shift part of the fixed costs of the grid onto non-members wherever network charges are recovered through volumetric tariffs, and non-members are on average less likely to own their home or to have capital available to join. Whether the overall effect is progressive or regressive depends on national tariff design.

Sustainability

- For decarbonisation and planetary boundaries: The localised generation of renewable energy is crucial for rapidly reducing greenhouse gas emissions, mitigating climate change, and ensuring that human energy demands do not transgress the planet's ecological limits.
- For decentralisation and efficiency: RECs facilitate the structural transition from a rigid, centralised energy grid to a highly efficient, decentralised system. Through smart grids and local energy sharing, they optimise energy use and reduce transmission losses, fundamentally changing consumption and production patterns.

- For systemic resilience: By embedding energy production within the community, RECs build robust, self-sustaining infrastructures that can better withstand geopolitical shocks and global supply chain disruptions, safeguarding the community's future wellbeing.

What are the policy actors and policy levels in charge of implementing RECs?

Implementing RECs relies on a decentralised and polycentric governance model. Because RECs sit at the intersection of energy production, social innovation, and territorial cohesion, their success depends on the coordinated involvement of actors across all levels of the political and socio-economic spectrum.

The European Union level: The EU provides the overarching, legally binding framework (the *Clean Energy Package* and the *Renewable Energy Directive – RED II*) that formally defines RECs, mandates their support, and sets continental decarbonisation targets.

The national level: national governments are responsible for transposing the EU directives into national legislation, designing the specific regulatory sandboxes and financial support schemes (such as feed-in tariffs, net billing, subsidies, and tax incentives) that allow RECs to compete in the energy market. Energy regulators and Distribution System Operators (DSOs) play a critical role in managing grid codes, updating smart-metering regulations, and ensuring the physical stability of the energy system when RECs inject or draw power.

The regional, local, and municipal levels: these are the most critical institutional actors for on-the-ground implementation, acting as:

- *Administrative facilitators:* Reducing bureaucratic hurdles and issuing local permits.
- *Infrastructure managers & planners:* Adapting urban land-use and building regulations to allocate space for renewable installations (e.g., PV panels on public schools or municipal buildings).
- *Project facilitators:* Providing direct public funds, grants, or participating directly as co-founding members of the REC.

Non-state actors: citizens, households, Small and Medium-sized Enterprises (SMEs), academic/research institutions, environmental NGOs, and cooperative networks act as the actual "prosumers" and investors who collectively own and govern the community energy assets.

Because the energy system involves highly technical infrastructure, complex financing, and localised social dynamics, strong multi-level governance and structured coordination mechanisms are required. This can be done as follows:

A. Establishing regional facilitators and "one-stop-shops". One of the most effective ways to coordinate between complex national regulations and local citizens is the creation of intermediate platforms or hubs.

- *Regional Help Desks:* For example, the Brussels-Capital Region established a regional "facilitator" that provides free legal, technical, and organisational support to help citizens build RECs.

- *Municipal One-Stop-Shops:* Cities like Prague have established dedicated municipal organisations that coordinate energy evaluations, feasibility studies, and grant preparations, acting as a bridge between installation companies and the inhabitants.

B. Multi-stakeholder partnerships and shared governance. Local authorities must actively coordinate with civil society and the private sector to overcome the technical and financial barriers of starting a REC. Regional energy agencies (such as ANKA in Greece) play a vital coordinating role by supporting the creation of new collective structures and linking local authorities, SMEs, and citizens to develop regional Energy Cooperative Societies. The governance model of the REC itself should embed coordination: municipalities can partner with existing energy cooperatives or universities to leverage technical expertise, ensuring the model relies on a "Quintuple Helix" approach where public, private, academic, and citizen interests are aligned.

C. Vertical alignment through integrated climate action plans. Coordination between the EU, national, and local levels must be structured through integrated planning. Initiatives like the *Covenant of Mayors* require local governments to submit a Sustainable Energy and Climate Action Plan (SECAP). This ensures that the local deployment of RECs is directly coordinated with national and EU-wide emission reduction targets.

D. Technical and grid coordination. To avoid grid instability, governments and energy regulators must mandate and facilitate knowledge exchange and data-sharing platforms between Distribution System Operators (DSOs) and RECs. This includes deploying smart grids, coordinating demand-response strategies, and clarifying procedures for how excess energy is shared or sold back to the broader distribution network.

How to design RECs?

Designing a REC involves structuring a socio-technical system that moves away from centralised energy production toward a decentralised, democratic model.

Specific enabling conditions

1. **Robust regulatory frameworks.** National governments must fully transpose the EU Renewable Energy Directive (RED II) into local law, providing clear legal definitions and rights for RECs. A vital enabling condition is the implementation of simplified administrative procedures and exemptions from strict competitive tendering processes, typically designed for large commercial developers.
2. **Financial support and incentive schemes.** Because the initial capital investment for renewable infrastructure is high, RECs require structural financial support. This includes government grants, low-interest loans, tax incentives, and feed-in premiums for shared energy (such as the Italian virtual model's premium tariff – see Box 3.20 – or the Dutch SCE subsidy scheme).
3. **Grid integration and DSO cooperation.** Clear rules and cooperation are essential. DSOs must facilitate unbureaucratic grid connection procedures, deploy smart meters for accurate hourly data sharing, and manage the physical stability of the distribution network when RECs inject or draw power.

4. **Social capital and trust:** The formation of a REC requires a baseline of community trust, environmental awareness, and a collaborative local culture, as members must collectively invest in and manage shared assets.

Designing high-quality RECs

Practical implementation takes the following forms:

- **System design.** RECs are made by distributed renewable energy sources (DREs) such as solar PV panels, wind turbines, or biomass plants. To optimise the use of this energy, the design should incorporate Energy Storage Systems (ESS) which can be implemented as Shared Residential Storage (behind the meter), Shared Local Storage (a unique physical battery for the community), or Shared Virtual Storage (aggregating capacities of individual batteries and electric vehicles). The system is managed by Energy Management Systems (EMS) and smart grids that facilitate Energy Sharing and Peer-to-Peer (P2P) trading among community members.
- **Providing municipal assets.** Municipalities can act as project initiators by tendering the right to use public roofs (e.g., schools, municipal buildings) or public land for community-owned solar and wind installations, often at discounted rates.
- **Innovative financing and purchasing.** Local authorities can guarantee a return on investment for the REC by signing Power Purchase Agreements (PPAs) to buy the community-generated electricity at a stable cost price for municipal buildings (also see Policy Instrument 31.c – Sustainable Public Procurement). Additionally, initial capital can be successfully raised through local crowdfunding or micro-loan campaigns targeting the residents.
- **Co-investing and Community Special Purpose Vehicles (CSPV).** To fund large-scale renewable projects, costs and risks are shared among stakeholders. Private developers, local governments, and citizen-led energy groups often form a joint venture to co-own the asset. In many cases, developers create a dedicated project company specifically for this purpose. This structure allows the municipality, residents, and the developer to all hold equity in the energy farm.
- **Social design:** A well-designed REC must actively incorporate mechanisms to mitigate energy poverty. This includes integrating simple and transparent algorithms for benefit-sharing that explicitly support vulnerable and low-income households within the community.

What are possible indicators to evaluate RECs from a SIW perspective?

Because the primary legal mandate of an REC is not to maximise financial profits but to generate community benefits, traditional economic and technical metrics alone are insufficient. What follows is a selection of suggested indicators trying to capture the impact of RECs from a SIW perspective.

Economic and financial indicators

- Cost minimisation: The most popular objective function for evaluating REC design is the minimisation of total costs, which aggregates installation costs (e.g., PV and storage deployment), operational costs, and the expenditure required to purchase deficit energy from the main grid.
- Distribution of the economic benefit among members: concentration of shared energy and of the resulting savings across the membership, computed from the community's own settlement data.

2. Environmental Indicators

- Greenhouse Gas (GHG) emission reductions: volume of carbon dioxide (CO2) emissions avoided by displacing fossil-fuel-based grid electricity with local renewable generation.
- Energy savings and air quality: overall household energy savings and subsequent improvements in local outdoor and indoor air quality resulting from the phase-out of combustion-based heating/energy sources.
- Material and land footprint: quantity of critical raw materials embedded in the installed equipment, land or roof area occupied, and arrangements in place for decommissioning and end-of-life management of panels, turbines and batteries.

4. Social and "just transition" indicators

- Membership coverage and composition: number of members as a share of households in the area of operation, and the socio-demographic profile of members compared with that of the resident population, covering at least income, housing tenure, age and gender.
- The low-income high-cost (LIHC) index for energy poverty: it identifies households that have energy expenditures above the median, while their income (net of energy costs) falls below the poverty threshold. It should be complemented by a simpler measure at the community level, i.e., the share of household income spent on energy by member households, measured before and after joining. Evaluating the reduction of the LIHC ratio among members proves whether the REC's benefit-sharing mechanisms are successfully targeting vulnerable groups.
- Employment creation: number of local jobs generated during the installation and commissioning of the plants, and number of ongoing positions in operation, maintenance and administration, reported separately.
- Local value: how much of the REC's financial surplus is strategically reinvested into local charitable funds, social housing, or community infrastructure.
- Engagement and acceptance metrics: Using citizen surveys to track the percentage of positive responses or awareness levels within the local population, evaluating the community's acceptance of renewable technologies (overcoming the "Not In My Backyard" phenomenon).
- Energy democracy: Qualitative evaluation of civic ownership rates and whether decision-making power and profit-sharing remain democratically controlled by the residents rather than large corporate investors.

If you are interested in the development of JRC's dashboard, you can look at Chapter 2.4 of MERGE Technical Guidelines under the voice "JRC" to see how the dashboard compares to other SIW-related metrics.

BOX 3.20

THE ITALIAN "COMUNITÀ ENERGETICHE RINNOVABILI"

In Italy, the framework for ***Renewable Energy Communities (RECs)*** *– known locally as Comunità Energetiche Rinnovabili (CER) – has undergone a complete legal and regulatory evolution to transpose the EU Renewable Energy Directive II (RED II, Directive 2018/2001). Italian legislation (primarily Law 8/2020, Legislative Decree 199/2021, and subsequent decrees by the Ministry of Environment and Energy Security – MASE, ARERA, and GSE) has established a specific regulatory model, financial incentive structure, and social implementation path.*

As of July 2026, the implementation landscape has matured significantly: Italy now hosts 3,630 active CER configurations, with a combined capacity of 302.9 MW and 37,821 connected members (data as of 30 June 2026). To put this growth in perspective, active configurations have more than quadrupled from just over 900 in 2024 to over 3,600 by mid-2026, while the number of connected members has grown from approximately 1,950 in early 2025 to nearly 38,000 today. This expansion was largely driven by the National Recovery and Resilience Plan (PNRR), which provided a major capital grant mechanism for CER investments, alongside the ongoing operational incentives described below. However, the financial and administrative framework has undergone major revisions in 2025–2026 that policy designers must heed.

Unlike countries that require private physical microgrids, Italy adopted a virtual energy sharing model utilising the existing public electricity distribution grid.

- ***Governance and Perimeter (Primary Substation):*** *Energy sharing must occur within the geographic perimeter of the same primary substation (cabina primaria – the substation transforming electricity from high to medium voltage). Italy contains approximately 2,107 primary substations, each serving roughly 30,000 inhabitants.*
- ***Eligible Participants:*** *Participation is open and voluntary to natural persons, small and medium-sized enterprises (SMEs), local/municipal authorities, educational and research entities, religious bodies, third-sector/non-profit organisations, and cooperatives. The list now explicitly includes territorial housing companies, public assistance and charity institutes, SOEs for personal services, land reclamation consortia, and environmental protection associations.*
- ***Virtual Accounting and Electricity Billing:*** *Members do not alter their physical connection or individual electricity contracts; each consumer retains their own meter, supplier, and normal electricity bill. Shared energy is calculated mathematically on an hourly basis as the minimum between the total energy injected by the community's renewable plants and the total energy withdrawn by community members within the same primary substation area.*
- ***Economic Remuneration & Incentive Scheme:***
  - *Shared Energy Incentive: The community manager (the REC legal entity) receives a monetary incentive directly from the energy authority for the hourly shared energy. This incentive*

includes a Feed-in Premium (FIP) alongside a partial reimbursement of network tariffs. The REC then redistributes these revenues among its members according to its internal statutes.

- *Surplus Energy Sales: Any excess energy produced that is not self-consumed or shared hourly is fed into the national grid and sold at market zonal prices or through state off-take mechanisms (ritiro dedicato).*

The foundational cases of RECs in Italy, documented in early literature, remain instructive prototypes for understanding the democratic, social, and technological dimensions of energy sharing. In the vulnerable eastern outskirts of Naples, the San Giovanni a Teduccio project, established as a partnership between the Famiglia di Maria Foundation and low-income families, became the national prototype for what would later be formally recognised as Solidarity Renewable Energy Communities (CERS) focused on combating energy poverty through rooftop photovoltaics, energy monitoring, and educational programmes.

In the small rural Sardinian municipalities of Villanovaforru and Ussaramanna, local governments pioneered a model of deep democratic participation: they established RECs with roughly one hundred citizen members each and – to counter rural depopulation – passed 100% of the shared energy incentives directly to citizen members, covering all startup and management costs on behalf of the community.

In Sicily, the Fondazione di Comunità di Messina took an even more ambitious institutional approach, investing in a widespread photovoltaic park across 184 individual rooftops, with annual revenues from state energy incentives funnelled into a permanent foundation fund that self-finances ongoing social programmes – including housing support for former psychiatric hospital patients, the re-opening of a bankrupt brewery as a worker cooperative, and slum regeneration.

A different governance model emerged in the Vesuvius area of Campania, where UCSA – a joint sustainability agency serving four municipalities – partnered with local welfare departments, parishes, and foundations to establish municipal RECs focused on supplying affordable clean electricity to vulnerable households. Two further pioneer cases highlighted technological and urban dimensions: in Lombardy, Turano Lodigiano – the first REC in the region – utilised smart-grid data and digital monitoring to encourage sustainable consumption behaviours; while in Sardinia, the Cagliari Smart Condominium demonstrated how multi-family housing can enable democratic access to urban energy sharing through collective self-consumption.

Alongside these pioneering efforts, Italy has witnessed the emergence of larger and more structurally complex CER models between 2025 and 2026. The CER Roero in Piedmont has surpassed 1,200 members and is expanding with additional photovoltaic and hydroelectric capacity, demonstrating that RECs can thrive in mixed urban-rural territories combining diverse energy sources. The Wide Area REC in Livorno, Tuscany, a multi-municipality initiative involving eight municipalities, tests the governance challenges of coordinating RECs across multiple primary substations under a single legal umbrella – a departure from the single-municipality focus of earlier prototypes. In the Marche region, the Jesi Community Energies project represents an all-social energy community promoted exclusively by third-sector entities, reinforcing the solidarity ethos of the earliest CERS prototypes through a non-commercial, welfare-oriented governance structure. Finally, the Villorba project in Treviso, Veneto, offers a replicable model for deploying RECs within historic urban districts with strict architectural heritage constraints – a challenge increasingly relevant for Italy's numerous protected historical centres.

Across all these cases, common threads emerge: a strong emphasis on social welfare and combating energy poverty, a reliance on virtual energy sharing rather than physical microgrids, and governance models that distribute benefits democratically according to internal statutes. Yet they also reveal important differences – from purely solidarity-based models that reinvest 100% of incentives into social funds (as in Messina), to citizen-payout models prioritising direct economic relief (as in Sardinia's small municipalities), to institutional multi-stakeholder partnerships, to large-scale multi-municipality and multi-technology configurations. This diversity underscores that Italy's CER movement is not a monolithic template but a flexible ecosystem of local solutions, each tailored to its community's specific social, economic, and geographic context.

However, few policy gaps still emerge: current laws lack explicit bonus incentives for projects located in fragile territories or involving marginalised groups. Proposals for an eco-social transition advocate for state-supported technical-legal assistance, capital grants scaled according to generated social value rather than just installed capacity, and automated billing deductions (scorporo in bolletta) to maximise direct relief for vulnerable families. Given the exhaustion of the PNRR capital grant budget and the passage of the June 2026 construction deadline, policymakers are now urgently debating transitional measures to sustain the CERS movement beyond the PNRR framework.

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3.5 PILLAR 5
TRANSFORMING THE INTERNATIONAL ECONOMIC ORDER

GENERAL POLICY OBJECTIVE: FOSTERING MORE EQUAL INTERNATIONAL TRADE CONDITIONS

What does fostering more equal international trade conditions mean?

The current international economic order is organised in ways that systematically favour creditor countries, multinational corporations and financial centres, while constraining the policy autonomy and possibilities to provide wellbeing for the people and planet in many countries, especially in low- and middle-income nations. Addressing these structural imbalances is a vast topic, covered in the Roadmap for Eradicating Poverty Beyond Growth through policies for debt justice, finance, trade, taxation and global governance.

This section focuses on one crucial part: **fostering more equal international trade conditions to end the systematic appropriation of resources and labour and enable low- and middle-income countries to gain greater economic sovereignty** and pursue development strategies aligned with the needs of their populations.

Research shows systematic inequalities and injustices in current international trade conditions that must be rectified to truly advance sustainable and inclusive wellbeing. Labour, resources, and value are drained from low- and middle-income countries in the Global South ('emerging and developing economies' based on the IMF's categorisation) to high-income countries in the Global North ('advanced economies' based on the IMF's categorisation of countries), including Europe:

- **High-income countries in the Global North net appropriate resources worth over $10 trillion per year** in Northern prices from the Global South. The estimation is based on analysis that quantifies the physical scale of raw materials, land, energy and labour embodied in trade between the North and South, looking into the period 1990-2015. This drain of resources and value by persistent price differences continues even though, during this period, the South contributed to the majority of the world's industrial production, including high-technology production such as computers. Indeed, the wages in the North are systematically higher than in the South even when differences in labour productivity are taken into account. Similarly, the return on energy, land and raw material input in the Global South is smaller than the real productivity of these biophysical factors.

- **Large shares of environmental impacts and pressures from consumption in EU countries are outsourced to outside the EU borders**, based on analysis of the distribution of environmental pressures from EU consumption of natural resources. EU countries are among the nations with the highest per capita consumption-based carbon emissions, land use, material consumption, water consumption and biodiversity loss in the world.
- **High-income countries consume about twice the labour they contribute,** fuelled by export of embodied labour from middle- and low-income countries, enabled by price differences. Western Europe is among the biggest importers of embodied labour, while some Eastern European countries, such as Bulgaria and Romania, are labour exporters. This 'unequal exchange' is revealed by analysis covering 99 nations, constituting over 85% of the world's population and 90% of the world's GDP. The analysis evaluates how the hours worked and consumption of goods and services produced with that work are distributed across countries. While some low- and middle-income countries are also importers of embodied labour, the general trend of a drain of labour resources from Global South to Global North countries exists even after the analysis is adjusted for monetary trade imbalances and differences in labour productivity. Adjusting for productivity turns some European countries from labour importers to exporters (Ireland, Spain, Italy and Portugal).

The productive capacities in several Global South countries tend to be organised around exports to the Global North rather than around human needs, exacerbating severe human development challenges in the poor countries. This occurs because:

- **Exports from Global South countries are systematically cheapened relative to their imports of capital and high-technology goods from the high-income countries.** Part of this is due to productivity differences rooted in the systematic dismantling of local industries and arresting further development during the colonial period. Trade agreements, anti-protectionist policies, and detrimental lending practices enacted by international organisations, including the WTO and the IMF, have fostered continued hegemony of wealthy nations in international trade. Decades of structural adjustment programmes and loan conditions encouraging privatisation, liberalisation, and austerity have deregulated labour conditions and compressed wages, leading to large sums of foreign investment that many countries in the Global South now depend on. On the other hand, intellectual property and intangible capital prevent countries in the Global South from producing high-value goods. The power imbalances rooted in the wealth accumulated in Europe and other Global North countries since colonialism and through patents held by multinational corporations foster structural power imbalances.
- **Global South countries are dependent on foreign currencies** to pay external debts and imports of certain goods, and must export to high-income countries to obtain them. In 2023, developing countries collectively paid a record $1.4 trillion to service their external debt. This amounts to an average of 6% of their export earnings.

Why is fostering more equal international trade conditions important from a Sustainable and Inclusive Wellbeing perspective?

Sustainable and inclusive wellbeing as an overarching policy goal aims at providing wellbeing for all, now and in the future. In a globalised economy within a shared planet, the actions of the EU and European nations have repercussions for people living all over the world. Indeed, the injustices of colonial history and ongoing neocolonial practices demand that Europe rectify these wrongs and play its role in building just international relations that provide all nations fair possibilities to advance the wellbeing of their people and the planet. Indeed, ending the drain of labour and natural resources would enable low- and middle-income countries to reorient their resources to the production of vital goods and services for domestic consumption.

How can the EU and European countries advance fostering more equal international trade conditions?

Several policies need to be enacted to foster more equal international trade conditions and end conditions of 'unequal exchange' within global international trade mechanisms. What follows shortly outlines some of the first steps that the EU and its Member States can take to advance fair exchange that enables sustainable and inclusive wellbeing.

1. Reparations**:** European nations hold historical and continued responsibility for poverty experienced in Global South countries due to colonialism, ecological degradation, and unequal international trade. Reparations for this require two interlinked parts:

   A) **Compensation for historical exploitation, resource extraction, and emissions.** In practice, compensation means resource and knowledge transfers from Europe, along with other Global North countries, to the South. First steps include debt cancellations in post-colonial nations and consolidation of global climate finance funds, building on agreements under the Paris Agreement.

   B) **The promise of non-repetition.** In practice, this means planned introduction of localised low-impact industries and downscaling of production and consumption in Europe, along with other Global North countries, to reduce resource use and environmental harms. First steps include adoption of targets towards downscaling, such as caps placed on resource use, rationing luxury commodities (see more on rationing under section 3.4), and taxing and capping income and wealth (see more on wealth tax and maximum income under section 3.3). Enacting policy mixes outlined in these Guidelines enables downscaling of consumption and production while providing wellbeing (see more in the modelling insights in section 4.2).

   The EU and European nations should take the lead in contributing to the reparations while calling for multilateral agreements demanding that other Global North countries also take part. The EU and its Member States are the largest contributors to the global climate finance agreed under the Paris Agreement. However, the efforts need to be scaled up critically, as the current efforts severely lag behind in meeting the massive and persistent climate finance gap. Moreover, the funds are currently largely issued through international development banks. As part of international cooperation, mandates of international institutions, including the UN, IMF, and World Bank, need to be changed to support the reparations agenda. An important step in this

direction would be to establish a Global Reparations Commission under the UN to coordinate the reparations. The IMF, World Bank and WTO should be democratised, as currently high-income countries hold a majority of votes and the US holds a veto.

2. **Debt cancellation:** Through plurilateral coordination, creditor countries and institutions would write off debts owed by eligible countries. Eligibility could be assessed using indicators including climate vulnerability, debt-to-GDP ratios and social needs, as well as historical analysis revealing unjust debt occurring in post-colonial states. The cancellations should be combined with safeguards that prevent repetition of unsustainable borrowing. The freed monetary resources should be directed to investments in social protection, sustainable labour conditions and ecological sustainability. It is thus important that the cancellations do not repeat the detrimental effects of past debt relief programmes that required impoverishing structural adjustments in exchange for the relief, such as the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI).
3. **Adopting and promoting a new paradigm of Ethical World Trade:** International trade should be reorganised to be embedded within the UN system and tied to international law. Currently, international trade is organised via the WTO acting independently of the UN institutions. Reorganising the mandate under the UN would allow the creation of a new framework for trade embodied in the United Nations Ethical Trade Zone (UNETZ) to replace the current WTO rules and governance. Within this framework, rules of free trade would be connected to compliance with UN conventions and agreements to support compliance with international agreements, and provide a level playing field concerning human rights, labour norms, social security and environmental protection. Those countries that ratify and comply with UN conventions and agreements would trade more freely with one another and could protect their higher commitments and standards both against non-ratifiers and non-compliers. Moreover, the poorer countries should be given the right to protect their markets until they have met the basic needs of their citizens. The EU should promote these changes in multilateral collaborations. Indeed, UNETZ could begin its operations as soon as 30 members have ratified.

Detailed profiles of more policies for transforming the international economic order are available under the Roadmap for Eradicating Poverty Beyond Growth, including:

- Sovereign debt cancellation and Global South debtors' coalition
- Curbing the dominance of private credit rating agencies through multilateral credit rating
- A Clearing Integrated Monetary Area (CIMA)
- Global Fund for Social Protection
- Expanded allocations of Special Drawing Rights
- A United Nations Framework Convention on International Tax Cooperation
- A Binding Covenant on the Right to Development
- South-South Trade and Investment Compacts and Payment Systems
- Democratisation of Intellectual Property Regimes, Technology sharing and establishing knowledge commons

- Ending Investor-State Dispute Settlement mechanisms
- Ending the use of unilateral sanctions
- Advancing a unified disarmament agenda

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4. AN INTEGRATED POLICY APPROACH FOR SUSTAINABLE AND INCLUSIVE WELLBEING

So far, these Guidelines have presented both governance principles and clear policy objectives and instruments contributing to a systemic transformation towards reaching the overarching goal of Sustainable and Inclusive Wellbeing. However, it is important to highlight that transformation to SIW is a highly complex and challenging path characterized by urgency, competing priorities, multiple policy options and viable solutions, absence of a centralized authority, involvement of multiple stakeholders with sometimes conflicting interests, and little room for trial and error. Therefore, as shown in Chapter 3, many policy instruments (and actors) are able to foster SIW, but none is sufficient alone to fulfil SIW goals.

In this regard, the combination and coordination of resources, actions and capacities coming from different policy fields, governance levels and actors can be a crucial enabling factor, especially when it results in **policy coherence for SIW**. This is grounded in the recognition that the modern form of public policy formulation and implementation involves a multiplicity of politically independent, but nevertheless interconnected, public and private actors from different levels and spheres.

Therefore, a core argument of these Guidelines is to move beyond fragmented approaches characterised by individual and separated interventions, toward an **integrated policy approach** centred on mixes of mutually reinforcing policy measures for SIW. For instance, it means that ecological justice objectives cannot be pursued solely through narrowly defined environmental policies. Rather, they must be embedded across industrial, fiscal, and social domains, and designed to enhance, rather than compromise, needs satisfaction and social welfare.

This integrated policy approach is discussed in three sections:

- Section 4.1 highlights its dimensions and features.
- Section 4.2 presents how to model co-benefits and trade-offs based on ecological macroeconomics.
- Section 4.3 concludes by summarizing the suggested call for integrated action.

4.1 From policy fragmentation to policy integration

The primary obstacle to policy fragmentation is not so much an ideological opposition to SIW as it is the readiness of institutions: the main requirement is for a coherent normative architecture centred on policy coherence that coordinates various institutional entities around collective duties and mutual responsibility regarding SIW. A similar approach was presented by the OECD, which summarised its beyond growth policy orientations in terms of four mutually reinforcing shifts (the four R's): **refocusing** policies towards the outcomes that matter most to people, **redesigning** policy content from a more multidimensional perspective, **realigning** policy practice across government silos, and **reconnecting** public institutions with the people they serve.

Therefore, policy coherence for SIW should be embraced as one of the main guiding principles in the design, implementation, and evaluation of all policies, based on: linkages, co-benefits, and trade-offs across different wellbeing outcomes and policy goals; integrated data systems and analytical frameworks; cross-government coordination and cross-sector collaboration through integrated policy mixes and service delivery.

The same holistic / system thinking approach can be seen across all wellbeing literature, whether it be the 5 core turnarounds of *Earth for All: A Survival Guide for Humanity* (see EXPERT FOCUS 3) or the *Doughnut Economics* (see EXPERT FOCUS 5). The approach also sits at the heart of the Roadmap for Eradicating Poverty Beyond Growth, since its six policy pillars are not conceived as standalone silos, but as mutually reinforcing, interdependent domains of transformation that must advance in parallel to eradicate poverty while remaining within planetary boundaries.

In sum, policymakers at different levels should devise combinations and adopt a systemic bundling of individual policy instruments presented in these Guidelines, with a view towards **coherent policy mixes** able to holistically pursue wellbeing now, wellbeing for all and wellbeing in the future.

4.1.1 Dimensions of policy integration

The first dimension of this policy approach concerns the **horizontal integration** within and between government institutions (and their departments) at the same level, through structured mechanisms that enable inter-linkages across policy sectors and domains. In other words, it regards the adoption of a ***whole-of-government*** perspective focused on the recognition of co-benefits and trade-offs between different policy domains and instruments in the name of stronger policy coherence for SIW. This could and should first and foremost come through the integration of SIW provisions into the agendas of all ministries (or departments/departments at the local level) – rather than assigning responsibilities separately to single ministries – and the promotion of close collaboration between them under the coordination of a higher body, to define strategies, policies and programmes that can adapt to changes in the fiscal and policy landscape.

Such horizontal integration needs to be complemented by the **vertical integration** between institutions at various levels through structured mechanisms and arrangements for the alignment and coordination of SIW strategies and policies at all levels of government. Such ***multilevel governance*** could and should result in: i) the integration of global and European provisions into

national plans and policies for SIW; ii) the definition of a national regulatory SIW framework including specific enforcement mechanisms able to make certain SIW proposals mandatory across levels and domains, rather than simply optional; iii) the strengthening of the institutional and technical capacities of sub-national authorities at regional and local levels to foster SIW and address the necessary changes in their economies; and iv) the creation, development and formalisation of mechanisms and structures for dialogue and information flow between all levels to discuss the best means to achieve social, economic and environmental objectives.

At the same time, an integrated policy approach requires the **interaction and coordination with and between non-state actors** through structured mechanisms that allow for full participation and social dialogue between societal stakeholders. Therefore, this principle refers to a ***whole-of-society*** perspective, in which social partners can actively participate at all stages, from policy design to implementation and evaluation, and at all levels, from the national to company levels. This brings attention to the importance of active citizenship by forming critical, responsible, and capable agents, where all are full members of their communities. Such participation and social dialogue appear to be instrumental in building political consensus on pathways to SIW exceeding the election cycle. It can also stimulate active engagement in collaborative efforts and agreements between governments, employers' and workers' organisations, third sector organisations and universities/research centres to effectively enable SIW policies. For example, this takes the form of stronger cooperation at the national level, where social partners cooperate with authorities in developing, implementing and monitoring policies in accordance with national practices; at the sectoral level, where social partners can play a key role through all forms of social dialogue, including collective bargaining, in securing decent work and in forecasting skills needs and employment challenges and designing appropriate and continuous training, among others; at the local level, where local authorities, employers, trade unions and research and training institutions need to cooperate to effectively integrate measures for a just transition to sustainable local economic development; at the company level, where social partners can work together to limit negative environmental impacts and support the development of workers' skills.

Taken together, there are three elements that are fundamental to structuring a robust, coherent and comprehensive SIW policy framework: horizontal integration within and between institutions at the same level, vertical integration between government institutions at various levels, and interaction and coordination with and between non-state actors. Bringing together and concretising the perspectives of *whole-of-government*, *multilevel governance*, and *whole-of-society* would allow for the alignment and convergence of the interests, resources, actions and capacities of all actors and social partners at different levels in designing and implementing effective measures for SIW. Nevertheless, it is clear that such a dynamic and open-ended process is shaped by issues of coordination, power asymmetries, conflicts of interest, and conflict management. Governments at all levels are assigned the role of navigating and mediating between conflicting visions and interests, and of building awareness and trust within co-design and co-creation processes. For this reason, a **SIW coordination body at the highest level** is needed to enable and facilitate all actors, from governments to companies and workers, to foster, anticipate, and manage the changes inherent in a systemic transformation with SIW as the overarching policy goal.

4.1.2 What does an integrated policy approach look like?

First, the idea behind an integrated approach is that **every policy should contribute and work together to achieve the overarching goal of SIW.** This entails incorporating SIW objectives into industrial, social, and regional policy sectors, instead of limiting them to a restricted range of tools. This approach stands in opposition to market-oriented strategies, which give precedence to economic gains and regard SIW outcomes as subordinate factors. In contrast, post-growth strategies integrate SIW into a more holistic system of state spending and wealth redistribution, emphasizing policy measures (or policy mixes) capable of producing both environmental and societal benefits (e.g., emissions reductions with improvements in living standards). For example, mobility policies that rely solely on increased petrol taxes may lead to unfair social consequences and popular pushback, while integrated eco-social approaches, like funded public transit or spending on green railway networks paired with income-based fare policies, can concurrently decrease pollution, enhance mobility, and foster social justice.

Second, another aspect of integration concerns the **cost of inaction and delay**. Disjointed or deferred SIW policies intensify both environmental hazards and social friction, strengthening the logic of compromises and trade-offs rather than overcoming it. Aside from material effects, passivity also entails political prices: postponing structural transitions makes it more probable that subsequent administrations will need to adopt sudden and coercive actions, thereby heightening both financial precariousness and political pushback.

Thirdly, an integrated approach must acknowledge that **public support for SIW** is to some extent dependent on current living standards. Preventing a political outcry is, consequently, not mainly about better communication, but about guaranteeing that SIW policies act as instruments for better fulfilling human needs. For example, lasting political endorsement only arises when citizens perceive environmental policies as strengthening, rather than undermining, their economic security and overall welfare.

Furthermore, this method represents a **politically robust strategy**: administrations that succeed in aligning wellbeing, inclusivity, and sustainability efforts over time are more prone to maintaining voter approval, thus decreasing policy instability and securing the permanence of SIW policies. Integrated policies that synergistically create socio-ecological advantages therefore offer an optimal route for SIW, transitioning from the defensive logic of trade-offs to a constructive political economy of co-benefits. Crucially, the cost of such a strategy is sustainable, as it does not necessitate the invention of completely original policy instruments, but instead involves the restructuring and alignment of current ones.

EXPERT FOCUS 5

THE DEEP DESIGN OF GOVERNMENT

By Xiaoting Hou-Jones (Doughnut Economics Action Lab)

How can Doughnut Economics be used by policymakers and civil servants through policy and governance design?

The global economy is overshooting Earth's capacity to support life, while billions of people are still falling short on life's essentials. No country currently achieves good social outcomes while staying within its fair share of planetary boundaries. The global economic systems – from unjust financial structures to exploitative trade practices – must transform to enable all countries to move towards living in the Doughnut.

Doughnut Economics can help equip policymakers and civil servants with the mindset needed to take on this challenge and transform their nations' economies. With such a mindset, governments can begin to identify policy innovations and good practices worldwide that can help their nations move towards futures in which all people can thrive within the means of the living planet.

However, what often prevents or enables governments from translating Doughnut Economics thinking into policies and public programmes are their internal culture, rules, and processes: What Doughnut Economics Action Lab (DEAL) calls the *deep design of government*. This encompasses:

- **Public finance:** fiscal rules, budget and procurement processes that determine how governments manage and use public funds, shaping priorities and operations.
- **Culture:** leadership styles, governance mindset and wellbeing within governments that shape everything from policy choices to how public services and resources are managed.
- **Operations:** assessment methods, information flows and collaboration processes that enable or hinder a government's ability to tackle complex and interconnected societal challenges.
- **Influence:** election, accountability and participation systems that determine who holds influence over governments.

If we imagine the seven ways of thinking characterising the Doughnut Economics (i.e., change the goal; see the big picture; nurture human nature; get savvy within systems; design to distribute; create to regenerate; be agnostic about growth) as the branches of a tree, then policies and government programmes are the leaves and fruits borne by those branches. The deep design elements of government are the roots, determining how widely the branches can grow and providing the conditions for them to flourish. Just as a tree's roots must grow deep and wide to support its branches, governments need to undertake deep internal governance reforms to enable the seven ways of thinking to bear fruit. And just as flourishing leaves and fruits send energy back to the roots, innovative policies and practices demonstrate what is possible, grow a wider movement for change, and strengthen the deep design over time. This dynamic interplay between roots and branches is essential for systemic transformation, creating a resilient and regenerative system capable of driving economic change for the benefit of both people and the planet.

DEAL offers an evolving online guide to tailor Doughnut Economics to policymakers and civil servants and points to an evolving and growing body of evidence and practices that reshape policies and deep design governments for more distributive and regenerative economies.

How does change happen on the ground?

Pathways from today's reality, marked by climate and ecological breakdown alongside extreme social inequity, towards a thriving future will not emerge from grand declarations or perfect policies conceived in isolation. Instead, they arise from the accumulated efforts of countless individuals working within and alongside governments, each contributing unique perspectives and capabilities to the collective efforts towards economic system change to help people and the planet thrive together.

We have seen narratives shift and policy and governance change happen when government officials, politicians and those working with them are willing to challenge the status quo, learn, experiment, and adapt. Whatever actions they pursue, these are best approached as experiments designed to generate insights and learning rather than as perfect solutions. Setbacks or inevitable pushback from the status quo become sources of valuable information; reflecting on and documenting what is discovered and actively sharing it with colleagues and allies then contributes to a growing collective knowledge base and expands what becomes politically and administratively possible.

What actions are feasible or strategic may look very different depending on political and economic contexts and the existing position and constraints of those taking action. Though some common orienting principles that can be useful to guide decisions and actions include:

- **Taking a holistic view:** for example, engage across all dimensions of the Doughnut and all levers of government deep design. Such holistic exploration often helps to build new understanding, reveal unexpected entry points, uncover new allies, and illuminate the broader context that can hinder or enable changes.
- **Following the energy**: beginning with what genuinely resonates and energises sustains motivation through inevitable challenges and enables the persistence that systemic change requires.
- **Taking a long-term view:** working creatively within current constraints while building towards what could become possible in the future, recognising that some efforts with modest immediate impact may unlock much larger change down the line.

Ultimately, the transition requires many people, groups and networks to take many different actions across multiple scales – sub-national, national, and international – and across many domains. Transformation emerges not from single breakthrough moments but from sustained effort that connects across multiple arenas. Joining and actively nourishing wider movements for change- through networks of like-minded practitioners, shared learning, and collective advocacy – is therefore critical. What matters most is contributing, with intention, to the collective endeavour of ensuring public institutions serve as powerful forces for a world where all people can thrive within the means of the living planet.

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4.2 Modelling co-benefits and trade-offs for an integrated policy approach

The wide range of policy instruments proposed in these Guidelines to promote SIW have often been questioned and deemed economically and politically unfeasible, since within public discourse, the transition in Europe has primarily been discussed through the **logic of trade-offs**.

For instance, environmental measures are often portrayed as a burden to be borne for the sake of future generations, suggesting that it is necessary to accept the loss of economic expansion and employment opportunities, as well as increased costs, to facilitate this change. This perspective traps environmental policy in a zero-sum framework, where increased ecological efforts are seen as detrimental to economic security and wealth. Consequently, people's quality of life is viewed as an unavoidable sacrifice for carbon reduction. This approach has clear political consequences, making environmental goals fragile; any economic or social disruption – such as price increases, economic downturns, or shifts in the political landscape – can be used as a reason to delay or reverse climate goals. This trend has been evident lately across the EU institutions and Member States through opposition to carbon-related taxes, resistance to energy-efficient building mandates, and the pausing of ecological regulations. The growth in opposition from incumbent

industries to enable a just transition towards decarbonisation, as well as any progress on Environment Sustainability Governance (ESG) and diversity, has had a real impact on progress towards wellbeing goals within planetary boundaries. In addition, the finance lobby opposes any systemic change, since it would inevitably affect profits, and thus would hit the richest (and the most powerful). An example is the concerted effort to block social and environmental legislation by European and American fossil energy companies and the automotive industry as brought before the European Court of Justice, but also by several Member States.

At the same time, there is a growing sense of **public distrust** in governments to enable a fair transition. Members of the public are doubtful that the economic advantages resulting from this transition will be distributed fairly, even if surveys across Europe (e.g., most notably the Earth4All/Ipsos survey) show that citizens are ready to pay more for decarbonisation, but they are only willing to do so if the extra cost is fair. Therefore, the core issue is less about the goals of environmental protection themselves and more about the methods used to achieve them and who pays. When ecological policies are experienced as improving people's daily lives – through higher air quality, more affordable transit, stable employment, or better-insulated housing – public support grows more robust and enduring.

Consequently, Europe requires a significant reframing of its perspective on the ecological transition. Instead of characterizing decarbonisation as a weight to carry, climate initiatives must demonstrate their value to families and local communities, ensuring a fair shift where environmental and social goals are pursued simultaneously. The focus of the conversation needs to pivot from asking how much wealth must be sacrificed for the planet to asking how environmental actions can directly enhance people's day-to-day lives.

This means embracing, as indicated above, optimised **systemic packages of measures**, alongside ***synergy politics***, which entails crafting strategies grounded in co-benefits that safeguard both the environment and the standard of living for Europeans. Under this eco-social approach, success is measured not only by the reduction of greenhouse emissions but also by whether people can access basic necessities – such as transportation, housing, nutrition, and power – without facing economic precariousness, in alignment with the SIW perspective. This also resonates with a just transition approach endorsed by the European Commission in recent years, but is yet to be fully implemented through integrated policies.

This shift in perspective is vital for the long-term viability of these policies. A green transition that exacerbates social disparities will find it difficult to maintain support across successive elections. Conversely, a transition that reduces unavoidable household expenses and broadens access to fundamental services will generate political favour. By addressing the material concerns of daily life and placing social welfare at the centre of environmental efforts, Europe can move from the current precarious politics of trade-offs to a stable *synergy politics* supported by the majority.

This intricate policy environment presently emerging for Europe and the rest of the world necessitates comprehensive support for decision-making, taking into account a wide range of social, economic, security, and ecological factors. One way to enhance the quality and robustness of policy decisions is by making **use of advanced macroeconomic models for foresight and impact assessment**. Research conducted within the MERGE project found a high demand among EU

experts and policymakers for such modelling: approximately 30% of all policy determinations are based on quantitative forecasting and modelling techniques.

As a result, policymaking processes must rely on models capable of evaluating the feasibility, success, and potential alignments between different policy paths for SIW through simulation-based scenarios, and understanding upcoming risks. The adaptability and sophistication of these system dynamics tools permit the identification of possible trade-offs – for instance, between the distribution of wealth and carbon reductions – as well as unforeseen policy outcomes stemming from the complex interplay between various sectors and diverse actors. These factors might be overlooked in conventional macroeconomic frameworks that lack capacity to account for integrated feedback loops between social, economic, and environmental aspects.

New models that can explicitly incorporate social and ecological factors to properly analyse the tension between economic expansion and physical or social limits are becoming more common within the field of **Ecological Macroeconomics**, which stems from the insights of Post-Keynesian and Ecological Economics.

The primary innovation of these models is the way they represent the core relationships between the environmental and socio-economic spheres, which together form a complex system. Their main goal is to build reliable scenarios for evaluating the consequences of different policies and to pinpoint and assess any trade-offs or negative outcomes that might arise from specific individual measures due to the interconnected nature of the real economic system. Furthermore, they facilitate the creation of more sophisticated policy mixes that combine various interventions to, at least in part, neutralize the negative side effects of any single measure.

Through simulations and the analysis of scenarios, it becomes possible to identify and investigate the underlying reasons for the negative and often surprising results of individual policies. This also allows for the formulation of more complex research inquiries, such as: (i) What specific policy is most effective at preventing the detrimental environmental impacts (like increased carbon emissions) associated with a Universal Basic Income? (ii) Are centralized policies, such as a Job Guarantee or Basic Income, along with technological breakthroughs, enough to reach ecological goals with social fairness, or do they necessitate grassroots actions from the public, such as voluntary reductions in consumption?

In other words, these models can **simulate and evaluate the social, economic, and environmental impacts of policy-induced transition associated with promoting SIW**, as shown in the following examples. These are mostly drawn from models developed and applied by research organisations engaged in MERGE and sibling projects, notwithstanding the relevance of other models developed within the field of Ecological Macroeconomics by a wider array of academics and international organisations, including the JRC.

4.2.1 Evidence on integrated SIW policies for a safe and just space

The **COMPASS model** – developed by the University of Barcelona, as part of the ToBE, MERGE and MAPS projects – combines a range of macroeconomic approaches and embodies systems thinking to understand the behaviour of complex systems. To this aim, it includes dynamic interactions and nonlinear feedback mechanisms between multiple elements. It is a simulation-based model that evolves according to causal relationships, macroeconomically consistent monetary accounting, and feedback loops.

It combines information about the economy (e.g., firms, households, banks, government) with demographics (e.g., age, gender, professional skills), sustainability (e.g., resource use and pollution associated with all economic sectors), and a wide range of wellbeing indicators (e.g., life satisfaction, income fairness, job availability, gender equality, social support, democratic quality). Having so far been calibrated for Spain (with potential to be calibrated for other countries, too), it simulates national-level social, environmental, and economic outcomes for a range of policies and future pathways.

The model can thus assess scenarios and policies in terms of sustainable and inclusive wellbeing: it can assess whether the needs of people are fairly met while keeping resource use and pollution at sustainable levels. In particular, it is well-suited for exploring the ways SIW in Europe evolves from an understanding of security as long-term socio-ecological resilience.

In its latest version, the COMPASS model runs the following four scenarios:

- A **Business-as-Usual scenario**, based on the continuation of historical trends in social and environmental policy without new policy interventions.
- A **Social Policies scenario,** which introduces several instruments for achieving social goals, including working time reduction (with fixed hourly wages), Universal Basic Income (defined as a fraction of the poverty line), and progressive income taxation.
- An **Environmental Policies scenario**, which implements measures to mitigate climate change, including renewable electricity subsidy (for low-carbon electricity providers) and carbon taxation (a fee per kg/CO2 emitted).
- An **Environmental-and-Social Policies scenario**, combining social and environmental policies.

The simulation of the joint implementation of the three social policies indicates that the 'good-life' threshold can be reached for all citizens. The Social Policies scenario obtains sizable improvements in job availability, income fairness, and income adequacy, and certain improvements in life satisfaction, as compared to Business-as-Usual. Yet, implemented on their own, these policies are associated with the continuation of environmental overshoot, including climate change.

The Environmental Policies scenario obtains substantive decreases in emissions driven by a subsidy for renewable energy generation and a carbon tax of 250 euros/ton. Yet, implemented on its own, this policy mix is likely to be recessionary and bring about a reduction in job availability, income adequacy, and income fairness in the short term.

When social and environmental policies are combined, however, the regressive impact of the carbon tax is offset, and all social targets are reached, including all improvements listed in the social scenario. Notably, the combination of social and environmental policies keeps aggregate economic output (GDP) relatively stable.

These findings echo the results of the iSDG system-dynamic model developed by the Millennium Institute. Their analysis shows that downscaling resource-intensive production in combination with working-time reduction and income/wealth redistribution causes a rapid alleviation of environmental pressures while reducing poverty, inequality, and unemployment.

All in all, the results of these simulations show that modern socio-economic and sustainability governance requires considering a complex set of parameters and processes. The COMPASS model addresses that need, providing a **comprehensive forward-looking perspective on the impacts and implications of future socio-environmental scenarios**. In sum, the long-term stability, peace and security of European countries rest on the achievement of the social goals and addressing sustainability challenges through effective social, sufficiency policies and climate policies.

4.2.2 Evidence on synergy politics to gain public support for SIW

To better understand what makes climate transitions politically viable, the **SEN-HARP model** – developed by the University of Bordeaux within the SPES project – simulates not only carbon emissions and economic activity, but also how households live through the transition, and how they react politically.

By combining an Agent-Based Stock-Flow Consistent approach with an environmental biophysical module, this model follows hundreds of households, diverse firms and banks, and a European government implementing different policy strategies, having been calibrated with EU27 data. In particular, three key social and political mechanisms are integrated into the analysis. First, it tracks whether each household can meet essential needs such as food, heating and domestic energy, mobility and housing. Thus, this "needs satisfaction" indicator reveals whether the transition is experienced as a gain in tangible conditions of living. Second, the model incorporates regional and sectoral restructuring: the decline of fossil-dependent industries and the uneven access to public services create different local experiences of the transition, shaping the geography of support or resistance. Third, voting behaviour is modelled explicitly. Support for climate policies evolves as households experience their consequences. When costs concentrate on specific categories of households, anti-transition parties gain electoral advantage and can reverse policies in the next cycle.

The first major result from SEN-HARP is that **climate strategies** relying primarily on carbon taxation are extremely fragile, while redistribution of tax revenue can mitigate energy poverty and strengthen public support. Carbon taxes and price-based measures produce visible costs very early in the process: higher fuel and energy bills, reduced mobility for rural households, and immediate trade-offs in household budgets. In this scenario, living standards decline before low-carbon alternatives become widely available. As a consequence, support for climate ambition collapses. Elections bring to power coalitions promising to halt or reverse the transition. In these scenarios, policies fail politically well before they succeed in terms of climate targets.

The second finding concerns **growth-based Green Deal strategies**. Scenarios reflecting current EU approaches, built on green investments and technological substitution, generate clear positive outcomes: more green jobs, lower emissions, and stronger innovation dynamics. Yet these benefits remain unevenly distributed. High-skill and urban households reap most of the gains, while others face persistent economic insecurity or increasing constrained spending. Inequalities in income and wealth distribution and need satisfaction persist or widen. Support for climate action remains high initially but erodes over time as segments of the population feel excluded from the benefits, threatening political stability.

The third finding demonstrates that climate ambition becomes resilient when embedded in an **integrated social protection framework**. As also found by the COMPASS modelling discussed earlier, the most successful scenarios combine green industrial investment with direct mechanisms protecting household security: a Job Guarantee for workers affected by restructuring, redistribution or universal transfers to stabilize purchasing power, and large-scale investments in affordable public transport and housing. In these settings, the majority of households see immediate improvements in their need satisfaction. Inequalities fall despite industrial transformations, and political support strengthens rather than erodes. Ambitious climate policy becomes self-reinforcing.

Finally, the scenario delivering both the fastest emissions reduction and the most cohesive social outcomes is one that can be described as a **post-growth policy mix**. Universal access to essential services such as housing, mobility and energy reduces constrained spending and enhances resilience. Households rely less on energy-intensive consumption to maintain living standards. Wellbeing becomes less dependent on economic growth. People feel more secure as the economy decarbonizes, not less.

The overarching conclusion is that climate transition succeeds politically only when it improves people's daily lives. If households must sacrifice security and dignity, they will oppose the transition. If climate policy becomes a source of new rights and better living conditions, the public will defend it, and political majorities will sustain it across electoral cycles.

In sum, the SEN-HARP model shows that **moving from the politics of trade-offs to genuine synergy politics is not idealistic, but a demonstrably pragmatic and viable pathway** to durable and ambitious climate action in European democracies.

4.2.3 Evidence on a post-growth policy mix for SIW

The **EUROGREEN model** – developed by the University of Pisa – is a tool to simulate policies for low-carbon transition with social equity, relying on a demand–driven economy and capturing the complexity of an interconnected macroeconomic system.

In particular, it adopts a dynamic Input-Output approach with ten industries that provides a consistent economic framework, coherent with the official national accounts, to study inter-industry trade; it assesses energy flows, that arise from industry and household energy demand, produced with five different sources – nuclear, renewable, gas, coal, and oil – to evaluate environmental sustainability issues; it accounts for heterogeneous households classified according to their economic status (i.e., employed, unemployed, inactive, and retired); it defines three kinds of employed workers by skill (i.e., low, middle, and high) based on the maximum educational

attainment of the working age population; it simulates a realistic welfare system with a detailed tax and benefits account that allows to model of the budgetary consequences of alternative policy instruments over time; finally, it considers innovation processes driven by input-cost ratio for energy and labour.

The EUROGREEN model simulates three policy mixes which are compared to a reference scenario characterized by the maintenance of the contemporary social welfare system and the current trends in the main macroeconomic and environmental variables. Such policy mixes derive from the alternate application of six single policy instruments, with the purpose of balancing the contrasting tendencies that could result from myopic intervention.

- The **Green Growth scenario** combines the implementation of New Productive Revolution (NPR) (where greater advances in labour productivity and energy efficiency are induced by investments in R&D and technology), Energy Mix (with the share of non-renewable sources in electricity production being gradually reduced over a period of 30 years), and Carbon Tax and Border Carbon Adjustment policies (with the carbon tax per ton of GHG emissions until 2030, then increased from the 2030s on, and a border carbon adjustment intervention that applies similar tax rates according to the GHG content of imports). This scenario simulates a transition to a low-carbon production driven by fast technological innovations and green investments that also sustain economic growth.
- The **Policies for Social Equity scenario** considers a mix of environmental and social policies for a low-carbon economy with social justice. It combines Job Guarantee (with the public sector hiring unemployed workers at the minimum hourly wage up to a maximum intake of 300,000 workers/year), Working Time Reduction (set to gradually reduce from about 35 to 30 weekly working hours), Energy Mix, Carbon Tax and Border Carbon Adjustment, and a higher rate of technical progress on energy efficiency only.
- The **De-Growth scenario** adds to the previous one the effects of a decrease in excess or luxury consumption and exports, together with an increase in a wealth tax up to≈1.5% on average.

The simulations show that relying exclusively on technological progress is not sufficient to achieve the target of 80% reduction in GHG emissions in 2050, despite a significant fall in total emissions. Moreover, unbridled technological progress leads to high social costs – in terms of reduced consumption and production that result in major increases in unemployment – because higher labour productivity (i.e., automation) supersedes human work. Indeed, the comparison with the Baseline scenario shows that the minimal increase in GDP per capita – associated with NPR – is paired with higher unemployment rates and income inequality. Echoing, to some extent, the findings of both the COMPASS and the SEN-HARP models presented earlier, such a path might be unsustainable from a social perspective and not highly convenient from the economic side.

This statement holds even when the Green Growth policy mix is applied because the same social contradictions emerge – in terms of unemployment and income inequality. From the environmental side, a remarkable reduction in GHG emissions is attained because, in this case, the technological progress is combined with a marked change in the energy mix in favour of cleaner energy sources. These outcomes suggest that the two pillars of the Green Growth paradigm (i.e., technological optimism and economic efficiency) produce substantial social problems. Hence, policymakers

should consider and debate before electing this as the unique viable path towards low-carbon transition.

As an alternative, the Policies for Social Equity scenario achieves similar environmental results, but also yields far better social outcomes, with a very low unemployment rate (less than 2%) and a fairer income distribution. As expected, these results require a stronger public intervention to sustain both the JG and the WTR. Indeed, the deficit-to-GDP ratio floats around 3.5% throughout the whole simulation time window, while in the Green Growth one, it falls to less than 1% by 2050.

The last policy mix considered takes into account the effects of De-Growth proposals, specifically reducing private excess consumption and exports while increasing wealth taxes together with the Policies for Social Equity. The addition of a substantial (voluntary) consumption reduction further improves the positive environmental impact projected in the scenario to a reduction of GHG emissions down to about 18.5% of 1990 levels by 2050. In order to achieve this target and keep both unemployment rates and income inequality low, the De-Growth scenario is characterized by a remarkable increase in public expenditure compensated by higher wealth taxes. This entails a deficit-to-GDP ratio that oscillates in the range of 3.5-4.5% over the whole period.

In sum, although the post-growth society entails significant changes in the productive structure and in the distribution of economic rewards, the EUROGREEN model shows the **presence of dynamic complementarities between social and environmental policy goals**. Identifying and exploiting these opportunities is necessary to address the multiple and concomitant crises of today's world and foster SIW.

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4.3 Conclusions: A call for integrated action

All in all, these Ecological Macroeconomic models, alongside other similar models not run under MERGE and sibling projects, are a family of system dynamic models and foresight tools capable of identifying and emphasizing the unforeseen, complex trade-offs and negative consequences resulting from short-sighted policies, whose drawbacks can be overcome by fine-tuned policy mixes for SIW.

Indeed, standard policy advice grounded in mainstream approaches frequently overlooks the interconnectedness of social, economic, and ecological spheres, a fragmentation that is also mirrored in today's siloed governance structures, not only across the EU (despite calls for whole-of-government approaches being made by policy leaders), but also globally. Conversely, these Guidelines demonstrate the importance of a holistic vision and an integrated approach to define the most effective set of SIW policies.

Essentially, there are no straightforward solutions, as the dynamic interactions between social, economic, and environmental factors create complex feedbacks that disrupt linear cause-and-effect relationships. The simulation results of the previous models indicate that eco-social policy mixes present substantial advantages across SIW dimensions. However, most often, whenever more transformative policies for SIW are proposed, conventional viewpoints highlight the potential risks, often dismissing such measures as not viable or financially unfeasible.

Therefore, the final and core message of these Guidelines concerns the need to **focus on the joint effects and interactions of policy mixes for SIW, within and across the different pillars**, avoiding the design of single policies as stand-alone and self-supporting instruments. Indeed, the complexity of 21st-century challenges calls for systemic and integrated approaches to policymaking to foster wellbeing for all, today and tomorrow.

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