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THE GREAT SHIFT

From a broken world to sustainable well-being



progressive
society

Report by the Independent
Commission for Sustainable Equality

Disclaimer

This is an independent report produced and endorsed by the members of the Independent Commission for Sustainable Equality acting in their personal capacity. The views, opinions, and policy recommendations included in this report do, therefore, not necessarily reflect official positions of the S&D Group in the European Parliament or of the government, political party or organisation for which ICSE members work or are a part of.

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Group of the Progressive Alliance of
Socialists & Democrats
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Group of the Progressive Alliance of Socialists & Democrats
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About Progressive Society

Progressive Society is an initiative by the Parliamentary Group of the Progressive Alliance of Socialists & Democrats in the European Parliament (S&D Group) under the joint leadership of S&D Group President Iratxe Garcia Pérez and Vice-President Eric Andrieu.

It was launched in January 2018 and its mission is to enrich the S&D Group's political work across a wide range of European and global policies in a framework of sustainable development.

The initiative produced a first policy report in November 2018 in view of the subsequent European elections and the 2019-2024 parliamentary term. This report was developed with a first Independent Commission for Sustainable Equality, co-chaired by Poul Nyrup Rasmussen and Louka Katseli. It helped to shape the 2019 electoral programme of the Party of European Socialists and many of its policy recommendations then found their way into the work programme of the new European Commission.

The S&D Group is the only parliamentary group in the European Parliament to apply a coherent sustainable development strategy to the policies it pursues. In order to support this approach with vision and ideas, and to connect its political action with other stakeholders, particularly in the trade unions and among non-governmental organisations, Progressive Society will continue to deepen and to broaden our understanding of sustainability challenges, and of how progressive policies must change to drive the on-going transformation towards our ultimate goal - a society of sustainable well-being for everyone.

The Independent Commission for Sustainable Equality



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Imagine a society that puts people's well-being first, where policies and politics are driven by a sustainable and inclusive model. Imagine a society where economic growth is not the only measure of success. The progressive society we believe in is not a utopia. It is both possible and essential to guarantee a sustainable way of life. However, our ambitions require a Great Shift. More and more people share our collective aspirations. More people are aware that capitalism has become an unfair and inhumane economic paradigm. More people understand that the fixation with economic growth is taking our planet to its limits, creating bigger gaps between the rich and the poor and undermining our social models. Our aspirations are now widely accepted at the highest political level in Europe. EU heads of state and government reached the conclusion at a recent Social Summit in Porto that growth means nothing if it does not make people's lives better.

People and their problems need to be at the heart of public policies. Instead of addressing systemic failures in the current model, citizens have been made to believe that GDP-led policies and fiscal consolidation were the only options on the table. This is how austerity came to dominate the EU as a fatalistic truth over the past decade. Austerity is a failed political choice, and the pandemic has exposed the underinvestment in key public services, especially on health and research, in the cruellest way. The time has come to look beyond GDP. We need to stop the human suffering and environmental destruction that we find behind today's macroeconomic models and move away from an excessive focus on economic gains.

We are living in extraordinary times and future generations will judge us on our efforts to emerge from this pandemic stronger and to help those that need it the most. Despite a sluggish initial response, the crisis has turned into a wake-up call. EU leaders are showing they have learned the lessons from the past. COVID-19 has affected our lives in major and unprecedented ways, socially, economically and culturally. The pandemic has exacerbated existing inequalities in almost all sectors of society. The post-pandemic future cannot be based on a "business as usual" approach, but rather requires a radical rethinking of our society and economy. Sustainable well-being, including ecological, health and social progress and gender equality, must be at the heart of how we shape the future.

FOREWORD

**by Iratxe García Pérez, President of the S&D Group
in the European Parliament**

Citizens expect politicians to provide new and concrete answers. People demand a new European social contract. To respond to people's expectations, we have decided to revive the work of Progressive Society and provide a comprehensive and horizontal outlook on all our policies as a guide for our political action. This is not a mere philosophical or intellectual exercise. Through this work, the S&D Group is looking to deliver real change. We have done it before and we will do it again. In the Progressive Society's last report, more than half of the 110 recommendations were incorporated into the current Commission Work Programme, including the European Green Deal, the Action Plan to implement the European Pillar of Social Rights and the reform of the European Semester based on the UN Sustainable Development Goals. We have left a clear footprint in the European agenda with historic achievements such as the Next Generation EU. Our focus is on a socio-economic recovery that leaves nobody behind. However, given the magnitude of the challenges ahead, we need to do even more.

The Great Shift is the result of dedicated work by the Independent Commission for Sustainable Equality, co-chaired by Poul Nyrup Rasmussen and Teresa Ribera Rodríguez. The Great Shift is about ensuring we are equipped to cope with the demanding times that we live in by pursuing a new, forward-thinking, ambitious and realistic set of policy proposals. The Great Shift is our shared vision for a progressive society, where carbon neutrality and sustainable equality by 2050 are at the heart of our strategy.

In the S&D Group, we have already changed our decision-making process to make it more inclusive and more participatory. We integrate new ideas and translate them into concrete political action. We are ready to continue to do this for the task ahead with the vision and the plan to achieve it. Starting now through to 2024 and beyond, it is time to make the great shift towards a better future.



Iratxe García Pérez
President of the S&D Group
in the European Parliament

The Coronavirus pandemic the world is currently fighting confirms that health and ecological emergencies are more closely linked than we thought. The pandemic is also having increasingly destructive effects on the economy and on the social fabric of our societies. How dramatic these effects will ultimately be is still difficult to gauge. This will largely depend on the political choices we make today. Beyond, the pandemic and its social and economic impact add to the urgency with which the further development of an alternative development model must be pursued in Europe and globally.

The present crisis reveals the limits and contradictions of our societies and of our prevailing socio-economic system. In a globalised world that remains excessively shaped by increasingly concentrated economic interests, an over-concentration of wealth, and a contraction of the role of government and too many laissez-faire policies, our planet's natural habitats and our climate continue to be relentlessly destroyed and vast numbers of peoples and territories are being left behind.

A pre-requisite for an alternative model of development is a comprehensive political agenda capable to address and overcome the full complexity of the intertwined and systemic crises we are facing. While the world's leading climate scientists are ever more concerned that global heating will reach unprecedented levels in the history of Earth's natural systems, which could lead to widespread and possibly irrevocable disaster, it is also increasingly recognised that the climate and ecological crisis will unleash a whole new source of social injustice. If this growing injustice is not addressed, more inequalities will arise and deepen our social crisis, in a never-ending and vicious circle.

We cannot end poverty and build a much fairer society while leaving our planet at the mercy of exploitation, nor will we be able to reign in climate change and biodiversity loss while letting social injustice untouched.

FOREWORD

**by Eric Andrieu, Vice-President of the S&D Group
in the European Parliament**

The most critical message of this policy report is that progressives must build a new alliance between ecological and social progress. The fight for the environment and the fight for a more equal and fair society are part of the same battle.

With this second report of the Progressive Society initiative, the ICSE is proposing nothing less than a new sustainable development path, filled with a large set of innovative policy proposals. It will contribute to bring us closer to a truly progressive and comprehensive policy strategy to tackle the ongoing climate and biodiversity emergencies, while building a more resilient society based on social fairness and solidarity. This report is a radical roadmap that can meaningfully inspire and sustain the future of the European project, but it does not end there. It also has a global reach, since it will be equally important to push Europe's ambition to become a stronger global player in the field of sustainable well-being.

As socialist and social democrats, our political family has always fought for a more egalitarian, fairer, a more sustainable society. We are more than ever determined to deliver a society that works for all. We are committed to reconnect the EU with the well-being of its citizens. We are convinced that this is more than ever within reach, provided we act on all fronts.

This is no small task, but as progressives we cannot afford to fail. The great shift is before us - we will ensure it is a journey for the many rather than the few. The general interest must always prevail over individual interests.



Eric Andrieu
Vice-President of the S&D Group
in the European Parliament

» In order to achieve sustainable well-being, the social-ecological nexus has been identified as a central one.«

Progressive Society is an initiative of the Socialists and Democrats Group (S&D Group) in the European Parliament under the political leadership of S&D Group President Iratxe García Pérez and S&D Group Vice-President Eric Andrieu.

The initiative's aim is to support the S&D Group in its political work with analyses and policy recommendations on a broad range of issues within the framework of sustainable development.

A first policy report produced by the initiative at the end of 2018 already coined the notion of sustainable well-being as one that encapsulates the ultimate goal of future progressive politics based on sustainable development. In order to achieve such sustainable well-being, the social-ecological nexus has been identified as a central one.

This second policy report chose an even broader scope than the first report, and provides nearly 250 policy recommendations across the economic, social and ecological policy areas at European and at global level. It is the result of a one-year process led by an Independent Commission of renowned experts and policy-makers (Independent Commission for Sustainable Equality, ICSE), co-chaired by the Vice-Prime Minister of Spain, Teresa Ribera Rodríguez, and the former Prime Minister and former President of the Party of European Socialists, Poul Nyrup Rasmussen.

EXECUTIVE SUMMARY

At its outset, the ICSE agreed on a set of seven conceptual notions which form the frame of its ensuing policy recommendations across all policy areas. These conceptual notions are detailed in the report's first chapter and consider that:

- 1** In today's climate of precarity, policy change must address anxiety, existential uncertainty and re-build trust in a regenerated political system genuinely dedicated to peoples' needs
- 2** As different forms of inequality intersect with each other and form complex interrelationships, future policy must be tailored to address this complexity to generate multiple dividends for society
- 3** Social and ecological policies must be systematically combined in order to produce innovative and powerful forms of what the report coins as social-ecological progress
- 4** Sustainable well-being requires vibrant democracy and widespread participation at all levels
- 5** Countering precarity and inequalities in the future will depend on the emergence of a social-ecological state beyond the traditional social welfare state
- 6** The traditional approach of economic policy focussing on GDP as the metric of success must be overcome in favour of a new approach focussed on sustainable well-being
- 7** The COVID-19 pandemic has exposed deep-entrenched vulnerabilities of today's system and provides additional arguments and references for a far-reaching policy shift.

The ICSE furthermore agreed on a detailed definition for the central notion of sustainable well-being, in section 1.8 of the report.

» Public opinion is rapidly becoming aware of the full extent of these crises, sparking anxiety and alienation among ever larger social groups.«



Our societies are embedded in a global system that can be generically designated as capitalism. In its prevailing form, it rests first and foremost on a short-term minded dynamic of intense competition next to an increasing concentration of market and economic decision-making power as its main (and somewhat conflicting) sources of energy, in order to generate a continuous creation of wealth and, through it, economic and social progress.

However, this dynamic has also been allowed to lead to an inflated and short-term focussed financial sector, an increasingly concentrated accumulation of wealth and power supported by massive globally organised tax evasion, as well as it has provoked a monstrous damage to our planet.

**ANOTHER FUTURE
IS POSSIBLE**

44%

The world's richest 1 percent, those with more than \$1 million, own **44 percent of the world's wealth**

Despite historic levels of progress in human prosperity and security in many parts of the world, and certainly so in the European Union, it is strikingly evident today that the system's inherent flaws and conflicts have become unsustainable. They have generated human and planetary costs of a magnitude that increasingly outweighs its traditional benefits. At the same time, the joint effect of the global pandemic and the defeat of trumpism open a global political window of opportunity of potentially historic significance, which the European Union is ideally placed to seize upon in the interest of global sustainable well-being.

A new model of progress needs to be defined for another future – one that will be freed from continuous crisis management and focussed on sustainable human and planetary well-being. This is the challenge that the Independent Commission for Sustainable Equality (ICSE) strives to meet with this policy report. To this end, it follows the aim of providing people and institutions with a credible and feasible choice to comprehensively rebuild our model of development.

This new model of progress should cater for society's shared well-being, prove resilient and replace radical uncertainty with radical sustainability in all dimensions of human existence and cooperation. It should also be embedded in a new contract with planet Earth, ensuring its preservation and regeneration.

The policy roadmap we seek to define rests on the conviction that, in full respect of the clear natural limits policymakers across the globe are gradually acknowledging, humanity can still turn this planet into a place of well-being for all. This should be viewed as the guiding light for all progressives in politics and beyond, in a common battle for another future.

We appeal to progressive forces in Europe and globally to engage with us at this level of ambition. Progressives at large need to further strengthen and enrich the policy recommendations in this report and beyond, and they need to join and mobilise forces and energies to achieve the necessary transformation. This collective contribution will be key and, hence, the associated responsibility is immense.

» A new model of progress needs to be defined for another future.«



Around the world, policymaking and governance since World War II have followed a single, overriding objective: maximising gross domestic product (GDP) through measures that spur economic growth. Although this policy orientation has been able to create unprecedented material wealth, its limits and shortcomings are becoming increasingly evident. During the past forty years in particular, the narrow-minded fixation on GDP growth has gone hand in hand with widening inequalities, poverty, and existential insecurity affecting large parts of the population and accelerated the destruction of the planet's climate and biosphere.

Overcoming these multiple social and environmental crises requires more than the current modest attempts to tame the growth dogma through the adoption of climate action targets. Fostering widespread well-being and social cohesion under the conditions of environmental sustainability requires that Europe adopts an agnostic outlook on economic growth.

It depends on a framework for governance that places legally binding policy objectives that directly support the sustainable well-being of people and planet at its core and systematically aligns policymaking and public finances. Such objectives must relate to the social, economic, and ecological dimension of sustainability and well-being, hence include targets for the reduction of poverty and inequalities, and greenhouse gas emissions, and translate into evidence-based long-term-oriented policies that are underpinned by sufficient financial resources to mobilise the necessary investments. This implies comprehensive reforms of the EU fiscal and financial framework, as well as effective governance mechanisms through which EU Member States, parliaments and stakeholders jointly identify challenges, set priorities, and implement policies that enhance the well-being of people and planet on a lasting basis.

LIVING IN AN ECONOMY DEDICATED TO SUSTAINABLE WELL-BEING FOR ALL

» Recent years have led citizens around the world to understand the destructive nature of the global race for profits and growth.«

Achieving sustainable well-being for all will also require reforms in the financial sector and the digital economy, the two sectors in which the paradigm of limitless and extractive growth continues to ravage most forcefully, and which continue to shape the entire economy along these lines. In terms of financial sector reform, a key challenge lies in re-allocating capital from unsustainable forms of economic activities into sectors, projects, and businesses with clear benefits for the sustainable human and planetary well-being. This implies deepening and accelerating the EU sustainable finance agenda, including by complementing measures aimed at the promotion of 'green' finance with action to bolster socially sustainable finance. In the digital economy, new regulatory frameworks and more capable public authorities, both in terms of regulation and enforcement, are key to ensure digitalisation, a mega-trend shaping lives and livelihoods around the world in ever more powerful ways, is no longer driven exclusively by a small number of global mega-corporations that discount the public interest in the pursuit of profits.

Economic change in the interest of sustainable well-being for all also relies on far-reaching changes in the corporate sector, where environmental sustainability and the well-being of people and their communities must become central concerns in all aspects and at all stages of business activities.

15%

15% of the **EU workforce** live on wages that are **below the national poverty line**, despite working full time.

This can be achieved by means of a European Responsible Capitalism Act that replaces the pursuit of shareholder value with a broadly defined sense of Corporate Social Responsibility, inter alia by obliging companies to define comprehensive sustainability strategies and to report on their implementation, respect for environmental standards, and fundamental rights through effective due diligence provisions. Supporting stakeholder-oriented companies, for instance benefit corporations or the social economy, are another building block of such a strategy. Lastly, engaging the private sector in productive, so-called mission-oriented forms of innovation that deliver solutions to meet well-being and sustainability-related challenges must be considered key putting economic activity in Europe at the service of sustainable well-being for all.

» A widespread and narrow understanding of resilience is that of returning to a previous state after a disturbance (a shock, a crisis...). This is not our understanding.«

At the beginning of this year, the European Commission published a legislative proposal which aimed to create a “Just Transition Fund” within a mechanism of the same name (JTM). The operationalisation of the just transition concept is an indisputably meaningful political step in the right direction since it aims at ensuring that the transition towards a climate-neutral economy happens in a fair way. It however lacks a substantial definition of a just transition for people and communities. Yet, a too limited approach, blind to the actual magnitude of the social crisis, would be dangerous, because it could understate the grave social and political risks associated with a climate policy that is not embedded in equally ambitious social policy.

This is where our approach of a “just transition” can be a powerful policy concept of the early 21st century, when addressing the mega-crisis we face—provided we embrace its full meaning. We can by no means allow a conflict between social and environmental policy objectives to happen. Because it would mean that the most vulnerable sectors of society would bear alone the consequence of a failed transition. Instead, a true social-ecological transition must answer environmental change with social progress. The transition we are calling for must be fair, it must offer stability, and it must promise protection. A particular focus will therefore be placed on anticipative and inclusive policymaking: building capacity to anticipate structural changes in order to allow policy to intervene before harm is caused is key to achieve fairness and sustainable well-being.

LIVING IN A SOCIETY OF CHANGE: THE IMPERATIVE OF A JUST TRANSITION

In this respect, we provide an inclusive definition of Resilience to implement transformative policies. This definition will require from policy-makers to understand resilience in the context of sustainability by looking at the entire ecological-social-economic-political system. Its transformative approach leads to a major question: who decides when and why a particular system should be considered “resilient” and what would be the political objective we want to achieve via the transformation phase. This is where strong social consensus on the goal and pathways to sustainability is fundamental. In fact, such an approach to a just transition should even be used to (re-)vitalize democracy itself. A true participatory democracy must define the nature of the ambitious reform the EU should undergo to achieve human well-being goals and to co-create the society of tomorrow.

This section proposes to create inclusive governance mechanisms at all levels, so that citizens, communities, trade unions and employers can be part of implementing a strategy they co-decided. Along the same lines, this section seeks to reaffirm the crucial role of education, training and lifelong learning in paving the way towards a sustainable future for Europe and beyond.

However, if this transformation is not set within a comprehensive approach to the wide-ranging distributional impacts on social groups, regions and localities, it cannot suffice to meet the EU’s pledge of ‘leaving no one behind’. Our definition of a Just transition requires the application of a place-sensitive approach which would invite to create a greater variety of regional development strategies, opening the door for more complex but fairer solutions that cannot be achieved through a ‘one size fits all’ approach.

Finally, and in order to ensure a just transition, we need to address the two dimensions of the challenges faced when pursuing climate justice objectives, namely: tackling the unequal vulnerability and exposure to environmental risk in society and at work, on the one hand, and the need for social fairness in environmental policies, on the other hand.



Extreme weather events across Europe between 1980 and 2019 inflicted economic losses amounting to almost €446 billion



All the evidence indeed suggests that Humans have gone too far in the destruction of the only planetary ecosystem they have, leading to them now being endangered. The world's leading climate scientists are increasingly concerned that global heating will trigger tipping points in Earth's natural systems, which will lead to widespread and possibly irrevocable disaster, unless action is taken urgently. Reducing greenhouse gas is therefore a matter of absolute necessity. The EU cannot afford to fail, because the target is still close, and because our chances of a second try constrained. These shocks would indeed not only damage the environment on which we depend, they also weaken our political, economic and social systems.

Climate change is a “crisis multiplier” that has profound implications for international peace and stability. It is indeed common knowledge that the environmental degradation and anthropogenic climate change caused by an exploitative world economy is the prime example illustrating the unsustainable nature of today's model of development. Less noticed are its unequal fundamental components: the richest 1% on the planet is responsible for twice as many CO₂ emissions as the poorest half of humanity, as the devastating effects of climate change are felt more than ever. The same goes for global pollution and its detrimental effects to Nature and Human, which generate unacceptable injustices. Ecological crises reinforce inequalities, just as inequalities increase environmental damage.

» Air pollution is considered the single largest environmental risk in Europe.«



**LIVING A HEALTHY LIFE
ON A DECARBONISED AND
PRESERVED PLANET**

1.5°C

To stay within 1.5 degrees warming, the carbon budget left is **around 416GtCO₂**, or **10 more years of emissions at our current rate.**

It is indisputable that the European Union displays unprecedented environmental policy ambitions to deal with the threats that are now facing us. The goal of climate neutrality by 2050 has become a legally binding target, paving the way for a much-needed ambitious environmental agenda.

In the view of the ICSE, the opportunity of the ongoing EU climate action should be seized to propose a sustainable transformation of Europe. A true environmental agenda not only aims to protect our livelihood and that of planet Earth, but to actively improve our future sustainable well-being through a fully-fledged social-ecological response to climate change.

This section proposes a comprehensive approach on carbon emissions reduction with the aim of aligning carbon pricing, effort sharing and climate policies in order to carry out a fair distribution of the emissions space among countries and among people. If carbon pricing and environmental taxation are important instruments to implement the green transition, it is equally crucial to take into account the distributional effects of these instruments and to put in place accompanying policies to mitigate their potentially socially unfair effects. In particular, carbon pricing revenues should be used to counter potential negative social and economic consequences resulting from the decarbonisation process.

It is equally important that the 2030 climate target is translated into a concrete and adequate policy framework to achieve ambitious environmental goal. To do so, the EU should act as the leading promoter of transformational measure by: designing an integrated industrial policy focused on strategic missions linked to decarbonisation; aligning infrastructure policies and mobility policies to this long-term vision; boosting sustainable production and consumption; and proposing a comprehensive framework for improving natural carbon sinks.

Besides, we must make it clear that applying a well-being lens when designing climate mitigation policies has the potential to deliver wider well-being benefits both in the short and the long term. A co-beneficial approach should recognise the intrinsic interconnections between our social and ecological systems as the basis for a just and sustainable economy, with health as the great connector. Along these lines, the revalorisation of biodiversity into the political agenda of the European Union is necessary to emphasise the interactions between human activities, ecosystems and climate. With the same view of aligning policies with the objectives of sustainable well-being, this section will seek to re-affirm that health, in a wide sense, is “one”, which implies that policy responses must be guided by a coherent approach towards human and environmental health. Furthermore, a shift in perspective is needed to better integrate growing challenges to the sustainability of the food system, and the CAP should ensure full policy coherence covering agricultural, food, environment, and climate policies. Finally, and as air, water and soil pollution, as well as the use of hazardous chemicals, can undermine the health of all citizens, the ICSE is calling for an overarching framework at EU level that can address the complex interlinkages across policy domains relevant to environment and health.

» Next to poverty, inequalities in terms of incomes and wealth represent key dimensions of the European social crisis.«

Already at the end of 2019, 21% of the EU population, more than 90 million citizens, were considered to be at risk of poverty and exclusion. The COVID-19 pandemic has added to this further, with first projections estimating that especially low-income earners are bearing the brunt of the crisis' economic fallout. At the same time, 1% of households in Europe hold an approximate 25% of the continent's net wealth, without paying any tax on such assets in all but a single EU country. Such precarity and inequalities drive European societies apart and undermine their ability to cope with the testing effects of change that is inevitable in light of the climate crisis, demographic change, and digitalisation. Rebuilding European societies in line with the principles underlying the notion of sustainable well-being for all is thus a matter of urgency.

Related work must commence by developing effective backstops against poverty. Despite the magnitude of the European poverty crisis, EU policy action to date has failed to address it with sufficient determination.

To rectify this, a European anti-poverty law should be adopted that defines the full eradication of poverty in Europe by 2050 as a legally binding target for EU policy in the same way as the EU climate law does in the field of climate action. Eradicating poverty requires that its drivers are being choked. Bolstering social security systems and re-regulating labour markets, which, at present, are rife with precarious and atypical forms of low-wage and insecure employment, is key in this regard. Solving the current housing crisis that forces families to overstretch their budgets due to a lack of affordable homes constitutes another necessity, as does action to bolster care infrastructure and capacity across the Union to stop workers, especially women, from being excluded from labour markets. Defining common policy strategies and supporting them with EU investment to bring these emergencies under control would amount to a forceful manifestation of the EU's commitment to the well-being of its citizens.

LIVING A SAFE LIFE IN A FAIR, EQUAL, AND DIVERSE SOCIETY



Next to poverty, inequalities in terms of incomes and wealth represent key dimensions of the European social crisis. As is becoming increasingly clear, tax and wage setting systems in Europe have evidently lost their effectiveness in view of increasingly fierce global competition and footloose capital. Rebuilding collective bargaining systems, adapting them to new labour market realities, and fostering wage transparency are crucial steps that must be taken. Likewise, ensuring a fairer and effective taxation of private wealth and corporate income, through coordinated action at the EU and global levels, are necessary elements of an effective strategy to close the growing gap between the rich and the rest. However, relying on a more egalitarian distribution of wealth and income among the individual members of society has its limits, especially given the need to ensure a more efficient use of resources that stems from the ecological crisis. Building common wealth for the collective use of resources through the expansion of public services and support for citizen-led initiatives to build common wealth must therefore be central elements of social policy going forward.

The COVID-19 pandemic has highlighted how our societies critically rely on the contributions of social groups that are in many respects left standing at the margins of our economic and social model. While women, ethnic minorities, migrants, the young, and others have had to deal with exceptional hardship to keep society running, their access to social, economic, and political opportunities remains unequal. The post-COVID-era must therefore be an era of a concerted push of equality of opportunity for all members of society to turn sustainable well-being for all into an inclusive and non-discriminatory project. This will require both targeted strategies, for instance to address the specific situation of women, youth, and migrants, as well as horizontal action to strengthen fundamental rights and the rule of law.

21% 

More than 90 million citizens, almost 21% of the EU population, are considered to be at risk of poverty and social exclusion

» For too long now, global corporate profits have been internalised while environmental and social costs have been shifted to society.«



A helicopter view of today's global policy landscape is not one of a well engaged and ongoing global transformation, but of a transit zone in which certain areas are being reshaped while others remain untouched, and where activity in one area is not clearly related to activity in another area. There is no clear and unifying sense about where exactly this transit zone leads towards.

In this politically unpredictable and unstable context, the pandemic has shed new light on the global ecological and social consequences of an economic system in which prosperity is equal to short-term minded economic growth, instead of long-term minded sustainable well-being; and it has made one point clearer than ever before: the billions of human destinies on our planet are more intertwined than they have ever been.

This must help us understand the real meaning of human well-being (the well-being-environment nexus), the fact that well-being policies fare better on all fronts than growth policies and finally the fact that we should take care of welfare states, in the EU and elsewhere, because it is the backbone of our societies and our shield to face ecological shocks.

**LIVING IN A WORLD
DEDICATED TO PLANETARY
AND HUMAN SUSTAINABLE
WELL-BEING**

» The EU has a direct interest in promoting well-being, because well-being is a vector of peace worldwide.«

The multiple economic and social damages induced by the pandemic are very far-reaching even in the richest parts of the world and are already devastating in more vulnerable countries and world regions. At any rate, they will take many years to overcome.

This is also a major set-back for the sustainable development agenda embodied by the United Nations Sustainable Development Goals (UNSDGs), as critical progress achieved since their launch in 2015 is being reversed for several goals at a critical point in time.

The pandemic has hit a world already entangled in a global meta-crisis, in which climate change, the large-scale loss of biodiversity, entrenched poverty and gaping inequalities increasingly interact. The global meta-crisis can eventually only be addressed as one. It requires a new generation of cross-sectional and multi-crisis approach policies - in particular along the social-ecological nexus - as much as it demands policies and regulations that are powerful enough to reset the prevailing economic model's underlying logic, from the discredited and unsustainable post-war growth/progress concept to a new and sustainable well-being/progress concept.

In a global strive towards sustainable well-being, EU leadership will be critical and its own (positive and negative) experiences in addressing challenges that are global as much as they are European is essential, for instance when it comes to climate change or poverty. Including through much more vigorous and targeted EU actions at global level, game-changing global policy change must address solidarity in the global pandemic, achieve a new boost for UNSDGs, re-launch the fight for the 1.5 climate change target, develop a global approach to a green deal, build a global social contract, set the activity of global corporations within a rules-based frame, achieve truly sustainable global trade, turn development aid into a sufficiently powerful lever for sustainable development, rethink global governance and open innovative pathways for human and planetary development such as through global common wealth.



The total value of only **the ten largest mega-firms** in the world is comparable to the **bottom 180 countries**.



Poul Nyrup Rasmussen

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Former Prime Minister of Denmark

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Since the Independent Commission launched its work, a major change occurred in global politics in the midst of the global pandemic. The defeat of trumpism and the election of a democrat president in the United States has significantly widened the global political window of opportunity already created by the pandemic's own challenge to the prevailing global system. First global moves by the new US administration, on a global minimum corporate tax, on climate policy, and on a vaccine waiver have already come to confirm this for real.

This new global context also strengthens the EU's stances and views for a more progressive and fair world. It creates a new form of global responsibility for European policy-makers to use this opportunity wisely and decisively in favour of global human and planetary progress towards sustainable well-being for all.

Europe has been founded on the promise of greater well-being for all, individually and collectively. This pledge is associated with social justice and cohesion, the protection of our individual and common livelihood, as well as with democracy, freedom and peace. At global level, a similar pledge is found in the Charter of the United Nations.

But the ability to achieve these goals is being challenged by widespread inequality and poverty, environmental destruction and now the lack of preparedness for global interdependent fragilities such as the COVID-19 has shown.

INTRODUCTION

by Teresa Ribera Rodríguez and Poul Nyrup Rasmussen
Co-Chairs of the Independent Commission for Sustainable Equality

One of the main drivers of this situation is that our societies are embedded in a global capitalist system that has traditionally paid more attention to macro-economic growth data than to the way wealth is distributed.

It rests foremost on a short-term minded dynamic of intense competition next to an increasing concentration of market and economic decision-making power as its main (and somewhat conflicting) sources of energy, in order to generate a continuous creation of wealth and, through it, economic and social progress. However, this dynamic has also been allowed to lead to an inflated and short-term focussed financial sector, an increasingly concentrated accumulation of wealth and power supported by massive globally organised tax evasion, as well as a blind destruction of nature, the physical capital to provide wealth and prosperity being abused well beyond its limits.



In the EU, the 1% highest earners take 11.3% of national income and the 10% highest earners take a hefty 35.4%

The improvement of living conditions, which seemed self-evident in the first decades after WWII, has gradually come to a halt for large parts of our population. Inequalities seem endlessly entrenched and affect a staggering one fifth of the European population. The gap between the highest and the lowest income has increased as ever. In the EU, the 1% highest earners take 11.3% of national income and the 10% highest earners take a hefty 35.4%.¹ Many across our continent - inside our cities, around them and across rural areas - are being left behind as they disconnect from the

» Europe has been founded on the promise of greater well-being for all, individually and collectively.«

economic activity around them. Even middle class families now face a risk of social regression and increasingly fear for the future of their children.

A sense of precarity has spread widely across our societies - insecurity, anxiety and fear about what the future will bring. And many young people are particularly concerned about the consequences of climate change for their own and the planet's future.

The increasing sense of growing inequality, injustice, entrenched unemployment and increasing job precariousness in a society in which ever richer super-rich individuals co-exist with the rest of society de-constructs the necessary societal consensus and fuels anti-system and extremist positions through destructive identity politics. In such a society, respect for diversity and the economic, social and cultural capacity to integrate and live with people from different ethnic or religious backgrounds is gravely undermined, feeding systemic hostility and mistrust.

¹ World Inequality Database, November 2020

» The excesses of the prevailing system clash systemically with natural and human limits and needs.«

Over time, political parties in government from left to right have in turn either encouraged, ignored or underestimated these negative developments. The inherent short-termism of government, business and finance has certainly played an important role in this respect. Responsibilities for the situation we face are widespread. We all have to learn. We all have to do better. This process does not start from scratch, but it needs to accelerate and strengthen. The European Union has started to do so in the face of the pandemic by creating a large-scale Eurobond issuance to finance the Recovery and Resilience Facility, of which a significant part will directly support investment into the ecological and digital transitions. This is of greatest importance with regard to our youth, whose future hinges upon a major and lasting policy shift outlined in this report. They bear no responsibility for the current state of our societies and of our planet - but if radical change for the better is not achieved, they will bear the highest cost.

Today, it is becoming increasingly clear that there is a fundamental contradiction between Europe's founding pledge and the effectiveness of our response in an interdependent and complex market. Equally, the promise of an increasingly fair and cohesive world, conveyed by the United

Nations Sustainable Development Goals, clashes against the limits of what the existing form of global capitalism can deliver.

This form of capitalism has permitted major economic and social development over past decades. It has notably been driven by formidable scientific and technological innovations and by social support provision and legislation, the combination of which allowed for Europe's economic, social and political re-building after the second World War. However, the excesses of the prevailing system clash systemically with natural and human limits and needs. Government legislation and policies have only partially and imperfectly been able to ring-fence and compensate for these fractures over time.

Therefore, this inherent conflict between economic, social and ecological imperatives remains unresolved, and has led the world into a permanent state of multiple and intertwined political, economic, social and ecological crises. Together, they form a meta-crisis, of which the current pandemic is the latest episode, which our historical approach to legislation and compensatory public policy is unable to prevent or stop.

It is the product of the prevailing system. It is not a plague from outer space. Humanity can change it. This meta-crisis transforms an allegedly efficient system of wealth creation into one which is highly inefficient and costly. But more fundamentally, it pushes our human societies to the future possibility of global collapse. And it threatens the very foundation of modern democracy and of individual freedom because it creates a dangerous space for antagonising, extremist and nationalist, political forces in Europe and beyond.

Humankind has grown increasingly aware of these conflicts and of the imperative to resolve them. Global and European efforts to limit climate change and to preserve and re-build biodiversity have taken center stage in recent years, notably in Europe's Green Deal launched in January 2020.

Social and political concerns have received far less attention, despite the 2015 United Nations' ambitious agenda for sustainable development (17 goals to be achieved by 2030 across the globe) which stresses the need for balanced economic, social and environmental progress.

However, the economic fundamentals of the prevailing system have not been questioned. It remains widely believed that through a combination of new regulations, technological innovations and stronger resilience in the face of future crises and shocks, prevailing capitalism can save itself and resolve its own conflicts and crises. This unfounded optimism disenfranchises from interrogating the system's fundamental flaws, questioning the over-riding pursuit of economic growth at societal level and of short-term minded profit maximisation at corporate level, and of contemplating the full extent of long-term economic, environmental and social investment needs required to succeed.

Most regrettably, the linkages between ecological and social sources of progress continue to be by and large ignored or under-rated in the political and public debates - although a journey out of the meta-crisis is just not conceivable without relying fundamentally on social-ecological progress.

This central call was already promoted by the first Independent Commission's policy report at the end of 2018.²

This report developed the idea of sustainable well-being for all and already identified a wide range of policy recommendations with a focus on economic and social action. More than half of those recommendations found their way at least partly into the current European agenda thanks to the insistence of the S&D Group in the European Parliament in the aftermath of the 2019 European elections.

Through this new report, the current Independent Commission for Sustainable Equality widens the scope of the first report.

It ambitions to re-think today's laudable, yet insufficient, policy actions in order to fully address capitalism's meta-crisis. It aims to advance a new comprehensive path towards truly sustainable human and planetary well-being. However, we do not pretend to have all the answers. But what we can do is to insist on the need for radical change, and to contribute to needed action through a comprehensive set of transformative policy proposals.

It should be taken for granted that the post-pandemic world within reach should not go back to business-as-usual, but that it must considerably complete, accelerate, deepen and broaden those constructive policies already under way, such as the reform of the European Semester and of its underlying fiscal rules, the European Green Deal, or the Action Plan of the European Pillar of Social Rights.

» We need to shape a common future built on solidarity, human dignity and respect for nature, where economic activity is firmly framed within societal needs and planetary boundaries.«

² <https://www.socialistsanddemocrats.eu/sites/default/files/2020-06/en-report-of-the-independent-commission-for-sustainable-equality-2019-2024.pdf>

We need to shape a common future built on solidarity, human dignity and respect for nature, where economic activity is firmly framed within societal needs and planetary boundaries. This model must lead to widespread sustainable human and planetary well-being. This is most critical for our youth, to whom we owe a different and better future. We, progressives, want to commit to a new social and environmental contract signed between generations, ensuring justice between current and next generations but also among the existing ones.

Hence, a central endeavour for the Independent Commission for Sustainable Equality is to promote the view that it is both possible and necessary to reshape the system in which our societies operate in a way which will guarantee prosperity for all without depleting and destroying our planet, without exploiting workers and without witnessing an ever-growing concentration of wealth and power that unduly limit individual freedom and opportunity and undermine democracy.

Markets must function efficiently within a renewed regulatory framework to also serve the common good. Entrepreneurship and individual success will be safeguarded, and is recognised as one of the drivers of successful innovation, but it cannot be used to justify an excessive concentration of wealth in the hands of the few. It must rather be based on equal opportunities, shared knowledge and access for all to a society without precarity. Innovation, scientific and technological progress will be needed and fostered, but should serve the well-being of all, with their benefits fairly shared and widely accessible.

Strong democracies must combine legitimate representation with widespread public participation and transparency at all stages and levels of political decision-making notably because improving public trust and cohesion in an era where they are being increasingly undermined by fake news and hostile propaganda is decisive.

» This society will not measure its performance essentially against the limited concepts of growth and profit-making. It will be measured against its wider ability to deliver sustainable well-being for all.«

This society will not measure its performance essentially against the limited concepts of growth and profit-making. It will be measured against its wider ability to deliver sustainable well-being for all - catering for widely shared existential security, stability, inclusion, opportunity and freedom in a society of equals who share a common destiny and on a, once again, healthy planet.

This report is a roadmap that should inspire the European project and also have a global reach. The European Union should recognise this path as global and universalist, by embracing the transition to a society of solidarity, human dignity and respect for nature as a fundamental undertaking for all human beings. This transition cannot be achieved by any of our member countries alone, nor ultimately by the European Union's actions alone. In an interconnected world, no single continent could lastingly sustain such a new model, not least the EU whose proportion in economic or demographic terms is becoming ever smaller.

Nor could the EU's isolated efforts towards restoring global biodiversity, building climate resilience or ensuring social justice prove game-changing at a global scale.

In its ambition to become a stronger global player, the European Union must actively seek to mobilise other world regions and countries. First of all, building on the existing United Nations agenda of sustainable development goals, which Europe needs to champion at home and abroad. Europe should sponsor new long-term strategic partnerships with other countries and regions across the world, to lay the foundations for stronger global governance.

Last, we appeal to progressive forces in Europe and globally to engage with us. Progressives at large need to further strengthen and enrich the policy recommendations in this report and beyond, and we need to join and mobilise forces and energies to achieve the necessary transformation. Our contribution will be key and, hence, our responsibility is immense.



OUR
FUTURE

IN
YOUR
HANDS

CHAPTER 1

A conceptual guide

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The policy proposals set out in this report are based on a number of concepts and analytical findings that figured centrally in the work of the ICSE and are part of new (or existing but up until now marginal) ways of thinking. By introducing and unpacking them, this section seeks to provide deeper insight into the emerging ideas and frameworks that underpin our policy recommendations.

1.1. Precarity: policy change must address anxiety, existential uncertainty and re-build trust in a regenerated political system genuinely dedicated to meeting people's needs

A recurring theme in the exchanges among ICSE members was that the decades-long adherence to neo-liberalism in the governance of advanced economies has created a widespread sense of anxiety among citizens that is rooted in 'precarity'— a condition of economic insecurity and social vulnerability that harms people's material and psychological welfare, as well as society's capacity to cope with adversity and govern itself. Its source can be traced back to the central tenet of neo-liberal economic doctrine, which believes that, to remain competitive in the global race for profits and growth, societies need to fully embrace market forces and ensure they can play out as freely as possible in how resources, including labour, are allocated for production. Across Europe and much of the developed world, this belief has encouraged often painful reforms of labour markets, social security systems, and public services through deregulation and liberalisation projects.

As a result, citizens are left exposed to the competitive pressures of the increasingly integrated global economy and its volatility, without having much protection against social and material hardship as a result of social security reforms and labour market deregulation. The social consequences of this harsh credo include the striking result that no less than a fifth of the EU population is presently considered to be at risk of poverty and social exclusion. The political implications spread even further. Threats to individual and societal well-being do not seem to be being brought under control and, as a result of climate and demographic change, multiply further.

Doubts are therefore being nurtured among the entire population as to whether dignified lifestyles and decent livelihoods can be maintained in the future, including among those who at present succeed in upholding comfortable middle class or even higher living standards. This generalised sense of vulnerability is making people averse to change, which is an additional obstacle for the large-scale social transformation that is urgently necessary.³

In this climate of precarity, support for anti-establishment and anti-system discourses and movements abound, while trust in the ability of established political systems to foster individual and collective progress wane. This political alienation needs to be addressed and reversed if sustainable well-being for all is to become a reality.

precarity

[prɪ'keə.rə.ti] **noun**

a state of existence in which material provision and psychological wellness are adversely affected by a lack of secure livelihood

³Azmanova, A. (2020): Capitalism on Edge – How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia, Columbia University Press

1.2. Inequalities: intersectionality and multiple dividends

Another focal point of discussions was the importance of recognising the interrelationships between different kinds of inequality, of income and wealth or disparities relating to gender, ethnicity, or geography. We discussed evidence that such inequalities are not only serious concerns for progressive politics, but also grave societal dysfunctions. For example, unequal societies create a climate of competition, stress, and disillusionment that leads all members of society, not just the deprived, to suffer from reduced levels of well-being.

Due to their detrimental impact on the overall performance of societies across key well-being indicators such as mental and physical health, trust in democratic institutions, as well as on social peace and security, the radical reduction of such inequalities is a crucial prerequisite for achieving sustainable well-being for all.⁴

Different forms of inequality intersect with each other and form complex interrelationships. Recent contributions to the study of inequalities suggest that a systematic understanding of this intersecting and systemic nature of inequalities is aided by introducing a distinction between two broad categories of inequalities, and their distinct ways of influencing well-being outcomes. Firstly, inequalities stemming from demographic and geographic factors, such as those between men and women, ethnic groups, those with disabilities and those without, as well as between neighbourhoods or cities, are 'horizontal'. In other words, they create divides between different sub-groups of the population. Secondly, socio-economic inequalities, such as those of income and wealth, educational attainment, and access to political participation and power, act vertically by creating social hierarchies within and across social groups in terms of access to resources and power (see Figure 1 below).

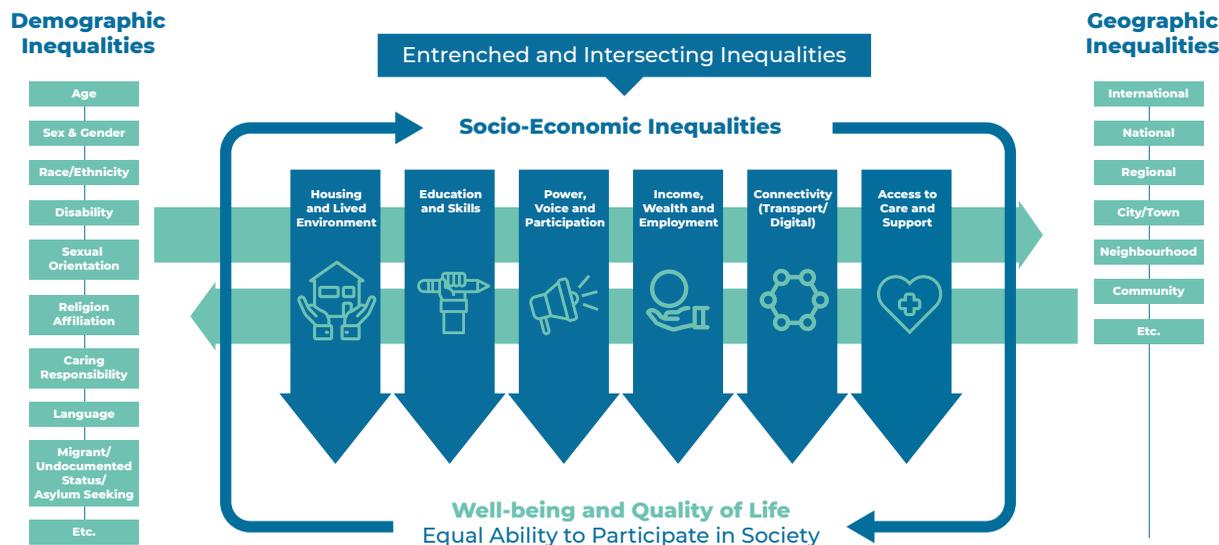


Figure 1. Greater Manchester Independent Inequalities Commission (2021)

⁴Wilkinson, R. and Pickett, K. (2010): The Spirit Level – Why Greater Equality Makes Societies Stronger, Bloomsbury

Such vertical inequalities act as pressures that aggravate horizontal inequalities. For example, societies marked by high degrees of income disparity (vertical) generally exhibit higher levels of gender inequality (horizontal) than countries with more equal distributions of income and wealth.⁵ We are not suggesting that vertical or horizontal forms of inequalities are more significant than others, but rather that it is important to understand how these various inequalities interlock and interact to determine well-being outcomes in societies.

This way of looking at inequality, despite being relatively complex and challenging progressives to avoid working on each separately, is instead extremely useful and productive. It heightens our understanding of how policies can simultaneously be designed to produce beneficial results across various dimensions of inequality. For example, policies aimed at mitigating vertical inequalities of educational opportunity can also soften disparities between native and migrant communities, thereby creating ‘multiple dividends in terms of societal well-being.

» Different forms of inequality intersect with each other and form complex interrelationships.«

1.3. Social-Ecological Progress: environmental action as social policy

Social Justice and ecological justice have for long been in tension: solving the climate crisis and other environmental harms will need the mobilisation of massive economic resources, which at least in the short term threatens growth and jobs – the material basis of social justice in present-day society. To reconcile social and environmental justice, it is not enough to do more about each. Thus, a return to the post-war growth-and-distribution policy formula is not advisable because this formula incurred a grave ecological trauma. We must find an alternative way to deliver social justice that is compatible with ecological justice. Such an alternative is to replace the objective of increased affluence with a commitment to well-being, in which the pursuit of material prosperity is replaced by economic stability and social solidarity.⁶

Further, it has become clear that poverty, inequalities, and ecological harm are closely related. In recent years, evidence has grown of how the societal impact of environmental degradation, climate change, and biodiversity loss is unevenly distributed among social groups along the same lines as pre-existing socio-economic inequalities.⁷ For example, poorer people find it harder to adapt their homes to changing environmental conditions than their wealthier neighbours, or low-income earners may be forced to live in areas which are particularly prone to environmental stress, such as those of flooding or pollution. Such divergences may also act as a driver for environmental degradation. Low-income house-

⁵ Pickett, K. (2021): Fissures that tear us apart and pressures that weigh us all down, available at: <https://www.socialeurope.eu/fissures-that-tear-us-apart-and-pressures-that-weigh-us-all-down>

⁶ A. Azmanova, “Precarity, populism, and prospects for a Green Democratic Transformation,” *openDemocracy* (18/01/2021); A. Azmanova, “The big Green New Deal and its little red social question,” *Social Europe* (30/10/2019).

⁷ European Environment Agency (2019): Unequal exposure and unequal impacts: social vulnerability to air pollution, noise and extreme temperatures in Europe, available at: <https://www.eea.europa.eu/publications/unequal-exposure-and-unequal-impacts> and OECD (2021), “The Inequality-Environment Nexus: Towards a people-centred green transition”, OECD Green Growth Papers, 2021-01, OECD Publishing, Paris. <https://doi.org/10.1787/ca9d8479-en>

holds tend to rely more on food that comes from relatively low-cost but pollution-intensive industrial agriculture practices than do high-income families. It is therefore clear that all climate change and environmental degradation-related policies, include a social dimension, inasmuch as they inevitably and automatically interact with existing social disparities. Addressing the socio-economic dimension of environmental policy and climate action explicitly not only constitutes basic fairness, but also creates opportunities to realise broader well-being gains for all and create virtuous circles rather than negative feedback loops. An example of this more positive and ‘joined up’ approach would be where policies designed to reduce income inequalities also reduce status consumption and consumerism, thus reducing over-consumption. By yielding both social and ecological gains, such policies can therefore be understood as *social-ecological progress*.

1.4. Sustainable well-being requires vibrant democracy and widespread participation at all levels

Participatory democracy must define the nature of the ambitious reform the EU should undergo to achieve human well-being goals and co-create the society of tomorrow. Participation is indeed not only a dimension of the transition to well-being, but also the method that must govern its definition and governance: it is both an input and an output of human well-being. It should fight neoliberalism’s main feature that governed top-down decisions for too long, where citizens “count by voting, consuming and exerting their freedom to exit – from services, jobs

and territories – not by using their voice and participating in a heated and open debate”.

From participatory budgeting to workplace democracy, from anti-consumerist consumption and supply chains to public utilities, the overriding goal is the re-articulation of power relationships between state, markets, and civil society. Restoring public debate, within parties and between public institutions and stakeholders and people, place by place, is not only “just” in itself, but it is instrumentally necessary in order to extract dispersed information and knowledge needed to design the necessary policies to achieve socio-ecological progress.

The work of the ICSE therefore rests on a synergetic approach to social and ecological justice that heals the tensions between the two through a comprehensive approach to well-being centred on social and ecological solidarity. To this adds a three-dimensional approach to tackling social-ecological inequalities with a view to reversing them into instances of social-ecological progress. Firstly, this means addressing inequalities of exposure and access, in other words, the unequal distribution of qualitative aspects of the natural environment between individuals and groups. The ‘quality’ in question may be negative (exposure to harmful environmental impacts) or positive (access to environmental amenities such as water, energy, and green spaces). This would be the case, for instance, when policies to reduce income inequalities are combined with measures to alter consumption patterns so as to favour higher quality and more sustainably produced goods and services. Secondly, the report addresses the unequal effect of environmental policies on social groups (e.g., the unequal distribution of the effects of the energy, or circular economy, transition among individuals and groups). Thirdly, it addresses inequalities in participation in public policymaking not only as an issue of fairness, but also as a prerequisite to ensuring a far better understanding of the possibilities of policies, increasing the likelihood of their acceptance by different groups in society, as well as their effective implementation.⁸ In effect the complex challenges of our time require a renewed democracy, which moves away from just being a top-down expert informed and representative model, to one with wider engagement and deliberation.

⁸ Laurent, E. (2021): The European Green Deal: from growth strategy to social-ecological transition? In: Vanhercke B., Spasova S. and Fronteddu B. (eds.): Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, European Trade Union Institute (ETUI) and European Social Observatory (OSE)

1.5. Countering precarity and inequalities depends on the social-ecological state

Dealing with what citizens today experience as uncontrolled threats to their well-being into manageable, and hence acceptable, social risks requires rebuilding inclusive safety nets and collective institutions that address precarity, impoverishment and inequalities and keep them in check. At the same time, public authority – at all levels of government – needs to regain its capacity to govern in a socially responsible manner.

The ICSE believes that this calls for more than a revival of the traditional social welfare state and its safeguards against the inevitable social and economic risks of life. As sources of uncertainty and inequality multiply, new, particularly environmental risks, need to be integrated into what could be seen as a new form of social-ecological statehood.⁹ Similarly to the traditional social welfare state, the social-ecological state must be concerned with protecting its citizens against precarity, deprivation and mitigating inequalities. This should include collective insurance mechanisms against all significant forms of economic, social, and environmental risks, as well as providing public goods and services that support individuals and communities in securing their livelihood and working towards a state of sustainable well-being for all through policies that foster social-ecological progress.

This new logic of state action cannot be reduced to simple questions about the size of the state. The overarching question for the existence of the state is, rather, what objectives should governance follow and how should it act to achieve them. What is now clear, and has been particularly highlighted during COVID, is that state action is of vital importance to steer the transformation on the scale needed, but by itself is insufficient. We need to rather “recast the way in which economic organisations are governed, how their relationships are structured and how economic actors and civil society relate to each other”.¹⁰ In other words, we need a much more widely spread participatory democracy where collaboration amongst different actors enables and ensures that well-being goals are met. The state should therefore not only be a provider of services, but also an ‘animator’ of action and partnerships at all levels, from local to national and international, as well as within economic sectors, that are best placed to respond to multiple overlapping challenges.

» The social-ecological state must be concerned with protecting its citizens against precarity, deprivation and mitigating inequalities.«

⁹ Laurent, E. (2021): The European Green Deal: from growth strategy to social-ecological transition? In: Vanhercke B., Spasova S. and Fronteddu B. (eds.): Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, European Trade Union Institute (ETUI) and European Social Observatory (OSE)

¹⁰ Mazzucato, M. (2021): Mission Economy – A Moonshot Guide to Changing Capitalism, Allen Lane, p. 23

1.6. Moving beyond growth and GDP as metrics of successful governance

Despite related discussions in the past few years, most policymaking and governance in advanced economies remains based on the assumption that the expansion of societies' economic capabilities, as expressed in terms of Gross Domestic Product (GDP) and its growth, automatically leads to gains in societal well-being, as long as the traditional social welfare state ensures that the benefits of growth are fairly shared among the members of society. This is despite clear evidence that this approach has not benefited all people and areas, and has now been unmasked as constituting a threat to societal well-being itself. It also clashes with the natural limits of our environment. To fully realise a more social-ecological state requires replacing this single goal and measure.

In contrast to growth-focussed ideas of human progress that equate well-being with affluence and cast it as a linear expansion of GDP, recent contributions to the economics of sustainability embrace different logics.

A simple and now fairly well-known model of the 'doughnut economy', for example, works within limits, firstly that societal and economic activity has to be confined by a range of environmental limits (beyond which humanity must reach) as well as an inner or lower boundary of limits which represents the minimum amount of resources, rights and capabilities necessary to ensure a fair and functioning world. Within those two limits a regenerative and distributive economy can operate. The task of the state and governance, in this reading, is to remain within the two limits demarcated by the doughnut, ensuring that citizens' foundational well-being needs, e.g., for food and shelter, health care, education, and political participation, are fulfilled, and that the economy does not transgress the outer environmental limits (see Figure 2 - next page).¹¹

The logic of social-ecological progress, builds on this model by emphasising that the relationship between society and its natural limits does not have to be restrictive but rather can be productive through policies which recognise and positively amplify the interrelationships mentioned above as well as by using available resources more effectively and efficiently. In this way, we can see social progress and ecological progress working together. Government's task is therefore to ensure that social and ecological systems relate to each other in ways that produce mutually reinforcing, positive feedback loops.¹²

To achieve this, the social-ecological state has to systematically be able to recognise opportunities to unlock multiple dividends in terms of social and ecological well-being. In other words, addressing social inequalities and vulnerabilities in ways that simultaneously reduce society's ecological footprint and vice versa.

» We can see social progress and ecological progress working together.«

¹¹ Raworth, K. (2017): *Doughnut Economics – Seven Ways to Think Like a 21st-Century Economist*, Random House

¹² Laurent, E. (ed.) (2021): *The Well-being Transition - Analysis and Policy*, Palgrave

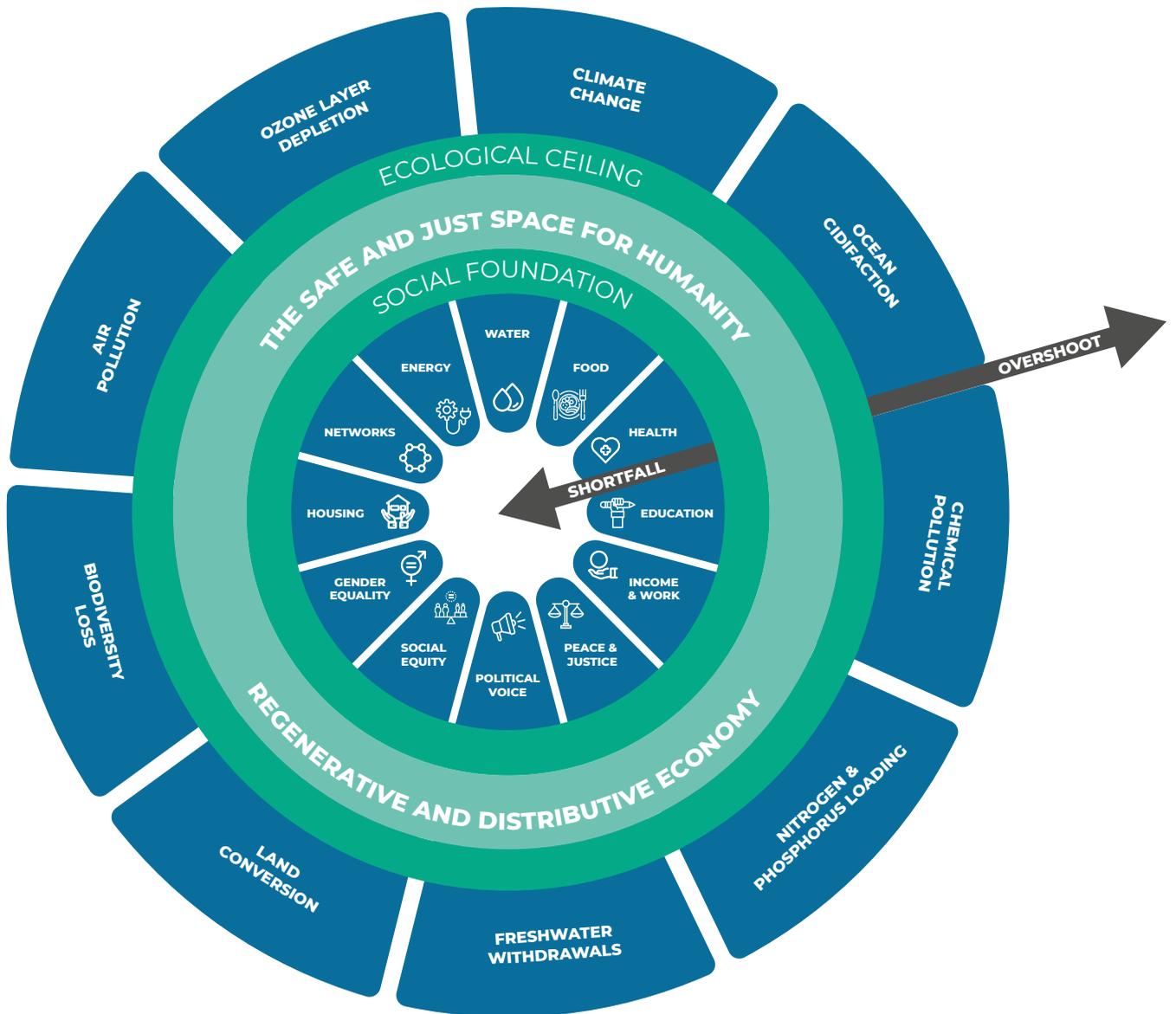


Figure 2, Raworth (2017): 51

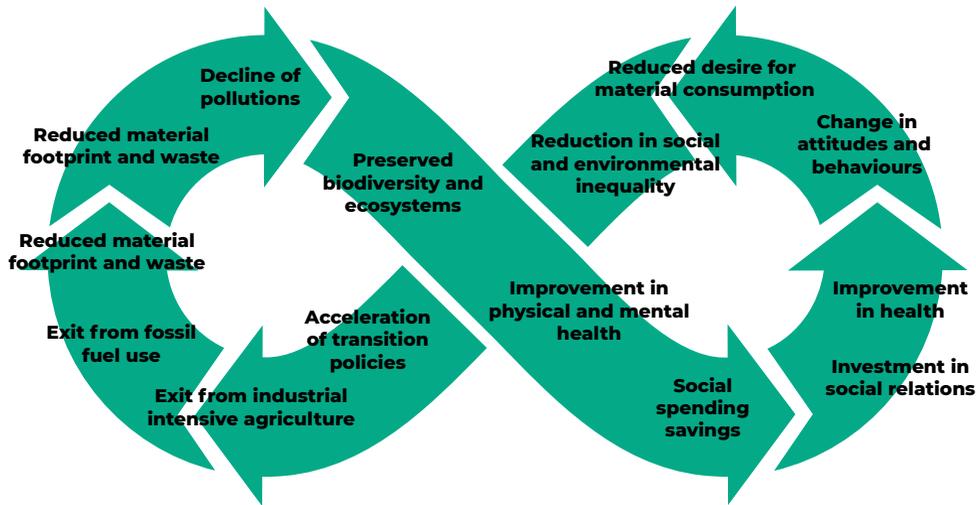


Figure 3, Eloi Laurent (2021)

An example of this approach would be when policies to mitigate housing inequalities and deficiencies are delivered through investments in energy-efficient social housing, and thus establish a ‘justice-sustainability nexus’. Social policy of this kind thus contributes to the achievement of environmental objectives, such as less dependence on fossil fuels. At the same time, this leads to environmental gains that yield further social dividends by reducing the incidence of air pollution-induced illnesses among the population, thereby opening up a health-environment or ‘full health nexus’. In turn, this leads to cost savings in public health systems that increase the social-ecological states’ ability to invest in further positive feedback loops of social-ecological progress (see Figure 3).

1.7. COVID-19 allows us to question the status quo and to bounce forward

Creating positive feedback loops of social-ecological progress will also require work on the part of the social-ecological state to support and enable behavioural change in society. Western societies for example have been built on the understanding that well-being can be described as a direct function of an individuals’ access to goods and services. Therefore, ensuring that citizens are able to enjoy constantly expanding consumption opportunities counts as the most meaningful way to achieve progress at the individual and collective levels. This ‘consumerist’ and ‘individualist’ concept of well-being and progress, however, is viable only as long as it is embedded in an extractive, growth-focused, and hence unsustainable economic model.

Alongside a more productive and regenerative use of available resources, (made more urgent considering an increasing population worldwide), the need to reduce growing isolation and recognising the well-being benefits of more connection and collaboration between people, will require broadening and overcoming this conception as an important way to achieving sustainable well-being for all, now and for future generations.

Arguably, the COVID-19 pandemic constitutes a watershed moment that has helped citizens to understand that far-reaching changes in the organisation of society are not only necessary but also possible and desirable.

By providing first-hand experience of how conventional thinking and lifestyles have been disrupted, the coronavirus crisis has led societies around the world to understand how seemingly mundane and natural activities can also be sources of profound risk. In this sense, the pandemic has created a paradoxical situation in which people had to endure isolation, anxiety, and, in many cases, reduced access to many resources, yet experienced and valued many acts of solidarity, communitarianism, and collective kindness. Despite the deeply challenging and often troubling way in which citizens have come to understand this, the experience of the pandemic is also rife with examples which may serve as a source of encouragement for the transformation that the social-ecological state will need to lead. For example, local initiatives to organise assistance for the elderly and isolated, as well as the widespread acceptance of changes in personal behaviours for the good of the community, can be read as articulations of a desire for more common purpose and social cohesion.¹³ Encouraging examples of local community activism can be observed in localities that are already applying a collaborative and well-being-focused logic in local self-governance and the provision of public services.¹⁴

As an existential crisis, the pandemic has thus led many in our communities to re-evaluate what is important for building a fair, healthy, and resilient society, and how individual freedom is only really possible in conjunction with collective engagement. Arguably, this exemplifies and perhaps marks the launch of a much needed transformation of society and its consumerist foundations, through bottom-up processes driven by citizens' sense of civic duty, as well as the personal and collective benefits from acting together for the common good. It also provides an opportunity to take the notion of freedom back from its neoliberal and individualistic meaning, towards a more responsible and connected one, to the community/society as a whole and to the planet.

Similar reactions to the disruption of 'business as usual' can also be seen at the political level – even if they remain, as this report argues, embryonic and incomplete. In the European Union, calls quickly emerged that the economic and social crisis caused by the pandemic must not lead to the abolition, but instead to the acceleration of the transformational ambition of EU policy started by the European Green Deal.

This quickly developed into a broad political consensus across party lines, and the collective sense of urgency has provided fertile ground to enable a similar, although incomplete impetus to accelerate Europe's transition to a carbon-neutral economic model by 2050. This includes the deployment of policy measures, such as joint public debt issuance under the EU 'Recovery and Resilience Facility', that would have been met with insurmountable resistance from certain EU Member States under normal circumstances. Similar developments are gaining traction in the United States, where a new administration has pledged to roll out a number of large-scale investment packages focussing on climate action and the mitigation of socio-economic inequalities that represent a clear breakaway from deeply entrenched policy path dependencies.

However incomplete these initiatives may be, especially as regards the lack of a clear focus on social objectives such as the mitigation of social vulnerabilities and inequalities in the case of the EU policy response, they clearly indicate that governments across the global West are opening a window of opportunity for decisive policy change. If this opening is not to be transitory, we must seize this opportunity for fundamental change.

1.8. The political challenges and principles of creating sustainable well-being for all

The journey away from the traditional vision of human development, centered around GDP, to a new vision of sustainable human progress is collective as much as individual. The different dimensions of such development need to be in harmony, from the individual, to the local, regional, national, European, and global, as much as for human and non-human forms of life within the planetary ecosystem.

¹³ Wilkinson, R. and Pickett, K. (2020): Why coronavirus might just create a more equal society in Britain, available at: <https://www.theguardian.com/commentisfree/2020/may/04/coronavirus-equal-society-britain-well-being-economic-growth>

¹⁴ A compilation of such examples has been put together by the PES Group in the European Committee of the Regions: <https://www.pes.cor.europa.eu/covid-19-progressive-cities-and-regions-share-solidarity-projects>

Such development, as this report argues, can only be achieved by moving today's global economic model from its dominant reliance on intense competition at all levels, to a new model built on cooperation and participation in full respect of our planet's boundaries.

However, while collective notions of sustainable development are widely used and interpreted, the individual implications may be overlooked and therefore lack clear implications and interpretations, especially for their use at political level. The ground-breaking work on inequalities,¹⁵ and on precarity¹⁶ as set out in previous sections above, have provided essential elements to bring the collective and the individual together. Further elements of creating a new synthesis or way forward has also been developed through the social-ecological framework notably in the context of the ongoing health crisis).¹⁷ Further work in these directions is needed.

Any attempt to provide a comprehensive academic frame would go well beyond the remit and role of this report. However, it is important to signal that the global transformations this report calls for need to clearly relate to the individual level and have results which people see as positive improvements in their lives. The ICSE calls this 'sustainable well-being for all'. This is not just a new concept or way of seeing things but needs to be a political framework which is relevant for effective, convincing political action, narratives and discourses that promote sustainable transformations in a way that resonates with, and has the backing of individual citizens.

It is therefore important to set out some principles or ground rules for this concept in a way which can inform political action :

- **The realisation of individual sustainable well-being has to be framed within the wider imperative of sustainable development, bringing individual and planetary well-being together.** Hence, policies supporting individual needs and aspirations must be compatible with, and a driver of the realisation of sustainable development at aggregate level.
- **The achievement of sustainable development as a whole must lead to an enhanced and widespread fulfilment of sustainable well-being in terms of human needs and aspirations at the individual level.** This can be achieved by unlocking the full potential of social-ecological progress through appropriate policies and by ensuring widespread democratic and civic participation in their realisation.
- **The achievement of sustainable well-being for all is driven primarily by the dynamics of cooperation instead of competition.** This principle should apply at all levels from the local to the global and across economic sectors ensuring that increased well-being of some does not lower or limit the well-being of others, or of the ecosystem. This will require, as this report argues, a comprehensive transformation of the underlying model of capitalism
- **Sustainable well-being for all is conditioned upon sustained, far-reaching, coordinated and participative public policy at all levels,** which ensures a far higher degree of equality and cohesion across our societies, a truly just transition to a sustainable economy, a solid and shared sense of socio-economic security, widespread resilience and adaptive capacity in the face of future risks and crises, as well as transparent, and participatory democracy.
- Last, but not least, it is crucial that **sustainable well-being for all is incompatible with the persistence of poverty or social exclusion in any form or shape.** Hence, any future sustainable society worthy of this qualification must be built on the premise that "nobody is left behind". Appropriate public policy mechanisms will need to be in place both to realise these outcomes and also to ensure that this is as an individual and enforceable right which is accessible to anyone.

¹⁵ Pickett, K., Wilkinson, R. (2010). *The spirit level: Why equality is better for everyone*. Penguin

Pickett, K., Wilkinson, R. (2019). *The inner level: How More Equal Societies Reduce Stress, Restore Sanity and Improve Everyone's Well-being*. Penguin

¹⁶ Azmanova, A. (2020). *Capitalism on Edge: How Fighting Precarity Can Achieve Radical Change Without Crisis or Utopia*. Columbia University Press ; Azmanova, A., "Countering precarity: social resilience through a political economy of trust," in Resilience in EU and International Institutions. Redefining Local Ownership in a New Global Governance Agenda, edited by Elena Korosteleva and Trine Flockhart (Routledge, 2020).

¹⁷ Laurent, E. (2020). *Et si la santé guidait le monde? L'espérance de vie vaut mieux que la croissance*. LLL, Les liens qui libèrent.

I HAVE
a 
Dream...



CHAPTER 2

Another future is possible

The need for another future

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The possibility of another future

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The economic system that gradually emerged from the second World War and progressively took hold across the globe, has been associated with historic levels of progress in human prosperity and security in many parts of the world, and certainly so in the European Union. However, it is strikingly evident today that its inherent flaws and conflicts have become unsustainable.

2.1. The need for another future

The economic system that gradually emerged from the second World War and progressively took hold across the globe, has been associated with historic levels of progress in human prosperity and security in many parts of the world, and certainly so in the European Union. However, it is strikingly evident today that its inherent flaws and conflicts have become unsustainable. They have generated human and planetary costs of a magnitude that increasingly outweighs the system's traditional benefits. At the same time, the joint effect of the global pandemic and the defeat of trumpism open a global political window of opportunity of potentially historic significance, which the European Union is ideally placed to seize upon in the interest of global sustainable well-being.

Our societies are entangled in a succession of multiple crises. While the devastating effects of the 2008 financial crisis are still being felt after more than a decade, the COVID-19 pandemic spread across the globe. It threatens to make the world and the EU lastingly more fragile: more divided politically, economically and socially, leaving more people and regions behind as unemployment and poverty rise

exponentially. At the same time, climate change and the continuing destruction of our planet's biodiversity are increasingly endangering human livelihoods across the globe. They reveal new sources of inequality, such as those of responsibility and vulnerability. Public opinion is rapidly becoming aware of the full extent of these crises, sparking anxiety and alienation among ever larger social groups.

If nothing or too little is done in due time, the risk that this rapid succession of crises multiplies and accelerates even further is real, and their effects could become irreversible and uncontrollable in the course of this century.

There should be no doubt that these crises are borne out of a flawed global economic system, itself embedded in an outdated system of global governance largely inherited from the post-war time. For many, these crises are the striking and chilling expressions of those deep-rooted flaws. But they are not the only ones. Rising inequalities, persistent poverty and precariousness, left-behind regions and entire countries, mass migration or the widespread attacks on democracy and rule of law are equally worrying and unsustainable. Together, they form a complex network of grave dysfunctions in the global economic system. They constantly feed into each other, amplifying each other's destructive effects on the system as a whole.

While the COVID-19 pandemic may come to an end, its aftermath is here to stay. Furthermore, we cannot exclude new pandemics emerging as long as we do not address their root causes.

» Public opinion is rapidly becoming aware of the full extent of these crises, sparking anxiety and alienation among ever larger social groups.«

The pandemic has sent unprecedented shockwaves through our economic and social structures, exposing deep flaws and creating new hazards, notably for future financial stability and for the social fabric. Inappropriate post-crisis macroeconomic governance could easily trap European economies in persistently low growth and high unemployment, with a new risk of secular stagnation or even decline. Second, a sober analysis of the root causes of the global public health crisis leads us to assume that a further proliferation of pathogenic viruses can only be judged as likely, especially as one recalls the long list of zoonotic diseases, such as SARS, MERS, Ebola and Zika, that have led to serious epidemics in recent decades. The expansion and intensification of farming and livestock activities has also contributed to declining biodiversity, increasing animals' and humans' vulnerabilities. In addition, high population density in close proximity to volatile ecosystems and their immersion into global trade and supply chains has clearly increased the risk of transmission of deadly pathogens to humans. The next outbreak may well deal a fatal blow to the worlds and Europe's societies and economies.

Yet even if the COVID-19 pandemic has already caused more than two million fatalities and laid bare global fragilities, the disruption it caused will, according to UN Secretary-General António Guterres, be 'pale in comparison' to what is to be expected if the global community fails to act in the face of climate change.

While the climate crisis is currently at a relatively early stage, humanity is already moving towards a situation where the planet could become increasingly uninhabitable. Further inaction would cause major and irreversible damage, leading directly to what the Intergovernmental Panel on Climate Change (IPCC) defined as "tipping points" two decades ago: high impact events that are interconnected across different ecological systems, setting off uncontrollable chain reactions. In this scenario, humanity would be faced with a rapid succession of varied shocks, increasingly strong and close: heat waves, droughts, floods, cyclones, and emerging diseases. Areas that are home to a large part of the world's population would either become unliveable or no longer exist as they are submerged by rising sea levels.

As individual events, such crises may appear manageable, but their constant repetition, with only short phases of stability in between, would make it impossible to bounce back. If not properly addressed, climate change and other major environmental threats could thus erode the range of human rights and possibilities available to future generations – putting the right to life, food, shelter and health at bay, first and foremost for those who are not part of the exclusive group of the privileged.

The COVID-19 and climate crises also exacerbate the growing emergency generated by economic and social inequalities, as well as profound pressures on the health system from an ageing population and the rising burden of mental health (itself partly related to economic insecurity and poverty).

As a result, certain groups in society are much more exposed than others to the health and economic risks caused by the spread of the current pandemic after two decades marked by the bursting of financial bubbles fuelled by inequalities within and between countries. The same holds true for the climate crisis. Available evidence indicates that pre-existing inequalities cause disadvantaged groups to suffer disproportionately from the adverse effects of climate change. This leads to the further aggravation of such divides, and the bill for the seemingly endless multitude of crises is handed down to ordinary citizens. In a way similar to the austerity following the financial crash of 2008, they see their well-being dwindle while the profiteers of a crashed system leave the scene unscathed, and even further enriched. This is especially unfair since the poorest sectors of the world population, including in Europe, have limited responsibility for greenhouse gas emissions and other environmental detriments.

44%

The world's richest 1 percent, those with more than \$1 million, own 44 percent of the world's wealth

As our societies and economies fall from one crisis to the next, ever larger social groups already either experience hardship and deprivation themselves or fear that this is what the future will hold. In this context of radical uncertainty, the trust gluing society together is replaced with unpredictability that haunts everyone except a select few (the world's richest 1 percent, those with more than \$1 million, own 44 percent of the world's wealth). Potentially, this could lead us into a society in which low-income earners are exposed to environmental stress and collapse while their privileged peers enjoy safety, continue to amass wealth and influence, and steer the political agenda in their self-interest. In all likelihood, this massive concentration of resources in the hands of ever fewer people poses a real threat to economic, social and democratic systems that we all need to address.

Ultimately, the accumulation of more severe crises in the longer term would make it impossible for governments and society at large to safeguard the social fabric that underpins our democratic societies. They would literally deconstruct our societies, towards a journey into the unknown.

2.2. The possibility of another future

These crises are not born out of nowhere. They are the recurring and intensifying product of a global economy built on market rule, excessive economic power accumulation and a single overriding purpose: the relentless pursuit of short-term oriented maximum growth at societal and at company levels coupled to an increased concentration of private wealth. This has led national economies and companies worldwide into an endless competitive race within an increasingly de-regulated frame, feeding itself with environmental destruction, the disruption of the planet's climate, widespread precarity, persisting unemployment and a rising concentration of wealth in the hands of the few.

This process is magnified today by the global tech giants - threatening privacy and autonomy, paying absurdly low levels of tax on their profits, neutralising start-up innovations through wide-spread buy-ups, and blocking social progress where ever possible.¹⁸ While for decades this model's benefits appeared to outweigh its costs, this trade-off has reversed and its costs increasingly outweigh any benefits.

Thanks to an increasing awareness and recognition of the challenges at stake, in 2015, the United Nations agreed on a worldwide sustainable development strategy, embodied in the United Nations Sustainable Development Goals to be achieved by 2030, and governments signed up to the Paris climate agreement. The first report by Progressive Society's Independent Commission for Sustainable Equality was launched at the end of 2018 to promote a radically new approach towards sustainable well-being in the economic and social spheres. In 2019, the new European Commission formed after the European elections, responded to these and other calls from progressive political forces for an alternative policy agenda with the European Green Deal and with a promise to leave no-one behind through a just transition. These policy changes are milestones in the pursuit of an alternative model of development. However, they still fall short of defining the full terms of the transformative changes we need, notably because they stop short of changing the over-reliance on economic growth and profit-maximisation, and of incorporating powerful social-ecological levers of progress into their policy logics. Furthermore, the on-going pandemic provides an even more pressing but also positive opportunity for major change, which we have to seize.

In most parts of the world, including much of the EU, prevailing climate policies remain well below what is required to avoid devastating climate change in the future. Environmental progress remains too determined by what markets are ready or able to achieve. It also stays largely disconnected from social progress, while they should go firmly hand in hand. The root causes of precarity remain largely unaddressed, poverty persists, and the growing concentration of wealth remains largely unchallenged. Regional divides between poorer and wealthier territories remain entrenched or grow even further.

¹⁸ Notably exemplified by Amazon's on-going battle against the unionisation of its staff

» Human well-being is only possible in a sustainable and widespread way if it falls within our planet's well-being.«

Democratic participation remains too limited to traditional forms, while the rule of law and freedom of expression are increasingly challenged. Policies to build new resilience and adaptive capacity to future shocks, especially with regard to climate change impacts, are only in their infancy and risk falling short of a socially embedded approach.

A new model of progress needs to be defined for another future – one that will be freed from continuous crisis management and focused on sustainable human and planetary well-being. It is crucial to make a clear distinction between the notion of progress and the notion of growth in the political discourse, the common understanding and the vast array of policies needed to achieve such well-being.

This is the challenge that the Independent Commission for Sustainable Equality (ICSE) strives to meet. To this end, it follows the aim of providing people and institutions with a credible and feasible choice to comprehensively rebuild our model of development. This new model of progress should cater for society's shared well-being (human fulfilment), prove resilient (resistance to shocks) and replace radical uncertainty with radical sustainability (caring about the future) in all dimensions of human existence and cooperation. It should also be embedded in a new contract with planet Earth, ensuring its preservation and re-generation.

Existing political paradigms define proxies of human progress, such as economic growth or the advancement of a national cause and calibrate their political compasses accordingly. The ICSE rejects such reductionist and ill-fated strategies and instead embraces the fact that well-being is a multi-faceted, complex, and fluid matter. It cannot be re-framed as a one-dimensional problem, be it in economic, social, or environmental terms. Instead, it defines its mission as the pursuit of sustainable human and planetary well-being. It sketches out proposals for a societal framework that gives room to achieve the aspirations and ambitions of all individuals and their local, regional, and global communities without exploiting others, the environment or future generations, and without creating new and further risks. For the pursuit of this form of well-being, it is critical to understand and to ensure that human well-being is only possible in a sustainable and widespread way if it falls within our planet's well-being, hence our repeated insistence on the central importance of a social-ecological nexus in all policies.

The policy roadmap we seek to define rests on the conviction that, in full respect of the clear natural limits policymakers across the globe are gradually acknowledging, humanity can still turn this planet into a place of well-being for all. This should be viewed as the guiding light for all progressives in politics and beyond, in a common battle for another future.



CHAPTER 3

Living in an economy dedicated to sustainable well-being for all

Introduction

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The time to move beyond GDP is now

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Make finance and the digital economy work for wustainable well-being for all

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Turn companies into agents of sustainable well-being for all

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Transforming Europe into a continent that caters for sustainable well-being for all, challenges us to embark on a journey of fundamental change. Changing, and indeed re-defining capitalism, lies at the core of this challenge. Recent years, particularly since the global financial crisis of 2007-8, have led citizens around the world to understand the destructive nature of the global race for profits and growth.

Summary

Around the world, policymaking and governance since World War II have followed a single, overriding objective: maximising gross domestic product (GDP) through measures that spur economic growth. Although this policy orientation has been able to create unprecedented material wealth, its limits and shortcomings are becoming increasingly evident. During the past forty years in particular, the narrow-minded fixation on GDP growth has gone hand in hand with widening inequalities, poverty, and existential insecurity affecting large parts of the population and accelerated the destruction of the planet's climate and biosphere.

Overcoming these multiple social and environmental crises requires more than the current modest attempts to tame the growth dogma through the adoption of climate action targets. Fostering widespread well-being and social cohesion under the conditions of environmental sustainability requires that Europe adopts an agnostic outlook on economic growth. It depends on a framework for governance that places legally binding policy objectives that directly support the sustainable well-being of people and planet at its core and systematically aligns policymaking and public finances. Such objectives must relate to the social, economic, and ecological dimension of sustainability and well-being, hence include targets for the reduction of poverty and inequalities, and greenhouse gas emissions, and translate into evidence-based long-term-oriented policies that are underpinned by sufficient financial resources to mobilise the necessary investments. This implies comprehensive reforms of the EU fiscal and financial framework, as well as effective governance mechanisms through which EU Member States, parliaments and stakeholders jointly identify challenges, set priorities, and implement policies that enhance the well-being of people and planet on a lasting basis.

Achieving sustainable well-being for all will also require reforms in the financial sector and the digital economy, the two sectors in which the paradigm of limitless and extractive growth continues to ravage most forcefully, and which continue to shape the entire economy along these lines. In terms of financial sector reform, a key challenge lies in re-allocating capital from unsustainable forms of economic activities into sectors, projects, and businesses with clear benefits for the sustainable human and planetary well-being. This implies deepening and accelerating the EU sustainable finance agenda, including by complementing measures aimed at the promotion of 'green' finance with action to bolster socially sustainable finance. In the digital economy, new regulatory frameworks and more capable public authorities, both in terms of regulation and enforcement, are key to ensure digitalisation, a mega-trend shaping lives and livelihoods around the world in ever more powerful ways, is no longer driven exclusively by a small number of global mega-corporations that discount the public interest in the pursuit of profits.

Economic change in the interest of sustainable well-being for all also relies on far-reaching changes in the corporate sector, where environmental sustainability and the well-being of people and their communities must become central concerns in all aspects and at all stages of business activities. This can be achieved by means of a European Responsible Capitalism Act that replaces the pursuit of shareholder value with a broadly defined sense of Corporate Social Responsibility, inter alia by obliging companies to define comprehensive sustainability strategies and to report on their implementation, respect for environmental standards, and fundamental rights through effective due diligence provisions. Supporting stakeholder-oriented companies, for instance benefit corporations or the social economy, are another building block of such a strategy. Lastly, engaging the private sector in productive, so-called mission-oriented forms of innovation that deliver solutions to meet well-being and sustainability-related challenges must be considered key putting economic activity in Europe at the service of sustainable well-being for all.

3.1. Introduction

Transforming Europe into a continent that caters for sustainable well-being for all, challenges us to embark on a journey of fundamental change. Changing, and indeed re-defining capitalism, lies at the core of this challenge. Recent years, particularly since the global financial crisis of 2007-8, have led citizens around the world to understand the destructive nature of the global race for profits and growth. According to a poll published shortly before the outbreak of the COVID-19 pandemic, which itself laid bare even more of global capitalism's fault lines, a majority of respondents in advanced economies do not believe they will be better off in five years' time. Additionally, more than half of respondents globally believe that capitalism in its current form is doing more harm than good in the world.¹⁹ Such fears and resentment are not fantasy. Every year, global capitalism consumes almost twice as many natural resources as the planet is able to regenerate,²⁰ while the wealthiest 1% earn more than the entire bottom half of the population.²¹

As discussed in chapter 1 of this report, the sense of anxiety, the impoverishment, and the constantly growing inequalities have no place in a society of well-being for all.

» Recent years have led citizens around the world to understand the destructive nature of the global race for profits and growth.«

This calls for a social-ecological state to emerge which changes our course to ensure the well-being of people and planet.

Such sweeping change is only conceivable through joint change at all levels of our economic system - and the way it is governed, particularly within the two most pivotal sectors of our economy today (financial and digital), and at the level of each and every company.

At the macro level of economic governance and policy, this requires a new political compass. While governments in Europe are hesitant to accept that society's well-being and progress cannot be equated with the growth rate of the economy, trailblazers across the world are showing that a different approach is possible and delivers better outcomes for people and planet. We therefore invite the EU, its institutions and Member States to get serious and to adopt a different set of policy objectives that go beyond GDP growth, implement improved fiscal and economic policies to achieve them, and get serious through policy coordination and governance which makes sustainable well-being for all a reality for all Europeans.

Thinking about economic reform without considering the role of the financial sector would be doomed to fail. Like no other sector, finance has nurtured the logic of eternal growth propagated by neo-liberalism. Switching to a more sustainable and well-being-oriented model must therefore necessarily encompass financial sector reform of a kind that not only opens new, sustainable markets but truly re-allocates capitalism towards more sustainable and well-being-related goals.

¹⁹ Edelman Trust Barometer 2020, available at: <https://www.edelman.com/trust/2020-trust-barometer>

²⁰ <https://www.overshootday.org/>

²¹ Thomas Blanchet, Lucas Chancel, Amory Gethin (2019): Forty years of inequality in Europe: Evidence from distributional national accounts, available at: <https://rb.gy/fdzsif>

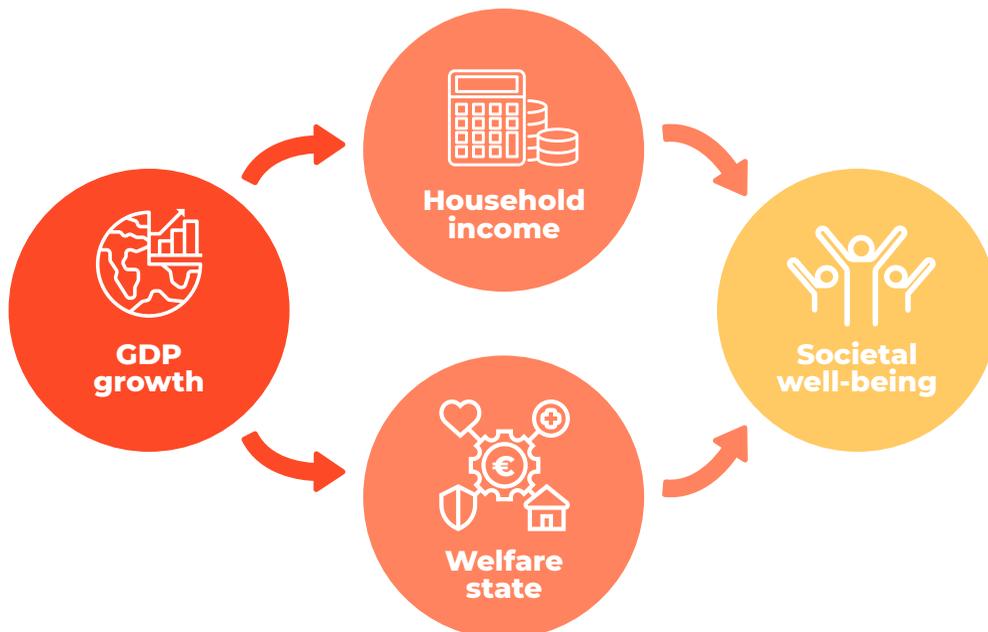
Alongside the financial sector, the digital economy has emerged as a new, all-permeating force that works to submit all of society and the economy to a logic of maximum profit extraction to the benefit of a tiny number of overly powerful companies. Digital technologies create fantastic opportunities to nurture freedom, equality, and efficiency in the pursuit of sustainable well-being. But they must be used wisely within a framework that ensures their commitment to the principles of sustainable well-being.

At the micro level, an economy nurturing the sustainable well-being of society requires all businesses to become committed to creating public value in all dimensions of their operations. This requires rethinking the rulebook by which corporations play, as well as rethinking who should have a say in company matters and what goals such organisations pursue. Fortunately, already today, there are feasible concepts of corporate governance and approaches to doing business that can make a difference if used wisely and nurtured properly.

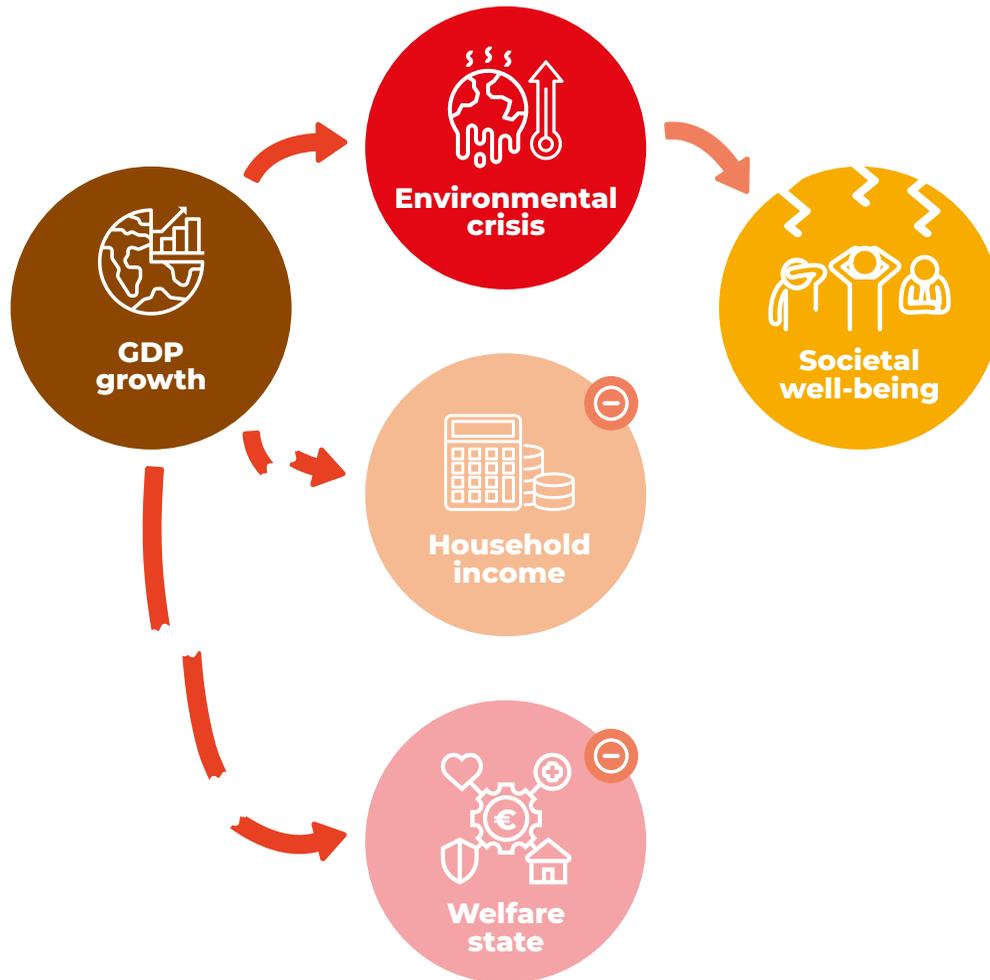
3.2. The time to move beyond GDP is now

Around the world, policymaking since the end of World War II has been guided by the idea that the success of societies can be measured in terms of the Gross Domestic Product (GDP) they generate. According to this logic, societies managing to grow the total output of goods and services are thought to be experiencing progress, based on the belief that economic growth automatically translates into employment and income growth for households, while at the same time growing the tax base and income of welfare states that foster the well-being of society at large (see figure).

GDP growth and societal well-being in theory



GDP growth and societal well-being in 21st century practice



This reductionist paradigm does not constitute a fact of nature. In fact, the notion of equating economic growth with societal well-being and progress proved contentious even among the economists on whose work it builds, and only succeeded due to the unique historic and political context of the post-World War II era.²² Once accomplished, however, the fetishization of economic growth has led to drastic outcomes over time. Being judged in terms of the GDP growth its policies foster at regular intervals, government action is driven mainly by considerations pertaining to the short-term needs of the economy. Trusting in the teachings of neo-liberal economics, which posits

that intense global competition constitutes the safest route to growing GDP, politics, for decades, has been occupied with organising the submission of society and nature to growth paradigm.

In the European Union, this model of policymaking continues to enjoy the support of an almost orthodox following. Despite growing awareness of how the highly negative externalities of the race for the constant expansion of GDP lie at the core of the mounting climate emergency, EU policy fails to come to terms with this. Indeed, by presenting the European Green Deal (EGD), its foundational strategy piece for the

²² Lepenies, P. (2016): *The Power of a Single Number - A Political History of GDP*. Columbia University Press, New York

coming years that aims to make the achievement of greenhouse gas-neutrality by 2050 possible, as ‘Europe’s new growth strategy’, the European Commission hardly leaves a doubt about its adherence to the belief that limitless economic continues to represent the high road to catering for the well-being of people and planet.

Accordingly, EU policymaking remains based above all on considerations relating to the economic cost of regulation and has obliged itself to refrain from advancing regulation altogether if expected benefits cannot be proved to outweigh economic costs with certainty.²³ As will be discussed in further detail below, this policy approach is further fortified by a tightly knit framework for the economic and fiscal policies of Eurozone countries. Out of concern for the prevention of fiscal instability, the members of the Economic and Monetary Union are obliged to comply with precise target values for their fiscal performance that are defined in proportion to the GDP their economies turn out and, by extension, effectively lock them into a race for continuous economic growth.

This stubborn orientation of EU policy towards the single, overriding goal of GDP growth contrasts sharply with scientific evidence built over the past decades. As is becoming increasingly clear, the virtuous circle that classical economic theory assumes to exist between GDP growth, jobs, income, and society’s wealth and well-being does not only seem to have fallen apart in the era of neo-liberal globalisation but, in important respects, has reversed into a vicious circle.

The link between growth and jobs is broken

Research conducted by the OECD finds that GDP expansion in advanced economies increasingly fails to translate into proportional increases in employment. Accordingly, periods of dynamic GDP expansion in advanced economies now frequently go along with only modest employment gains or even co-exist with employment stagnation. At the same time, economies in which significant rises in employment rates are recorded, as in the case of Germany since 2005, do so even under the conditions of

modest growth.^{24,25} Accordingly, growth and employment, at least in OECD countries, are becoming economic variables that grow increasingly independent of each other. What is more is that the quality of employment appears to be declining both in economies with strong and those with weak growth. As chapter 6 of this report will discuss in more detail, the EU workforce is increasingly affected by forms of insecure and precarious employment and struggles to make ends meet. At present, a full 15% of the EU workforce live on wages that are below the national poverty line, despite working full time.²⁶

15%

15% of the **EU workforce** live on wages that are **below the national poverty line**, despite working full time.

Growth does not make (most of) society any more wealthy

A similar decoupling has occurred in relation to income. As a result of pro-market reforms aimed at boosting the economy’s growth potential, inequalities in terms of income and wealth have widened to an extent that GDP growth translates into greater income only for the top echelons of society, while large parts of society hardly benefit from the economy’s expansion at all. Of the GDP growth recorded in the EU between 1980 and 2017, 17% has ended up in the pockets of the top 1% of the income scale, while the entire bottom 50% had to scramble for a 15% slice of such growth.²⁷

At the same time, the increased international mobility of capital and wealth that goes along with globalisation exposes welfare states to intense competition, implying that a lesser fraction of such income can be levied to finance welfare policies that foster the well-being of society at large.

²³ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making, available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32016Q0512%2801%29>

²⁴ OECD (2020) How’s life? 2020: measuring well-being, Paris, OECD Publishing

²⁵ Klinger S. and Weber E. (2020) GDP-employment decoupling in Germany, Structural Change and Economic Dynamics, 52, 82-98.

²⁶ European Trade Union Institute (2021): Benchmarking Working Europe 2020, p. 110-1

²⁷ Thomas Blanchet, Lucas Chancel, Amory Gethin (2019): Forty years of inequality in Europe: Evidence from distributional national accounts, available at: <https://rb.gy/fdzslf>

» EU policymaking remains based above all on considerations relating to the economic cost of regulation.«

Accordingly, neither household income nor public income benefit from the growth advanced economies manage to turn out under the conditions of present-day globalisation, causing the link between the expansion of GDP and the expansion of societal well-being to wane.²⁸

The effects of the growth paradigm undermine its own viability

What is more is that the relentless pursuit of GDP growth it is evidently turning into a self-defeating strategy, which, if nothing else, should concern even the most enthusiastic proponents of the GDP mantra.

Research conducted by the OECD finds clear evidence of how the rise of inequalities that has been associated with GDP growth in recent decades progressively undermines the ability of advanced economies to sustain such growth, as growing parts of society lack the income necessary to generate sufficient economic demand to keep the growth engine running.²⁹ This illustrates the absurdity of the mantra of trickle-down economics, which assumes that income growth at the top of society automatically leads to greater income and wealth for all. Instead, the evidence suggests that such an unequal distribution of income stalls the growth cycle from within, and thus represents a recipe for economic decline and not success.

Moreover, given the pressure public finances are faced with under the conditions of global tax competition, welfare states are at increasing difficulty to finance the social policies, such as education,

healthcare, social security, and social protection, that are necessary to preserve the very foundation of a productive economy, i.e., a healthy, skilled, and cohesive population. Not only does such under-investment in social and human capital act as a drag on (labour) productivity, without which economic growth is becoming more and more elusive.³⁰ The ramifications of such attacks on social well-being also include the fuelling of existential anxiety that causes the effects of precarity described in chapter 1 of this report and creates social emergencies, for instance in terms of increasing physical and mental ill-health, poverty, and crime, that expose society to the threat of disintegration once they develop into full-blown social crises.³¹ Although the prevention and resolution of such crises in fact spurs economic activity through social spending and thus – absurdly – fosters growth, this could hardly be the beneficial and self-sustaining effects of GDP expansion that its proponents mistakenly cherish.

Growth and 'green' do not go together

At the same time as eroding its own economic and social foundations, the growth dogma creates externalities that threaten the existence of civilisation as such. As the relentless expansion of GDP has historically been linked with rising greenhouse gas emissions and natural resource depletion, in Europe as much as globally, its responsibility in manufacturing the climate crisis and collapse of ecosystems constitutes an undisputable fact. Although efficiency gains as regards energy production and resource use have been achieved, such 'decoupling' of growth from environmental destruction remains only par-

²⁸ For a more detailed discussion, see: Laurent, E. (2021): From welfare to farewell: the European social-ecological state beyond economic growth, ETUI WP 2021.04, available at: <https://www.etui.org/publications/welfare-farewell>

²⁹ Cingano, F. (2014), "Trends in Income Inequality and its Impact on Economic Growth", OECD Social, Employment and Migration Working Papers, No. 163, OECD Publishing. <http://dx.doi.org/10.1787/5jxrjncwvx6j-en>

³⁰ Hemerijck, A. et al. (2020): Social Investment Now! Advancing Social Europe through the EU Budget, available at: https://www.feps-europe.eu/attachments/publications/editing%20of%20a%20study-%20public%20investment%20now_12%20-%20pp%20%20links.pdf

³¹ Wilkinson, R. and Pickett, K. (2010): *The Spirit Level – Why Greater Equality Makes Societies Stronger*, Bloomsbury

tial and far from sufficient to render the continued adherence to the fetishization of GDP growth compatible with respect for the physical limits of the planet's natural environment (see also chapter 5 of this report).³²

Already today, the massive burden that environmental deterioration is imposing on society's well-being has assumed destabilising dimensions. With the rising number of lives lost and large-scale disruption caused by the amplified frequency of heatwaves and floods, persistently high levels of air pollution, and zoonotic diseases such as COVID-19, the toll that the ecological externalities of past growth are taking on present-day society is becoming increasingly obvious.³³ Naturally, such ecological crises also incur huge financial costs, e.g., through rises in healthcare spending and the need to rebuild infrastructures and communities in the aftermath of environmental disasters. What is thus becoming obvious is that the ruthless destruction of ecosystems in the pursuit of growth indeed resembles a loan that global capitalism has taken out from nature and that will have to be repaid. Mildly put, standard conceptions of GDP thus clearly fail to deliver an exact approximation of the wealth of society by failing to account for liabilities accumulated in the past and giving rise to the illusion of wealth instead. What likewise seems to be an accurate description, though, is that GDP covers up a massive robbery committed against future generations, who will have to shoulder the cost of past generations living beyond the means of the planet.

In light of such evidence, the promise of societal well-being through the relentless pursuit of continued economic growth is unmasked as a myth that has already gone to considerable lengths in debunking itself. Instead of working efficiently and reliably to expand the income at the disposal of society at large, it is evidently becoming increasingly incapable of preserving its own social and economic foundations at the same time as it is creating liabilities that threaten to impose immense social, environmental, and financial costs on society. Because of its inability to foster societal well-being in a lasting, inclusive, and sustainable fashion, the strategy of outsourcing the achievement of progress to economic growth,

» Welfare states are at increasing difficulty to finance social policies.«

and orienting policymaking towards this single overriding goal, needs to be dismissed if humanity is to come to terms with the social and economic challenges it is faced with today.

3.2.1. Sustainable well-being for all as a paradigm for policymaking and governance

Achieving sustainable well-being for all compels policymakers to recognise that human and planetary well-being is a matter of complex interrelationships between people in terms of both different social classes and generations (present and future), between society and the economy, and between human civilisation and the planet.

As chapter 1 of this report has pointed out, this depends on the creation of economic, social, and ecological co-benefits in the organisation of society, so that good living and working conditions for all go hand in hand with the protection of the planet's regenerative capacities. Given the apparent incapacity of GDP growth to achieve this, this challenges policy to develop an essentially agnostic perspective on such economic expansion and to actively explore co-benefits instead of restricting its role to passively trusting in the ability of largely self-regulating markets.

While this adds complexity to policymaking and challenges the political status quo in Europe and

³² Laurent, E. (2021): The European Green Deal: from growth strategy to social-ecological transition? In: Vanhercke B., Spasova S. and Fronteddu B. (eds.): Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, European Trade Union Institute (ETUI) and European Social Observatory (OSE); see also: Strand, R. et al. (2021): Growth without economic growth, European Environment Agency, Narratives for change, available at: [beed0c89209641548564b046abc4f43e](https://www.eea.europa.eu/en/narratives-for-change)

³³ Laurent, E. (2021): From welfare to farewell: the European social-ecological state beyond economic growth, ETUI WP 2021.04, available at: <https://www.etui.org/publications/welfare-farewell>

much of the developed world in radical ways, it is no longer a dream far removed from reality. Since the adoption of the Paris Climate Agreement and the United Nations Sustainable Development Goals, momentum for the comprehensive reconsideration of policymaking to comply with sustainability and well-being imperatives has been created and is beginning to bear fruit. Around the world, governments, parliaments, regional authorities are pioneering alternative approaches that enable considered assessment of future risks and threats to society's well-being, sustainability, and intergenerational equality. Examples range from sustainability impact assessments and well-being budgeting practices applied in New Zealand, to the Committee of the Future in the Finnish Parliament, and the Welsh Well-being of Future Generations Act.

The approaches and methods developed as part of such innovative concepts of governance and policymaking allow governments to overcome the fixation on short-term economic gains that the logic of GDP growth cherishes even if they are associated with prohibitive long-term costs. Aided by the insights yielded by the emerging sustainability sciences, such opportunities to unlock joined-up social and ecological gains through pro-active policymaking are becoming increasingly multiple, obvious, and concrete. Examples include the drawing up of elaborate scientific scenario analyses, which find that investment into the full decarbonisation of global energy production by 2050 goes beyond unlocking the obvious environmental gains but would also decrease the price of energy, require less investment, and create more jobs than the continuation of current policies.³⁴ However, as cheaper user prices

and lower investment volumes imply that the related market transactions are of lesser financial value and thus contribute less to GDP than the continuation of business as usual, the obvious benefits of such policies would be at risk of going unnoticed by the entrenched logic of economic growth at all costs.

A new matrix for policymaking and governance

Operationalising such a well-being and sustainability-focussed approach to policymaking and governance requires a clear compass and elaborate methodologies to guide its implementation. Fortunately, given the experience derived from the pioneering engagement with such concepts on the part of the above-mentioned front-runner governments, the constantly growing body of academic literature on related topics, as well as the work of international organisations, above all the OECD, valuable guidance in this respect is already available.

Building on this knowledge would allow the European Union and its Member States to adopt an entirely new and more successful approach to governance than it currently possesses.

Instead of defining proxies of well-being, as is the case with policy outlooks that equate societal progress with economic growth, this new policy matrix would build on a detailed consideration of the economic, social, and ecological preconditions for society's well-being and define their achievement as the central objective of governance across all fields of policymaking. According to the OECD, such objectives should cover at least the following dimensions that are considered to relate to key determinants of

» Achieving sustainable well-being for all compels policymakers to recognise that human and planetary well-being is a matter of complex interrelationships.«

³⁴ Jacobson, M. et al. (2019), Impacts of Green New Deal Energy Plans on Grid Stability, Costs, Jobs, Health, and Climate in 143 Countries, *One Earth* 1, 449–463, available at: <https://doi.org/10.1016/j.oneear.2019.12.003>

sustainability and well-being in fair, productive, and democratic societies:³⁵

- environmental health and stability.
- human health.
- subjective well-being.
- social connections and cohesion.
- civic engagement.
- income and wealth.
- work and job quality.
- work-life balance.
- access to housing.
- access to knowledge and skills development.
- public safety.

Effective objectives require legal force

To achieve these objectives, loosely defining them as considerations that should be reflected in policymaking across the board is insufficient. This is illustrated not least by previous attempts in the European Union to achieve broader goals of progress than just economic growth, such as the Lisbon and Europe 2020 strategies, which, beyond espousing good intentions, have remained largely ineffective. In fact, many of the targets defined by these strategies, for instance in terms of poverty reduction or investment in education and research, were not only not achieved but actually affected by setbacks, because legal obligations imposed on policymaking and governance, especially in the field of fiscal policy, compelled governments to disregard them.

To effectively guide the work and behaviour of policymakers as well as economic and societal actors at all levels, endowing policy objectives with legal force is thus indispensable. While this does not, in and of itself, prevent trade-offs between potentially conflicting policy objectives to emerge, it requires policymakers and stakeholders to think and work harder to mitigate and resolve them. That such use of the force of the law can bear fruit is shown not least by EU policy to fight climate change. While the first generation of EU vehicle emissions standards that

took the form of voluntary self-regulation on the part of carmakers remained essentially inconsequential, their iteration in the form of binding legislation as of 2008 has been able to unlock progress, albeit to date on an insufficient scale. Yet, by clearly proving that improvements are possible, policymaking can now point to the fact that enforcing such climate ambition is feasible, as the industry evidently possesses the ability to internalise such broader societal objectives without having to close shop.

This should serve to encourage the legislative approach to iterating clearly defined policy objectives in a binding and enforceable fashion across all dimensions of critical importance to the achievement of sustainable well-being for all. Examples of such legislation that this report elaborates on in further detail include the proposed introduction of an EU anti-poverty law, an EU sustainable jobs guarantee (cf. chapter 6), as well as binding targets for climate justice policies (cf. chapter 4), preventive health, sustainable production and consumption and the protection of biodiversity (cf. chapter 5).

Evidence-based and participatory policymaking for equal and place-sensitive outcomes

Achieving sustainable well-being for all hinges on the ability to create living conditions that foster sustainability and well-being for individuals and their communities in their daily lives. Moreover, what citizens and their communities grasp as progress in this regard is a matter of their individual and collective aspirations and is determined by the concrete experiences they make in their daily environments. As Europe is characterised by considerable heterogeneity in this regard, in-depth insights into conditions ‘on the ground’ is crucial to enable policymaking in the interest of sustainable well-being for all to be effective. To this end, policymaking and policy surveillance need to be able to draw on detailed and sophisticated evidence, including in form of statistical indicators. Accordingly, the collection of related data as well as the development of reliable models and methodologies that allow for the simulation of the likely effects of planned policies through robust impact assessments is key. Two considerations are of crucial importance in this regard.

³⁵ See for instance: Lena-Nozal, A., N. Martin and F. Murtin (2019), “The economy of well-being: Creating opportunities for people’s well-being and economic growth”, OECD Statistics Working Papers, No. 2019/02, OECD Publishing, Paris, <https://doi.org/10.1787/498e9bc7-en>.

First, given the interdependence between the economic, social, and ecological determinants of sustainability and well-being, statistical indicators as well as the impact assessments carried out in relation to them must take account of such intersectionality and possible feedback between them. Second, given the heterogeneity of social, economic, and territorial conditions in Europe, related datasets must be of a sufficiently granular nature to enable their disaggregation along a variety of dimensions. For instance, to allow for the detection of inequalities in the social, economic, and ecological conditions determining the well-being of citizens, including inequalities in terms of access to opportunities to enhance such well-being, these datasets must contain specific information as to how key determinants of inequality, such as gender, age, ethnicity, migration status, educational attainment, and income, play out in relation to the underlying subject matter. Given the territorial diversity of Europe, which causes citizens and communities, in large part due to the negative externalities of previous and entirely growth-focussed policies of economic modernisation, to be faced with starkly diverging starting positions in their pursuit of sustainability and well-being objectives depending on their geographic location, ensuring that regional and local specificities are reflected in such data is likewise crucial.

To ensure democratic legitimacy, ensuring high degrees of democratic participation in related policymaking constitutes another crucial success factor.

This is likewise important to take place-based considerations into account, which is necessary for policies to empower local communities to improve their well-being in light of the actual living conditions they are affected by in their geographic location. This should include extensive parliamentary involvement and oversight but also go beyond institutionalised forms of democratic representation through active outreach and meaningful involvement of stakeholder communities and civil society more broadly.

From reaction to prevention: long-term oriented policies and well-being budgeting

Recognising the interdependence of ecological, social, and economic systems this new approach to governance is driven by the goal of identifying social, economic, and environmental challenges early on to disrupt their aggravation and to prevent future damages and costs, even if such developments go along with economic gains in the short term. Based on considered assessments of the inter-related economic, social, and environmental effects of policies across their entire lifecycle, related policies adopt and essentially long-term-oriented focus and seek further societal well-being without triggering unexpected and costly externalities.

Instead of passively standing by mitigate the externalities associated with the current growth-focussed economic and social model, for instance through public spending on poverty alleviation and health care for victims of air pollution, public budgets need to be actively engaged in directing economic and social activity away from the build-up of future liabilities. This implies that long-term-oriented policy and regulation need to go hand in hand with investment in public goods and services that allow society to fulfil its well-being-related needs and aspirations under the conditions of environmental sustainability. Given the extensive amounts of spending that are currently required to manage social and environmental emergencies, the prevention of related emergencies through such forms of well-being budgeting can actually be expected to lead to substantial savings instead of adding to the pressure weighing down on public finances.³⁶

³⁶ Laurent, E. (2021): The European Green Deal: from growth strategy to social-ecological transition? In: Vanhercke B., Spasova S. and Fronteddu B. (eds.): Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, European Trade Union Institute (ETUI) and European Social Observatory (OSE)

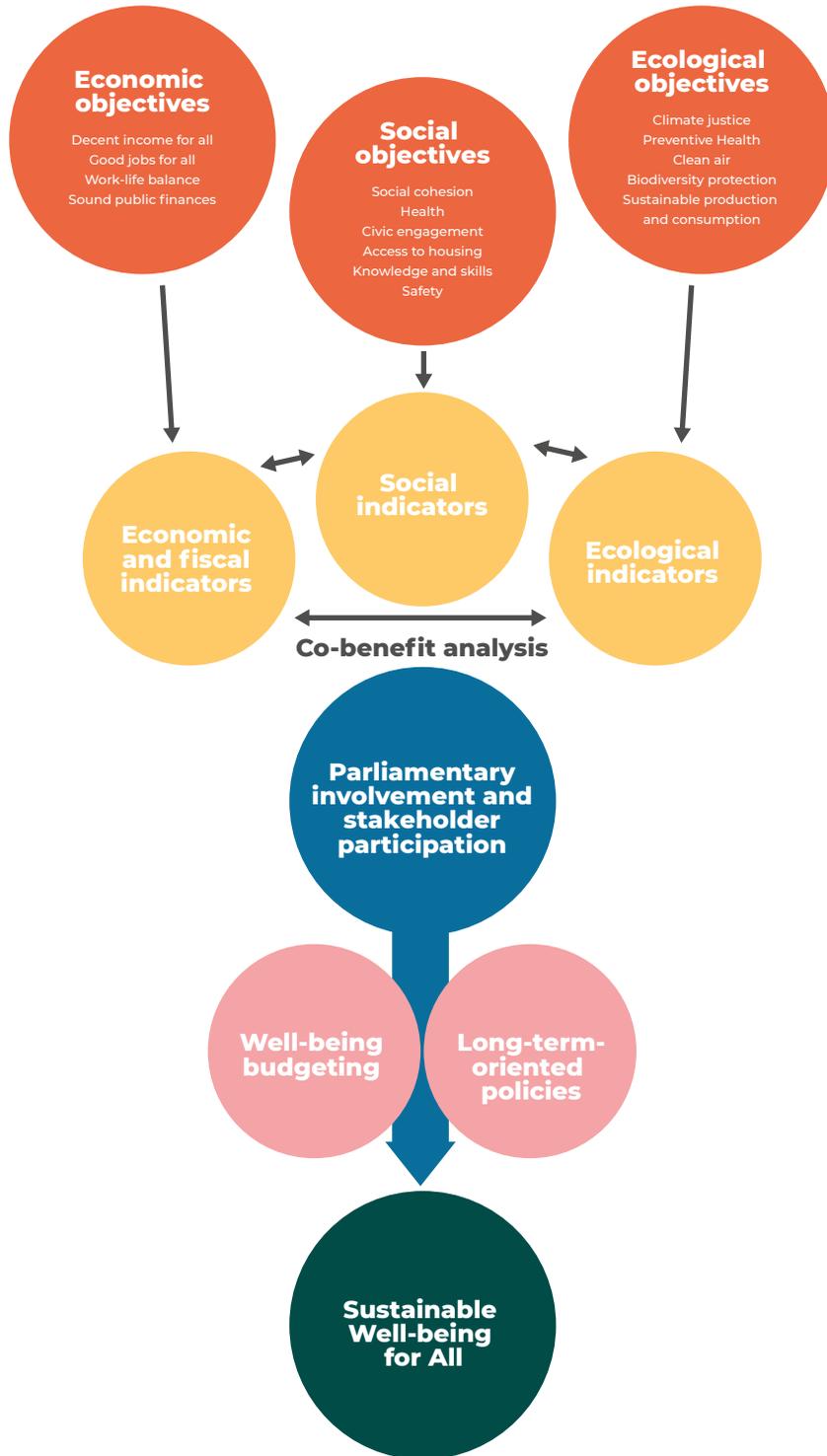


Figure: simplified 'policy matrix' to guide policymaking towards sustainable well-being for all

3.2.2. Making EU policymaking fit for sustainable well-being for all

In the European Union, too, the adoption of the Paris Climate Agreement and the United Nations Sustainable Development Goals (UNSDGs) have caused calls to align EU policy with sustainability and well-being-related considerations to grow too loud to ignore. Further catalysed by the 2019 European elections, during which electoral campaigns as much as public discourse more broadly were influenced by the mobilisation of global youth raise public awareness of the global climate crisis, the European Union has begun to reconsider its policy priorities.

Clearly impressed by these events, EU Heads of State and Government convened in October 2019 to engage with the notion of the ‘economy of well-being’. Based on input received from the OECD,³⁷ leaders discussed how a “policy orientation and governance approach which aims to put people and their well-being at the centre of policy and decision-making” is vital to the future of the European Union and in fact constitutes its “raison d’être”.³⁸ The summit’s final declaration goes on to discuss vital elements of a potential policy shift, such as the need to tackle mounting social inequalities and climate change and to ensure stronger cross-sectoral policy coordination to unlock co-benefits in the pursuit of societal well-being. Since then, related debates have not slid off EU leaders’ agenda.

As a sign of their continued awareness of the political desirability of such action, EU heads of state and government welcomed the European Social Partners’ joint call for the attachment of greater importance to well-being-related considerations in EU policy and governance on the occasion of the informal Porto Social Summit of the European Council in May 2021.³⁹

Since taking office in December 2019 and in reaction to demands issued by progressive forces in the European Parliament, especially the S&D Group, the current European Commission, too, has announced its intention to address critical challenges to the sustainable well-being of people and planet during the 2019-24 mandate. As its predecessor even failed to acknowledge and engage constructively with the UNSDGs, the new executive’s unequivocal assertion of how glossing over the imperative of sustainable development no longer constitutes a possibility clearly represents an important sign of movement. And in fact, by presenting the European Green Deal (EGD) within the first month of its tenure, its key policy project for the 2019-24 mandate that aims to lay the foundations for the achievement of greenhouse gas-neutrality by 2050, it certainly succeeded in nurturing high hopes and expectations.

As the discussion of various fields of policy in the remainder of this report will illustrate in detail, the obstacles that remain in place to foster the sustainable well-being of people and planet in Europe and worldwide are of a sheer colossal scale.

» The current European Commission, too, has announced its intention to address critical challenges to the sustainable well-being of people and planet during the 2019-24 mandate.«

³⁷ <https://data.consilium.europa.eu/doc/document/ST-10414-2019-ADD-1/en/pdf>

³⁸ <https://data.consilium.europa.eu/doc/document/ST-13171-2019-INI/en/pdf>, p. 2

³⁹ Article 13 of the Council conclusions adopted at the informal Social Summit state that the Council welcomes “that the European Social Partners have made a joint proposal for an alternative set of indicators to measure economic, social and environmental progress, supplementing GDP as welfare measure for inclusive and sustainable growth.” The Council conclusions are available <https://www.consilium.europa.eu/en/press/press-releases/2021/05/08/the-porto-declaration/pdf>

To understand the momentous nature of the task at hand, it suffices to note the massive shortfall of annual investment in the EU to transform economic activity and upgrade social conditions in Europe so that the achievement of greenhouse-gas neutrality by 2050 and the resolution of the most severe forms of inequality and poverty become a possibility. As suggested by studies on the investment volumes necessary to meet the objectives iterated in the EGD and on the financing needs for the social services and infrastructures required to preserve social cohesion in the EU, this overall investment gap is likely to amount to almost €900 billion annually (see table below).

Against this backdrop, there cannot be reasonable doubt that Europe indeed requires political ambition and leadership of a kind unseen in recent history to transform its society and economy and to mobilise massive quantities of financial resources. Judged against this benchmark, what the European Commission that took office in 2019 has been able to deliver to date must, however, be considered to fall of the mark.

Annual European Green Deal Investment Gaps (Excluding transport, in billion Euros)			
Based on: Wildauer, R. et al. (2020)			
Sector	Current policies	Required investment	Investment gap
Energy efficient renovation of buildings	1,130	1,510	380
Electricity production	67	151	84
Sustainable industry	210	290	80
Research and development	302	503	201
Total European Green Deal Investment Gap			745
Annual EU Social Investment Gap (in billion Euros)			
Based on: Franssen, L. et al. (2018)			
Education & lifelong learning	65	80	15
Health & long-term Care	75	145	70
Affordable Housing	28	85	57
Total social investment gap			142
Total European Green Deal and Social Investment Gaps			887

Movement without breakthrough

In spite of its clearly laudable intentions, the European Commission's decision to present the EGD as the 'European Union's new growth strategy' was read as an early sign by progressive stakeholders of how the Commission's ambition in developing a new model of policymaking in the EU could be much more limited than the EGD's headline target of achieving climate-neutrality by 2050 might suggest at first sight. As discussed previously, history as much as scientific evidence clearly illustrates how the alignment of policymaking with well-being and sustainability-related objectives requires that the orientation of policy across all fields towards the single and overriding goal of maximising economic growth is discontinued. Given that the structure of policymaking in the EU, where specialised administrations work in sectoral silos to enhance the growth potential of the economy, in fact represent a prime example of this dysfunctional approach, an unequivocal acknowledgement of the need to address the key challenge of liberating policymaking from the growth dogma would have been an important task for the EGD. Unfortunately, almost two years after the presentation of this new policy strategy, progress in this regard continues to be absent.

Although the EGD and the multiple policy proposals issued as part of its roll-out go hand in hand with a series of innovations within the system of EU policymaking, the effectiveness of such innovations in uprooting path dependencies within the silo-based EU policy process remains modest to date. The Commission's commitment to integrating the UNSDGs in its yearly assessment of Member States' economic policies and the revision of the scoreboard used for the assessment of the impact these policies have on social policy objectives constitute a case in point in this respect.⁴⁰ Although clearly representing relevant projects in principle, they currently remain stuck at a stage where the yearly assessment of Member States' policies includes an analysis of their impact in relation to the SDGs and social indicators, but where the identification of potential challenges and shortfalls remains entirely inconsequential.

A similar dynamic appears to be in place with regards to the newly created office of a dedicated Commissioner for Interinstitutional Relations and Foresight.

Being charged with the monitoring of long-term social, economic, and environmental developments and ensuring that these are adequately addressed in EU policy, this role entails the potential to act as a veritable policy coordination function in the European Commission.⁴¹ Moreover, by working closely with a network of ministers that possess a similar remit in Member State governments, the office of the Foresight Commissioner could act as a driving force towards the adoption of a more holistic, long-term-oriented, and horizontally coherent model of policymaking at the EU and national levels. However, its value added in effectuating real policy change hinges on this office's ability to trigger the initiation of concrete policy proposals, especially in terms of legislation, to ensure the insights yielded by such methodologies are followed up on with concrete policy measures. At present, however, it seems that such initiatives are pursued at the margins of the EU policy process rather than at its core.

» What the European Commission that took office in 2019 has been able to deliver to date must be considered to fall of the mark.«

⁴⁰ the revised social scoreboard was published as an annex to the European Commission's European Pillar of Social Rights Action Plan of March 2021, which is available at: <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/#annex2>

⁴¹ see https://ec.europa.eu/info/strategy/strategic-planning/strategic-foresight_en#documents for further information



Against this backdrop, it should not be seen as a surprise that the European Commission's output with regards to sustainability and well-being-related policies has so far been incomprehensive and indeed one-legged. In this sense, the proposal for an EU climate law, the related 'Fit for 55' package, and announced legislation in the field of biodiversity protection go to considerable lengths in establishing a detailed and legally enforceable EU framework for the achievement of environmental sustainability objectives.

As regards the social dimension of sustainable well-being, however, EU policy action has so far failed to develop an equally robust and systematic approach. While individual pieces of legislation with clear merit have been proposed, such as an EU directive for adequate national minimum wage frameworks, an encompassing legislative approach to developing the social dimension of sustainability and well-being does not appear to be under preparation, despite the EU's and Member States' shared competence in the fields of social policy and employment. The European Pillar of Social Rights Action Plan presented in March 2021 serves as a case in point in this regard.⁴²

Although defining specific social policy targets for Member States and the EU as a whole, for instance as regards the reduction of poverty, it fails to back up such goals with concrete legislative measures to ensure effective steps are taken towards their achievement. To rectify this, chapter 6 of this report contains a set of proposals for legislation that should be acted upon to fill this void, especially in the form of an EU anti-poverty law, a zero precarious employment strategy, and an EU sustainable jobs guarantee

Europe is continuing to wear a financial straight jacket

Another and perhaps the most critical omission in the re-orientation of EU policy towards the effective pursuit of sustainability and well-being related policy objectives concerns the persistent failure to engage in comprehensive and permanent reforms to the EU economic, fiscal, and financial framework. Of key concern in this are the obligations applying to Eurozone countries as part of the 'Stability and

Growth Pact' (SGP) and its related enforcement framework, the European Semester of Economic Policy Coordination.

By defining precise quantitative limits for national budget deficits relative to the size of the national economy, the SGP obliges governments to cut spending whenever the GDP of their national economies declines, although it is precisely in situations of this kind that the provision of stabilisation and stimulus through expansive fiscal policies would be critical to safeguard the well-being of citizens. Moreover, the SGP also defines precise targets for the total stock of public debt governments are allowed to maintain, again as a function of GDP, which not only lack a 'valid scientific basis'⁴³ but also appear entirely unrealistic. Given that a large number of Euro Area countries are plagued by high levels of legacy debt, not least as a result of the havoc caused by the global financial crisis, pressures of fiscal consolidation in fact apply to them on a permanent basis. As both the SGP's targets for annual budget deficits and for the stock of public debt are defined as functions of Member States' GDP, its rulebook obliges governments to aggressively comply with the dogma of relentless GDP growth in their attempts to comply with it.

Despite the widespread criticism and obvious deficiencies of the SGP, its successive reforms during the past decades have mainly worked to increase its stringency. The establishment of the European Semester, an annual cycle of economic and fiscal policy coordination among Eurozone countries, represents the prime example in this respect. As part of the Semester, Eurozone countries' economic and fiscal performance undergoes in-depth assessments carried out by the European Commission. As part of its 'Alert Mechanism Report', the Commission carries out meticulous analyses to determine Member States' fitness to foster continuous growth in their economies and to comply with the densely knit rules of the SGP. If compliance risks with the SGP's provisions are identified, the Commission is required to issue Country-Specific Recommendations to rectify the situation through growth-enhancing structural reforms and cuts in public spending, which are formulated as part of essentially opaque deliberations and void of meaningful opportunities for participation by affected stakeholders.

⁴² <https://op.europa.eu/webpub/empl/european-pillar-of-social-rights/en/>

⁴³ De Grauwe, P. (2009): *The Economics of Monetary Union*, eighth edition, Oxford University Press, p. 250

» The mix of fiscal restraint and structural reforms that directly follow from the Stability and Growth Pact and its inherent policy orientation has led to the build-up of grave social emergencies in the European Union.«

If Member States fail to bring the identified weaknesses under control by following up on such recommendations, the imposition of financial fines may be decided.⁴⁴

As chapter 6 of this report will illustrate in more detail, the mix of fiscal restraint and structural reforms that directly follow from the SGP and its inherent policy orientation has led to the build-up of grave social emergencies in the European Union. By requiring Member States to cut spending on social security and the provision of public services while at the same time reforming labour markets to foster greater flexibility for employers and less job security for workers, the policies Member States are obliged to carry out to comply with the SGP and its underlying focus on maximising economic growth lie at the core of the rise in inequalities and poverty in Europe.

Although the European Commission had agreed to engaging in a revision of the SGP and its accompanying enforcement framework prior to the COVID-19 pandemic, and indeed launched a related public consultation in early 2020, this process was suspended once the global public health crisis erupted. Fortunately, Eurozone governments, on the proposal of the Commission, could find agreement to temporarily suspend the rules of the SGP until the end of 2022 in order to enable an active fiscal policy response to the economic and social fallout of COVID-19 that would have been impossible had its provisions relating to public deficits and debt continued to apply.

At the same time, agreement within the EU could be reached to launch an unprecedented, joint investment effort to prevent the pandemic from translating into a full-blown economic and social crisis. As part of the Next Generation EU programme, with the Recovery and Resilience Facility (RRF) at its core, €750 billions financed by the issuance of joint debt instruments are made available to fund policies in Member States that combine economic stimulus with targeted measures to modernise the EU economy, especially policies with a focus on climate action and reaping the efficiency-enhancing effects of digital technology. Together with the 2021-2027 EU Multi-annual Financial Framework (MFF), which was negotiated alongside the RRF, EU spending over the coming years thus possesses a total volume of more than €1,800 billions, of which at least 30% are required to benefit climate action policies and are thus dedicated to fighting key threats to the sustainable well-being of EU citizens.

Also, by establishing an obligation on national governments to engage in meaningful consultations with stakeholders in the definition of national investments plans under the RRF, in particular social partners and civil society organisations, this programme seeks to build on a more participatory model of governance than previous EU policies. Despite representing an unprecedented instance of financial solidarity among EU Member States and clearly taking account of the need to deliver bold policy action in view of climate change, Next Generation EU and the 2021-27 EU MFF do not amount to a miracle solution.

⁴⁴ Further information on the European Semester process and its different stages can be found on the website of the European Commission at: https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester_en

Given that the annual investment relating to the achievement of sustainable well-being for all in Europe, as discussed above, must be considered to be at least in the region of €900 billion annually, their combined amounts of €1,800 billion to be disbursed over seven years appear rather modest. What is more is that Next Generation EU, accounting for €750 billion of the overall volume, was incepted as a one-off effort that, once phased out, is likely to leave behind a gap that aggravates the problem of underinvestment in sustainability and well-being in Europe. Additionally, by privileging climate action and digital transition policies but not establishing similar spending targets for genuinely social objectives, especially the RRF replicates the EU's one-legged approach to well-being and sustainability-related policymaking identified above.

This is further reinforced by the fact that the disbursement of investment funds under the RRF is made conditional on Member States' compliance with the Country-specific Recommendations issued as part of the European Semester that seek to ensure compliance with the fiscal straight jacket that is the SGP. Although, as noted before, the provisions of the SGP relating to public deficits and debt are temporarily suspended, a commitment on the part of Member States and the European Commission to implement meaningful reforms of this framework prior to its re-application, currently scheduled for 2023 is currently missing.

Accordingly, it stands to fear that, going forward, the limited progress towards more well-being and sustainability-focussed policymaking and investment at the EU level will have to co-exist with the continuation of the generalised austerity bias of economic and fiscal policy.

In sum then, the shift towards a new model of policymaking promised by the European Commission at the start of its mandate in 2019 remains incomplete and indecisive in important respect at present. Although initiatives that, on their surface, appear to add value to a more horizontally coherent and long-term-oriented approach to policy and governance have been launched, they are so far lacking the status and power to have a real impact on EU policymaking. Additionally, in lack of comprehensive and permanent reforms of the EU fiscal and financial framework, the growth-oriented and austerity-focussed bias of EU policy must be expected to kick back in with full force once the RRF and the temporary suspension of SGP rules are phased out. Essentially, this fiscal and financial framework makes a the much-needed turn towards well-being budgeting practices that must be considered to form an essential part of effective policymaking in the interest of sustainable well-being for all entirely impossible.

Against this background, the ICSE issues the following recommendations.

» The Sustainable Well-being Pact would work to establish a horizontal obligation on EU and Member State policy to work towards the achievement of sustainable well-being for all.«

Reform the foundations of EU policymaking through the adoption of a Sustainable Well-being Pact

To ensure EU policymaking is aligned with the objective of achieving sustainable well-being for all in Europe and is equipped with the legal frameworks and governance tools that enable it to undertake effective policy action to this end, the European Union requires a fundamental reorientation of its foundational policy approach. To this end, the Commission should, under the joint leadership of its President and the Foresight Commissioner, table a proposal for a European Sustainable Well-being Pact. The pact should develop specific proposals to ensure that objectives relating to the social, ecological, and economic dimensions of societal well-being are addressed centrally and on an equal footing in its policy development, surveillance, and coordination actions across all areas under EU competence. The proposal should be based on a mapping of existing work and experience, both in academic research and detail a concrete set of specific social, ecological, and economic objectives it intends to operationalise to this end.

These objectives should reflect the EU's existing international and internal commitments that are relevant in this regard, including those stemming from:

- the United Nations Sustainable Development Goals,
- the Paris Climate Agreement,
- the European Climate Law,
- the European Charter of Fundamental Rights,
- the European Pillar of Social Rights.

The Sustainable Well-being Pact should further contain proposals that serve to translate the proposed economic, social, and environmental well-being and sustainability objectives into legally binding commitments that offer actionable guidance for EU and national policy. While such obligations partially exist in relation to environmental sustainability objectives, in particular through the EU climate law that obliges EU and national policy to ensure consistency with the aim of achieving climate-neutrality by 2050, this will require a considerable additional effort to develop a comparable legislative framework as regards broader matters of sustainability and well-being. As chapters 4, 5, and 6 of this report will discuss in more detail, this should lead to the preparation of further legislative proposals, which the Sustainable Well-being Pact should translate into binding and actionable policy commitments in particular for:

- the complete eradication of poverty in Europe by 2050 (EU Anti-Poverty Law),
 - the elimination of precarious forms of employment by 2030 (EU Zero Precarious Employment Strategy),
 - the prevention of unemployment (EU Sustainable Jobs Guarantee),
 - effective measures in the fields of employment policy and social security to close the gender pay and pensions gaps by 2030,
 - a fair and inclusive transition to climate-neutrality (European Climate Justice Governance Regulation),
 - a greater focus on preventive care and sustainable healthcare systems (European 'One Health' approach),
 - the protection of lives and jobs in view of the expected impacts of climate change (legally binding EU climate change adaptation strategy),
 - a social-ecological approach for the protection of ecosystem services (EU Biodiversity Law).
-

Moreover, the Commission proposal should contain indicators that serve to determine the performance of the EU against these overall policy objectives. Specific attention in the selection and development of indicators should be paid to ensuring that they take account of the interdependent nature of the underlying policy objectives. This is important to effectively guarantee that policies implemented to achieve them avoid negative feedback loops and are guided towards the identification of opportunities for the creation of co-benefits, e.g., in terms of simultaneous progress towards the achievement of both social and ecological objectives as part of a single regulatory or policy intervention.

The Sustainable Well-being Pact would work to establish a horizontal obligation on EU and Member State policy to work towards the achievement of sustainable well-being for all by ensuring policy action in all relevant fields, including economic, fiscal, social, and environmental policy. Moreover, the pact should stipulate procedural provisions to ensure the execution of the EU budget and Member States' policies support the achievement of the policy objectives iterated by the Sustainable Well-being Pact by way of an EU well-being budgeting framework, which is developed in more detail below.

Develop institutional fitness in the EU through a Futures Capacity in the European Commission, a Sustainable Well-being Board in the European Parliament, and a Sustainable Well-being Council

Policymaking in the spirit of sustainable well-being for all requires the adoption of an essentially long-term-focused approach to policymaking as well as strong forms of horizontal coordination between all relevant policy fields to ensure consistency. This contrasts sharply with the approach traditionally underlying EU policymaking, where specialised administrations and decision-making structures work to deliver governance and regulation in distinct policy silos without sufficiently strong mechanisms of cross-sectoral coordination. Rectifying this requires that the EU institutions driving legislative and policy processes in the EU, i.e., the European Commission, Parliament, and Council, engage in meaningful reforms of their internal structures to ensure greater capacity for the horizontal coordination of long-term-oriented policies. Additionally, this process should also serve as an opportunity to explore ways to enable more meaningful and systematic participation of relevant stakeholder communities, especially as national and sub-national parliaments, civil society representatives and scientific experts, in the policymaking process.

As part of its actions to adopt and mainstream sustainable well-being-related policy objectives, the European Commission should therefore set out a concrete and time-bound roadmap to establish a fully-fledged EU futures capacity as a dedicated Commission service. Its mandate should endow it with adequate resources and horizontal coordination competences to align EU policy with the above-mentioned sustainable well-being-related policy objectives and to provide the space and skills to explore emerging risks, such as from climate change and environmental degradation, structural change in the economy, changing social and demographic conditions, and rapidly developing technology.

Tools and instruments at the disposal of the capacity should include scientific foresight approaches, scenario planning, and risk analysis methods.

Within the EU policymaking process, the futures capacity should have central authority to coordinate the work of the European Commission and its Directorates General as part of the sustainable well-being budgeting process outlined further below. Moreover, it should oversee the conduct of impact assessments relating to the Commission's future policy proposals. Such impact assessments should deliver robust evaluations regarding the likely impact of proposed policy measures on the EU's sustainability and well-being-related policy objectives and work to deliver considered assessments of related risks. This should include specific impact and risk assessments in relation to individual social groups, such as women, minorities, or youth, and territories that are at present frequently affected by inequalities, for instance as part of place-sensitive and gender impact assessments. To this end, the European Commission should revise its 'Better Regulation' agenda, which defines key principles and procedures to guide the preparation of EU legislative and policy proposals. As part of this revision, the futures capacity should be endowed with a robust mandate to ensure sustainability and well-being-related policy objectives and assessments of likely impacts and risks are incorporated centrally at all stages of the policymaking process.

To ensure adequate and knowledge-based parliamentary involvement and oversight of EU sustainable well-being policies, the European Parliament should likewise develop a Sustainable Well-being Board. The parliamentary capacity should have a dual mandate of delivering critical and constructive assessments of EU policies throughout all stages of their formulation and implementation with a view to determining their contribution to the achievement of sustainable well-being-related policy objectives and issue reasoned recommendations for the improvement of future policy.

In terms of composition, the Board should comprise Members of the European Parliament representing all relevant parliamentary committees, members of national parliaments, members of the European Committee of the Regions as representatives of regional and local parliaments to include a place-specific perspective in the evaluation of EU policy, scientific experts, and representatives of civil society. This formation should be equipped with adequate resources, especially in terms of secretariat and research capacity to support the body in formulating informed views of the impact of EU policy that take a plurality of academic and regional perspectives into account and have the right to conduct hearings of stakeholders and representatives of the EU institutions. The parliamentary sustainable well-being board should convene in regular intervals and provide input relating to the European Parliament and its committees' legislative work as well as with regard to Parliament's involvement in the EU Well-being Budgeting Procedure outlined below.

As a counterpart to the related Futures and Sustainable Well-being Capacities in the European Commission and Parliament and to develop similar cross-sectoral capacity, a dedicated sustainable well-being formation should be established in the European Council. This formation could build on the Foresight Network between Member States that is currently being created on the initiative of the EU Foresight Commissioner and should comprise ministers that are equipped with a mandate to ensure adequate policy coordination on behalf of their national governments. Next to acting as the interface of the European Council as part of the well-being budgeting process outlined below, its mandate should cover the monitoring and coordination of specialised council formations to ensure their work and output is consistent with the sustainability and well-being-related EU policy objectives.

Adopt an inter-institutional agreement on cooperation and parliamentary involvement on matters relating to the sustainable well-being pact and its governance

To ensure close cooperation between the European Parliament, Commission, and Council in the execution of the European sustainable well-being pact and its governance, in particular in the framework of the European well-being budgeting procedure laid out below, an inter-institutional agreement should be adopted. The agreement should lay out the respective responsibilities of the participating institutions and structure their joint working progress. Particular attention should be paid to ensuring that the European Parliament is adequately involved and can exercise effective oversight at all stages of related policymaking and governance processes.

Align the EU fiscal policy framework with sustainable well-being-related policy objectives

To align fiscal policies of Eurozone countries with the goal of achieving Sustainable Well-being for all, the existing rules of the Stability Growth Pact need to be revised and made compatible with the policy objectives defined by the Sustainable Well-being Pact laid out above. This new set of fiscal rules should avoid the formulation of quantitative targets relative for national budgets and public debt stocks to the size of GDP to ensure Member States are no longer locked into a perpetual race for constant economic growth. Instead, it should encourage sustainable well-being-oriented investments and reforms and acknowledge their beneficial long-term effects, including in terms of the sustainability of public finances due to their contribution to the prevention of future social and ecological imbalances and emergencies. Related action should be undertaken urgently in order to ensure a revised Eurozone fiscal framework is in place before the currently suspended Stability and Growth Pact is due to re-enter into force in 2023.

To this end, the use of fiscal standards instead of fiscal rules should be considered in the revision of Eurozone fiscal rules. Such standards could be defined in an essentially qualitative fashion, committing government spending to the pursuit of sustainability and well-being-related policy objectives, and set out an effective methodology to assess and ensure the sustainability of public finances over time. In terms of their concrete iteration, inspiration could be drawn from the experience of New Zealand, where the approach was pioneered in the early 1990s and has since proven its potency.⁴⁵ In this vein, Member States could be obliged to:

- maintain prudent public debt ratios, hence contain the stock of public debt at a level that is highly unlikely to lead to unsustainable re-financing pressure in the future.
- proactively identify and manage risks to their fiscal balance and sustainability.

⁴⁵ New Zealand Treasury, 2015. An Introduction to New Zealand's Fiscal Policy Framework. Wellington: Government of New Zealand.

- assess the likely impact of fiscal strategy on present and future generations, including in terms of social cohesion and environmental sustainability.
- consider the interaction between fiscal and monetary policy to avoid debt-deflation spirals.

Member States would thus be incentivised to design spending programmes in a way that privileges the long-term stability and sustainability of the economy and society, and to take such considered assessments of future impacts into account also in the pursuit of short-term policy objectives. Instead of obliging Member States to cut public spending in times of economic distress, as is the case with the current fiscal framework stipulated by the SGP, such modernised provisions would enable governments to provide economic stabilisation and stimulus through spending programmes with proven benefits for long-term economic and fiscal sustainability, for instance in the form of investments in education and resource-efficiency.

The stringent application of such standards could be ensured by a set of criteria and methods that guide their implementation. Standardised, transparent, and scientifically validated debt sustainability analysis tools could play a central role in this regard. These tools, with whose development and application both the European Commission and the International Monetary Fund possess significant experience, could serve to deliver robust assessments of fiscal stability over time. Crucially, such tools possess the ability to take into account the long-term impact of Member States' fiscal policies by bringing into view the implications of current fiscal spending for the future ability of governments to service public debt.⁴⁶

Where fiscal adjustment measures are required from Member States, these should generally be formulated in a way that prevents the postponement of reforms and investments with a clear and proven value for the enhancement of sustainable well-being for all. To this end, related provisions that are at present contained in the Stability and Growth Pact's 'expenditure rule' should be revised to include a 'golden rule' that excludes the net value of related investments from the calculation of expenditure targets. Failure to ensure this would lead to counter-productive outcomes where Member States experiencing acute adversity are unable to undertake measures aimed at preventing future adverse social, economic, and environmental shocks, which themselves are likely to have detrimental impacts on public finances. The assessment of whether national reform and investment measures satisfy the criteria for eligibility under the golden rule should be carried out by use of the same methodology used as part of the implementation of fiscal standards (see above) or, in case of delays in its adoption, by use of the green and prospective social taxonomies developed in the context of the EU sustainable finance strategy (see section 3.3.1 below).

Establish a meaningful EU fiscal capacity to provide stabilisation for Eurozone economies

Due to the particularly high degree of economic integration in the Eurozone, which, as the European sovereign debt crisis has demonstrated forcefully, creates contagion risks and the danger of chain reactions in times of acute economic distress, the European Economic and Monetary Union needs to be bolstered through a central fiscal capacity. Such a stabilisation component should work to protect social protection spending, especially in the form of a permanent European unemployment re-insurance scheme. Given the openness demonstrated by Member States towards the establishment of SURE, a temporary EU re-insurance scheme to finance national short-time work schemes in the context of the erupting Coronavirus crisis in 2020, progressives should be

⁴⁶ A similar proposal has recently been developed by Blanchard, O.; Leandro, A. and Zettelmeyer, J. (2021): Redesigning EU Fiscal Rules: From Rules to Standards, Peterson Institute for International Economics Working Paper 21-1, available at: <https://www.piie.com/sites/default/files/documents/wp21-1.pdf>

encouraged by the evident feasibility of proposals of this kind and seize the momentum towards the creation of a permanent and comprehensive unemployment re-insurance instrument within the EU framework. In the same vein, progressives should engage with the possibility to enlarge such re-insurance schemes over time to include other social security systems, such as national minimum income guarantees (see also chapter 6 of this report). As a second component, this stabilisation arm should comprise an investment protection function that assists Member States in financing long-term-oriented reforms despite experiencing temporary economic adversity and tightening fiscal space.

To ensure the consistency of related instruments with the updated EU sustainable well-being-related policy objectives (see above), the Eurozone fiscal capacity should be integrated into the EU budget and thus the EU community framework, in which the ordinary parliamentary oversight and accountability mechanisms apply. Such support to Member States should be temporary and be made available automatically, based on pre-defined eligibility criteria and thresholds. Related financial operations should be conducted in the form of interest free loans that are income-contingent, hence with repayment obligations kicking in once the economic distress leading to reliance on such EU support has been resolved. To finance related instruments, integrating the European Stability Mechanism and its unused guarantee funds into the formal structures of the European Union and its budget should be considered.

Align the EU budget with more balanced sustainability and well-being objectives

To drive and accelerate the transition of Europe to a carbon-neutral and well-being-oriented model of society, ensuring adequate financial solidarity among Member States through the EU budget must be considered key. Already today, EU investment programmes, such as the European Just Transition Fund and the European Regional Development Fund are delivering valuable contributions in this regard by co-financing related policies at the national and sub-national levels. Local and regional authorities play a key role in the implementation of these policies and deal as the closest link between EU investment projects and people living in our cities and regions.

To date, however, these programmes remain largely embedded in a logic that favours the formation of economic capital, especially in terms of upgraded physical infrastructures and the roll-out of efficiency-enhancing technologies. While this is complemented with a laudable focus on environmental sustainability objectives, with 30% of the funds available under the current EU Multiannual Financial Framework being earmarked for climate action policies and another 7.5-10% for biodiversity protection during the second half of the 2021-27 MFF, similar provisions relating to social objectives, for instance as regards social and territorial cohesion, are currently missing. As long as policies to drive the sustainable transformation of Europe remain focussed on capital-intensive and not on people-centred investments, such as investments in social policies, the modernisation of social security systems, and more and better jobs across all parts of the European Union, the structural change fostered through the EU investment programmes in their current form risks accepting setbacks in terms of human well-being.

As chapter 6 of this report will argue, measures such as the creation of an EU sustainable jobs guarantee, a European care deal, and decent minimum income schemes for all Europeans are critical elements of a successful re-orientation of EU policy towards sustainable well-being for all and should thus likewise be prioritised under the EU investment programmes. The foreseen mid-term review of the MFF, which is to be completed by the end of 2024, should therefore serve to introduce stringent spending targets relating to

social sustainability and well-being objectives. While the European Commission is already committed to engaging in preparatory work for the establishment of specific provisions relating to gender equality, similar initiatives should be taken with regard to additional social objectives, in particular in relation to poverty alleviation and prevention, employment, and social services.

Moreover, in the future the preparation and execution of the EU budget should be closely coordinated with sustainable well-being-related policy action at the EU and national levels. To this end, the annual EU budget procedure should be integrated into a broader process of a European Well-being Budgeting procedure outlined below.

Enlarge the EU budget through new own resources

Next to broadening the focus of EU investment policies, permanently enlarging their financial capacity must likewise be considered key to bring the sustainable well-being-oriented transformation of Europe to fruition. In this regard, the expansion of EU own resources should be favoured, i.e., funding channels that do not depend on financial allocations from EU Member States. As part of the negotiations on the RRF, agreement in principle on expanding such own resources as well as a time-bound roadmap for structured negotiations on the creation of related streams of revenue for the EU budget could be reached. Accordingly, the European Parliament and Council will over the coming years engage in negotiations on the allocation of revenue from the taxation of non-recyclable plastics, the trade of industrial pollution rights as part of the EU emissions trading system, a special tax on large digital services providers, a future financial transaction tax, and from corporate taxation directly to the EU budget.

While the timely implementation of this roadmap is liable to a number of uncertainties, stemming especially from its limited enforceability, the increase of the ceiling for EU own resources and concrete engagement with potential sources of revenue clearly indicates that momentum for a larger EU budget to achieve commonly accepted policy objectives can be created. Progressives in the European Parliament and Council should work hand in hand over the coming years to ensure the existing roadmap is implemented fully and to identify and agree on additional sources of EU own resources. As chapter 6 of this report will argue, the creation of an EU net wealth tax could act as such an additional stream of revenue.

In the same vein, the European Commission should explore the feasibility of introducing a European Sovereign Wealth Fund. Such a fund could be structured in a way that large companies, for instance enterprises with an annual turnover of €500 or €750 million in the European single market, would be obliged to issue new shares every year equivalent to 20% of their profits generated in the EU.⁴⁷ These shares would then be held by a central fund that disburses its income into the EU budget. To launch debate on such a proposal, the European Commission should issue a communication outlining different options for the establishment of an EU sovereign wealth fund, including estimates regarding its revenue over time.

Additionally, progressives should consider working towards the establishment of a permanent borrowing capacity of the EU budget, building on the experience of the RRF. Although the success of such an agenda is likely to be met with resistance on the part of some Member States, the experience of the pandemic clearly indicates that radical political change is possible in light of changing framework conditions. By working towards a successful implementation of the RRF, keeping the momentum for jointly debt-financed investments with clear sustainability and well-being benefits may be possible and should therefore be regarded as a priority.

⁴⁷ A similar model has been discussed in Gough, I. (2017) *Heat, Greed and Human Need – Climate Change, Capitalism and Sustainable Well-being*, Elgar, Cheltenham, p. 181

Ensure greater consistency between sustainable well-being objectives and monetary policy

Over the past decade, the European Central Bank (ECB) has demonstrated its impressive ability to stabilise the EU economy and maintaining financial market conditions that prove highly conducive to the pursuit of long-term oriented fiscal policies without creating risks for price stability. To date, the ECB has, however, stuck rigidly to the principle of 'market neutrality' in associated financing and bond purchase programmes. Guided by this principle, the ECB upholds a structure its balance sheet as a mirror image of bond markets, for instance by limiting its purchases of bonds related to renewable energy projects to amounts that ensure such assets have no greater weight in the ECB's balance sheet than renewable energy-related bonds have in the bond market in general. Given the evident need to re-balance economic activity in Europe, away from polluting and destabilising activities towards more sustainable sectors and economic activities, such monetary policy is in fact far from neutral but instead continues to channel funding into economic activities that will necessarily have to be unwound in the not-so-distant future.⁴⁸

As part of a comprehensive review of the ECB mandate, the principle of market neutrality should be abandoned and replaced by an explicit bias towards sustainable investments and those with a highly likely positive impact on long-term societal well-being. Moreover, this revision should broaden the ECB's mandate so that its task of ensuring price stability is complemented by the duty to support the European Union and its Member States in the achievement of sustainable well-being-related policy objectives. Knowing that such a revision of the ECB mandate would require changing the European treaties, which requires unanimity on the part of Member States, related advocacy by progressive actors should target national governments in particular.

Ensure policy coherence through a European Sustainable Well-being Budgeting Procedure

To bring the adoption of sustainable well-being for all as the foundational policy paradigm in the EU to fruition, purpose-built procedural arrangements are required to fill the above-described innovations as regards the updated set of EU policy objectives and related fiscal and financial capabilities with life. With the European Semester, an annual governance cycle designed to align national policy with EU policy objectives that was introduced in reaction to the global financial crisis and its aftermath, the EU effectively possesses a system following similar aims. However, being primarily concerned with the enforcement of the Stability and Growth Pact and its underlying short-term-oriented economic growth paradigm, the Semester is incompatible with the aims and orientations stemming from sustainable well-being as a policy paradigm. The European Semester should therefore be replaced by a new framework of policy coordination, which is to follow the logic of well-being budgeting.

As part of such a European sustainable well-being budgeting procedure, the European Commission, Parliament, and Council would jointly define long-term-oriented well-being and sustainability-related policy priorities for EU and Member State action and ensure public spending and investment under the EU and national budgets is consistent with their achievement.

⁴⁸ van't Klooster, J. and Fontan, C. (2021) Central bankers remain stuck in the myth of 'market neutrality', available at: <https://www.social europe.eu/central-bankers-remain-stuck-in-the-myth-of-market-neutrality>

Its operationalisation could follow the following regular processes and timelines:

November: Annual Sustainable Well-being Survey

Each year in November, the European Commission, based on the work of its futures capacity, would publish a detailed surveillance report, the Annual Sustainable Well-being Survey, measuring the performance of the EU and its Member States regarding the sustainable well-being-related policy objectives enshrined in the European Sustainable Well-being Pact. This annual assessment should be provided in the form of a single scoreboard that assesses all relevant areas of social, environmental, economic, and fiscal policy with regard to their performance against the set of indicators developed to operationalise the Sustainable Well-being Pact's objective for the purposes of policy surveillance, including the UNSDGs. On this basis, it should further contain an in-depth analysis of manifest risks and opportunities for the achievement of the policy objectives going forward to inform related policymaking and make proposals for policy priorities to address them. The Annual Sustainable Well-being Survey and its accompanying single scoreboard would thus replace the Annual Sustainable Growth Survey and the adjacent Alert Mechanism report used to kick off the current European Semester.

December through March: In-depth consultation and initiation of EU budget procedure

Based on the Annual Sustainable Well-being Survey, the European Commission, Parliament, and Council would engage in in-depth consultations to discuss the policy priorities proposed by the Commission. To ensure the adequate involvement of national parliaments, the European Committee of the Regions, social partners and civil society organisations, the contribution of the European Parliament to such consultations should make extensive use of the input provided by its Sustainable Well-being Board (see above). On the part of the European Council, the Sustainable Well-being formation would act as the interface of Member States. Related exchanges should ensure that ample attention is being paid to the need to ensure policy consistency over time, hence ensure that forward-looking policy priorities are being formulated in way that continuity with policy interventions carried out as part of the previous governance cycle is given.

Alongside and in close coordination with the consultations on the Commission's Sustainable Well-being Survey, the European Parliament and Council engage in their annual negotiations on the priorities for the EU budget for the following year with a view to ensuring that the policy priorities defined as part of the governance cycle are supported by the spending priorities defined under the EU budget.

April: Publication of Country Reports and draft EU budget for the following year

Based on the input received during the previous stage, the European Commission would publish country reports containing proposals for national policy measures to follow up on the policy priorities defined on the basis of the Sustainable Well-being Survey. The reports would set out a cross-sectoral frame of policy orientation in direct relation to the policy objectives set out in the Sustainable Well-being Pact and lay out specific policy guidance for policymaking across the relevant policy fields at Member State level.

At the same time, the Commission tables its draft for the EU budget for the following year that flanks the proposals issued to Member States with proposals for the allocation of funding priorities under the EU investment programmes to support national policy action through the EU budget. The Commission's presentation of the draft EU budget then initiates the ordinary budget procedure.

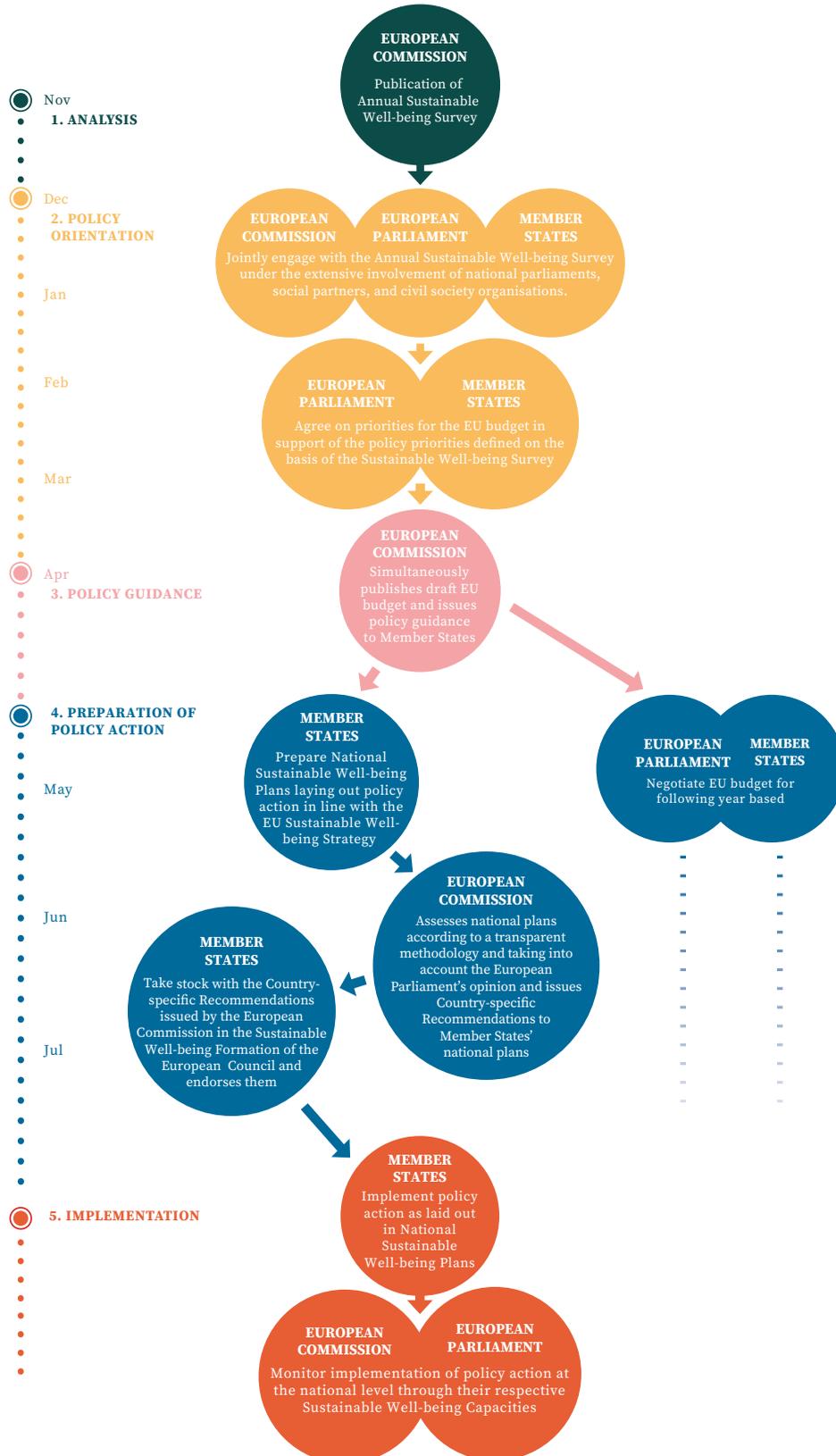
April through July: Definition and Coordination of National Sustainable Well-being Plans

Based on the guidance received as part of the country reports, Member States would draw up National Sustainable Well-being Plans to lay out reform and policy proposals in their areas of competence. The formulation of such national plans should involve national parliaments and foresee mandatory consultations with public authorities at the sub-national levels, social partners, and civil society. The output of this national policy formulation and coordination exercise would be submitted to the European Commission as a draft, which then engages in their in-depth scrutiny based on a pre-defined and transparent methodology and has the right to propose amendments through Country-specific Recommendations (CSRs). Such CSRs would again be submitted to the European Council for scrutiny, amendment, and adoption.

July through November: Implementation and Assessment

Once the National Sustainable Well-being Plans are amended through the CSRs and adopted, Member States would work to implement them. Their implementation would be closely followed by the relevant Commission services to yield insight and data to inform the following Annual Sustainable Well-being Survey that kicks off the next annual Well-being Budgeting cycle.

EU Sustainable Well-being Budgeting Process schematic overview



3.3. Make finance and the digital economy work for sustainable well-being for all

Re-defining capitalism to turn it into a driver of sustainable well-being for all without addressing the crucial roles the financial sector and the digital economy play in our economies today is bound to be a futile endeavour.

Due to one of its main functions as allocating capital across the real economy, finance can play a key role in aligning economic activity with well-being objectives, or it may act destructively against these goals. However, much of the financial capital currently circulating in advanced economies is tied up in purely financial investments, with only a small fraction supporting actual productive uses. In addition, the incentive to ensure continuous high returns that lies at the core of today's financial markets has biased such investments towards those which generate such returns in the short-term, and which therefore act to reinforce the drivers towards unsustainable and extractive growth. However, while the European Commission has been able to implement first steps in facilitating the access to finance for environmentally sustainable or 'green' investments, it has so far not embarked on a mission to support and incentivise a comprehensive re-allocation of capital away from short-term focussed, socially divisive and unsustainable activities to more sustainable uses.

At the same time, the digital economy is beginning to assume a function that sets it on a par with the financial sector in terms of its infrastructural importance for economic and social life. However, its functioning and continued development to date remains entirely under the control of a small number of large companies that

resolutely build and defend dominant market positions, engage in rent-seeking behaviours, and manipulate markets and consumers to increase profits. To prevent the digital economy from turning into an 'antidemocratic and anti-egalitarian juggernaut',⁴⁹ as some fear has happened already, decisive regulatory intervention will have to be staged. As part of its work on the introduction of a Digital Services Act and a Digital Markets Act, the European Union should therefore ensure such needs for regulation are addressed effectively.

3.3.1. Making finance work for sustainable well-being for all

Since the adoption of the Paris Agreement and the United Nations Agenda 2030, the European Commission has been engaged in work to mobilise and prepare the financial sector for the sustainable transformation of the EU economy. Related actions reflect both a sense of opportunity and necessity. Climate change and environmental degradation have ceased to pose only theoretical threats to financial stability. Compared to the 1980s, the economic cost of natural disasters, such as floods, droughts, and devastating tropical storms, has more than tripled during the last decade, putting the financial institutions whose balance sheets are exposed to the underlying assets under increasing strain. Today, it is widely accepted that failure to address climate change would give rise to financial implications that the global financial system would hardly have the capacity to absorb.⁵⁰

Additionally, and despite some regulatory progress since the global financial crisis of 2007-8, the finance sector continues to apply excessive pressures to companies to deliver high short-term returns. This pressure has resulted in a situation where the value created in the economy disproportionately benefits creditors and investors, rather than being fairly allocated to stakeholders (particularly employees) or being available for reinvestment in the business, not least to finance the necessary transitions towards more sustainable modes of production. Next to comprehensive reforms in corporate governance frameworks (cf. section 3.4. of this report) this will also require that financial markets take incorporate sustainability concerns that shift the focus to the creation of long-term value that also reflect a concern for social justice.

⁴⁹ Soshana Zuboff (2019): *The Age of Surveillance Capitalism*, Profile Books, London, p. 513

⁵⁰ Financial Stability Board (2020): *The Implications of Climate Change for Financial Stability*, report available at: <https://www.fsb.org/wp-content/uploads/P231120.pdf>

At the same time, consumers across advanced economies are realising the importance of sustainability principles and the need to de-carbonise the economy, and demand that financial markets allocate their savings and investments in ways that reflect their updated consciousness.⁵¹ And of course, Europe's envisaged transition to a carbon-neutral economic model by 2050 will not come for free, but demands massive investments, to which private finance will have to contribute to a significant degree. At present, however, only about 20% of finance in advanced economies ends up in the 'real economy', e.g., to finance industrial innovation or infrastructure projects, while the lions' share flows into the FIRE sectors, hence Finance, Insurance, and Real Estate, whose over-exposure to private credit caused the global financial crisis of 2007/8.⁵²

Against this backdrop, the critical importance of the European Commission's 'sustainable finance' strategy can hardly be overstated. Its systematic and evidence-based approach, in which scientific expert groups are mandated to feed directly into the legislative process geared towards a gradual transformation of the EU financial system, constitutes a real chance to deliver meaningful financial reform that is not determined by what markets are willing to accept but by what is objectively needed. Nevertheless, related regulatory processes have so far failed to pass crucial tipping points. While agreement between the EU co-legislators on the establishment of a 'green taxonomy', a coherent classification system for investments with clear benefits for environmental sustainability, could be reached in 2020, the definition of technical standards defining what exact technologies and investment projects may fall under the taxonomy are drawing intense lobbying pressure from Member States and industry stakeholders. This risks hollowing out this regulatory project and derailing its foreseen implementation timetable.

Additionally, the tangible outputs of the EU sustainable finance agenda so far relate entirely to environmental sustainability aspects, although it is widely accepted, both in relevant academic and political discourses, that sustainable finance must build on the three dimensions of environmental, social, and governance (ESG) factors. Rectifying this shortcoming requires that the green finance taxonomy is flanked with complementary standards for investments with benefits for the missing dimensions, for instance in

terms of the creation of quality employment, human capital formation (e.g., through investment in knowledge and skills), social cohesion, and good corporate governance (e.g., in terms of engagement in social dialogue and effective measures against bribery and corruption). While the Commission is able to draw on relevant expertise to this end, thanks to the work of the Sustainable Finance Platform whose work it sponsors, it has so far refrained from issuing a clear commitment to developing legislative proposals to include the social and corporate governance dimensions in its sustainable finance agenda. Persistent inaction in this regard would mean that Europe continues to miss out on the development of evident channels to support the propagation of sustainable corporations and sustainable economic activity through financial regulation.

Lastly, the Commission's approach to sustainable finance appears to be framed in a way that suggests that related reforms should work to mobilise additional liquidity to satisfy demand for sustainable investment, which is viewed as coming on top of traditional investment activities. Not only does this disregard the imperative to divest from certain forms of economic activity, for instance because they are carbon-intense, but also does it entail the risk of swamping financial markets with excess liquidity that fuels destabilising financial bubbles as well as perpetuating an excessive growth imperative which further reduces the ability of companies to pay employees appropriately and invest in measures to enable sustainability transitions. To avoid this, the sustainable finance agenda must at least partially be of a re-allocative nature insofar as support measures for sustainable investments go hand in hand with measures to penalise unsustainable investment practices, as well as promote the concept of a 'fair' return to capital, not just the highest.

Against this backdrop, the ICSE issues the following recommendations:

⁵¹ A survey of 7,000 respondents in 22 countries by Natixis Global Asset Management in 2017 found that social and environmental objectives are an important factor for around 70% of retail investors.

⁵² Estimate is based on figures relating to the US and UK financial sectors, see Mazzucato (2021): *Mission Economy, A Moonshot Guide to Changing Capitalism*, Allan Lane, p. 16

Uphold the original timeline for the implementation of the EU green taxonomy

The EU green finance taxonomy, defining consistent standards for investment assets delivering a clear and proven contribution to the achievement of six environmental objectives,⁵³ must be prepared for implementation no later than January 2022, as originally foreseen. The European Commission's recent decision to delay the decision on whether natural gas and nuclear energy can be defined as 'transition technologies' risks derailing this implementation roadmap. Considering strong pressure from industry stakeholders and some Member States to make such concessions, progressives in the European Parliament and Council, civil society, and the business community should close ranks and engage in coordinated action. A general classification of natural gas and nuclear energy as transition technologies would amount to the 'greenwashing' of outdated technologies that will have to be phased out to achieve the EU climate action and environmental protection targets and should therefore be avoided. Where industries rely on transition technologies, these could be covered in a separate taxonomy, built on clear criteria to ensure their time-limited use for transition purposes, but not for simple purposes of substitution.

Complement the green taxonomy with a social taxonomy

Based on the results of the work of the 'social taxonomy' working group of the EU platform on sustainable finance, the European Commission should prepare a legislative proposal for an investment taxonomy defining criteria for socially sustainable investments in early 2022. Underlying social objectives should be clearly connected to key dimensions of social well-being, including the creation of fairly remunerated quality employment, investment in human capital, the preservation of cultural heritage, social cohesion, and decent living conditions for all. The definition of such objectives and related standards should be informed by an analysis of social vulnerabilities brought to the fore during the COVID-19 crisis and aim to address them. Particular attention should be paid to the structure and financing needs of the social economy, the cultural sector, and projects in the context of a socially just transition to a carbon-neutral economy. To speed up the related legislative and implementation processes as much as possible, the Commission should begin work on the definition of technical standards required to ensure the full operability of the social taxonomy alongside the preparation of the legislative proposal.

⁵³ Article 9 of the taxonomy regulation ((EU) 2020/852) defines these environmental objectives as (a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control; (f) the protection and restoration of biodiversity and ecosystems. Article 17 of the directive further specifies that covered investments must add value to one or several of the abovementioned objectives, while avoiding 'significant harm' for any of the other objectives.

Define a horizontal ‘do no significant harm’ principle

To ensure full complementarity and synergy between the green and social taxonomies, they should be connected by a horizontal regulatory provision that builds on the do no significant harm principle developed in the green taxonomy regulation. Consequently, green or social investments under the taxonomy should clearly contribute to the achievement of one or multiple environmental and/or social objectives, while at the same time avoiding harmful impact on any of the other objectives laid out by the two taxonomies. Additionally, this horizontal safeguard mechanism should work to ensure that companies issuing bonds under the taxonomies comply with good corporate governance principles, e.g., in terms of respect of worker and fundamental rights, involvement in social dialogue, and tax compliance.

Establish uniform EU green and social bonds standards

In line with the green and social taxonomies, the European Commission should propose standards for related listed bond instruments for public and private issuers, hence a social bond standard in addition to the green bond standard currently under preparation. These standards should be structured in a way that ensures that the proceeds of such bonds are used exclusively to finance eligible green and social projects, as defined by the respective taxonomies. The proposals should include measures to avoid that the issuance of such bonds mainly serves to re-finance existing projects but benefits the development of new, additional projects. As proposed by the High-level Expert Group on Sustainable Finance, the alignment of bonds with the criteria set out in the underlying taxonomies should be verified by independent reviewers that have obtained accreditation from the European Securities Markets Agency to ensure robust and reliable information. To increase the attractiveness of green and social bonds, their introduction should be flanked by incentive measures, such as preferential treatment of such bonds in the ECB’s asset purchase programmes or financial support for issuers in meeting the associated verification requirements.⁵⁴

Improve the availability of sustainability information in financial markets

Ensuring that financial firms and the companies to which they allocate capital through investments and credit provide meaningful and public information as regards their sustainability impact is key to ensure that the EU sustainable finance agenda can achieve its goals. In this regard, the European Commission’s work to ensure that financial firms (through the Sustainable Finance Disclosure Regulation (SFDR) adopted in 2019)

⁵⁴ EU Green Bond Standard Working Group (2019): Report on EU Green Bond Standard, available at: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-green-bond-standard_en.pdf

and SMEs and large firms (through the Corporate Sustainability Reporting Directive (CSRD) proposed in April 2021) disclose such information are steps in the right direction. The concrete reporting standards proposed by the Commission to date, however, fail to ensure that company disclosures are of an appropriate quality. As regards climate-related reporting obligations, the SFDR only stipulates non-binding guidelines and thus accepts simple, qualitative management statements. As part of the CSRD, the Commission has announced its intention to develop binding reporting standards to be introduced by way of a delegated act in 2022 but has so far failed to assure that these will lead to the disclosure of meaningful and comparable information relating to environmental and social sustainability objectives.

To ensure that adequate, transparent, and comparable sustainability information is available to financial market participants, the forthcoming standards to be developed as part of the CSRD should ensure that companies disclose information on a comprehensive set of sustainability objectives covering the full ESG (environmental, social, governance) spectrum, use clear and comparable metrics and indicators in such reporting, and thus allow for a clear assessment of whether their business strategy is aligned with EU and global environmental, climate and social standards. The same reporting should then also be included in an updated SFDR.

Penalise ‘brown’ investments

Next to the introduction of new taxonomy instruments to cover additional dimensions of sustainability, such as social objectives, the EU sustainable finance taxonomy regulation foresees the possibility of defining technical screening criteria for investment assets causing significant harm to environmental objectives by way of a review clause. As part of its forthcoming report detailing necessary measures to complement the existing EU legislative framework on sustainable finance, due by the end of 2021, the Commission should lay out steps to prepare related legislative proposals with the aim of defining a ‘brown’ investment taxonomy for environmentally harmful and unsustainable investments. Where polluting technologies or investments are necessary to enable the transition towards a carbon-neutral economy, i.e., as transition technologies, these should be classified accordingly as part of a separate ‘transition taxonomy’ that temporarily exempts them from the brown taxonomy.

These Commission proposals for the establishment of a brown taxonomy should also contain provisions to link it with EU prudential financial sector regulations, i.e., provisions governing the capital requirements and risk management of financial firms. This should work to increase the cost of brown lending and investments relatively to that of activities with a positive and without significant impacts on sustainability objectives through the introduction of a ‘brown penalising factor’. Available simulations suggest that such a penalising factor could have significant effects on the re-allocation of capital within the financial system if set at an adequately high level, for instance at a rate 50% above the standard capital requirements.⁵⁵ Additionally, the European Commission should consider ways to extend the scope of such provisions beyond banks and lending institutions falling under the scope of the Capital Requirements Directive and Regulation and into regulatory regimes covering the shadow banking sector.⁵⁶

⁵⁵ 2nd Investment Initiative (2018): The Green Supporting Factor, Report available at: https://2degrees-investing.org/reports/?fwp_search=green%20supporting%20factor

⁵⁶ Daniela Gabor (2020): Greening the European Financial System – Three Ideas for a progressive sustainable finance agenda, FEPS Policy Brief available at: <https://www.feps-europe.eu/attachments/publications/feps%20paper%20three%20ideas%20gabor.pdf>

Submit the financial sector to carbon stress tests

Already in February 2016 the European Systemic Risk Board (ESRB) suggested that regulators and financial market supervisory authorities in the EU should run dedicated 'carbon stress tests' for banks, pension funds and insurers, to assess their exposure to climate change-related financial risks. Since then, the Dutch Central Bank has developed and run such stress tests, finding that the identified risks to financial stability, through adverse climate events and stranded assets, are significant.⁵⁷ At the EU level, where most related regulatory competences are centralised, the introduction of similar supervisory procedures could, however, take until 2024.⁵⁸ As methodologies for the operationalisation of such stress tests exist, and the EU, with its significant (regulatory) ambition as regards climate change, is creating additional pressure for swift and decisive financial sector reform, this timeline should be accelerated significantly. The European Commission should aim to conduct first such carbon stress tests no later than in 2022 in order to be able to draw swift conclusions and propose, if necessary, further updates of EU regulation that serve to make the financial sector climate change-proof before the end of the current parliamentary term.

Require banks and financial firms to define comprehensive carbon net-zero strategies

Together with the competent supervisory authorities, the European Commission should draw up a roadmap aiming to ensure that the carbon footprint of lending and investment portfolios of banks and financial firms in Europe develop in line with EU emission reduction targets and the Paris Climate agreement. The roadmap and related actions should seek to ensure that financial institutions unwind their exposure to polluting assets in an orderly fashion and take related considerations into account in the future allocation of their lending and investment activities.

Update the EU credit rating agencies regulation and create a public EU agency

Credit rating agencies (CRAs) have been criticised for their role during the credit crisis – where they failed to highlight the risks embedded in the complex financial instruments that were rated "triple A" – and in the subsequent European sovereign debt crisis, where they were accused of having contributed to market panic without proper justification. The way in which CRAs operate, the lack of competition (only three CRAs control the whole market) and the unresolved conflict of interest of CRAs (CRAs are paid by the market participants that issue and use the financial products that CRAs have to rate) are all issues that have been only partially tackled by the EU Regulation on CRAs adopted in 2012.

⁵⁷ Cardona, M. and Berenguer, M. (2020) Quel rôle pour la réglementation financière dans la transition bas-carbone, I4CE. Available at: https://www.i4ce.org/wp-core/wp-content/uploads/2020/06/RegulationBasCarbone-Rapport_VF.pdf, p. 33

⁵⁸ Lehmann, A. (2020), 'Climate risks to European banks: a new era of stress tests', Bruegel Blog, 05 February, available at www.bruegel.org/2020/01/climate-stress-test

Additionally, credit ratings fail to adequately reflect risks relating to climate change, the financial implications of the transition to carbon net-neutrality, and wider sustainability concerns relating to social and governance aspects.⁵⁹ Given that the neglect of such factors does constitute also a form of financial risk for companies and their creditors, and given that these factors can no longer be regarded as mere externalities by financial market participants if the necessary economic change to foster sustainable human and planetary well-being is to come to fruition, credit ratings will have to internalise them going forward. Developing rating methodologies that take a comprehensive set of ESG factors into account and adopting legislation to ensure such methodologies are applied by CRAS should therefore be prepared in due course.

Additionally, it is striking that the assessment of all kinds of risks, from simple shares to complex derivatives or countries' finances, are solely in the hands of a handful of private companies. Importantly, as risks linked to sustainability concern every single member of society, they should be assessed and taken care of by the public sector. The creation of a public CRA with the specific task to assess sustainable development risks should be created as a matter of priority.

⁵⁹ Final Report of the High-Level Expert Group on Sustainable Finance (2018), p. 76, available at: https://ec.europa.eu/info/sites/info/files/180131-sustainable-finance-final-report_en.pdf

3.3.2. Making the digital economy work for sustainable well-being for all

Social media, online search, and e-commerce services are deeply integrated into people's daily routines and social lives. The limitation of personal contacts and necessary self-isolation during the COVID-19 pandemic has further increased society's dependence on such services. Contrary to the narrative associated with the early days of the internet, however, the digital realm of today is no longer a free and diverse place free of all forms of domination and exploitation. Five US companies, the GAFAM (Google, Amazon, Facebook, Apple, and Microsoft) dominate the lion share of this constantly growing market, commanding a combined market capitalisation of more than €6,100 billion, almost twice as much as the 50 highest valued EU companies combined and almost half the size of EU GDP.⁶⁰

Such startling economic power has been built on ruthless market dominating behaviours and highly successful, albeit morally questionable, strategies of profit extraction.⁶¹ To this end, the GAFAM have successfully worked to lock users into closed environments made up of the services, applications, and equipment they sell. Within this environment, users are tracked, and their behaviours analysed with remarkable precision, allowing companies to predict what online contents are likely to capture users' attention and what kind of products they may be willing to purchase. By constantly optimising such techniques, the GAFAM lure their customers ever deeper into the environment they alone have the power to control and thus become all-controlling gatekeepers between 'their' users and the rest of the economy and society. This creates highly profitable business opportunities, for instance in terms of online advertising and e-commerce, which the GAFAM are happy to seize and flourish on.

Recent years have seen remarkable growth in public awareness of the highly problematic impact this highly efficient system of profit extraction has already had on society, the economy, and democracy. By reorganising online social activity in the interest of data and value extraction, platform's business models can have large unintended consequences for society and democracy.

» Digital mega-corporations' lure their customers ever deeper into the environment they alone have the power to control.«

For example, with their treatment of information as nothing more than a commodity, online platforms have degraded public debate by amplifying mis- and disinformation, simply because such contents do better at gluing citizens in front of their screens and thus allow the gatekeepers to extract more data from them. Via the control of information flows, goods, and services, ranking and rating systems, these actors can bend entire markets and social systems. For instance, when Google decides to change its search algorithm, media across the globe have to adapt their operations instantly.⁶²

Beyond allowing a very limited number of digital companies to extend their dominant market positions, these forms of data extraction in fact lead to the privatisation of huge amounts of data produced by the general public. This set up not only amounts to a form of expropriation, but also fundamentally underestimates the potential the safe, strategic, and public purpose-driven utilisation of such data could add to the transition to a smarter, more sustainable, and fairer model of society.

⁶⁰ Nogarede, J. (2021): Governing Online Gatekeepers - Taking Power Seriously, FEPS Study, available at: <https://www.feps-europe.eu/attachments/publications/governing%20online%20gatekeepers%201.pdf>, p. 15

⁶¹ Soshana Zuboff (2019): The Age of Surveillance Capitalism, Profile Books, London

⁶² Arroyo Nieto, C. and Valor, J. (2019) 'Google News changes its algorithm, and with it, the media industry', Media Matters Blog Network, Business School of Navarra, 28 October (<https://blog.iese.edu/the-media-industry/2019/10/28/google-news-changes-its-algorithm-and-with-it-the-media-industry/>).

» The impact of artificial intelligence on society's well-being and its sustainability is only as good as it is programmed to be.«

Instead of contenting itself with regulation the extraction of data through private operators, EU digital policy should build on an understanding of data as a public good and create conditions in which non-commercial organisations, such as universities and research institutions, gain the ability to draw on available datasets to conduct work in the public interest.

This is particularly important given that the undisputed and unrivalled efficiency of digital technology causes its ever-deeper invasion into all spheres of economic, social, and public life. Breakthroughs in the development of artificial intelligence, hence learning algorithms that have the capacity to analyse complex situations and processes within milliseconds taking sheer unlimited amounts of data into account, make the use of such applications practically irresistible in efforts to modernise production processes, public and private services. The potential of such algorithms to boost resource efficiency, improve decision-making and help humanity organise society in better and more fulfilling ways is undeniable. However, the impact on society's well-being and its sustainability is only as good as it is programmed to be. This requires clear sets of rules that guide technological development into the direction of the public interest and also set strict limits to protect fundamental rights and society from detrimental outcomes – which have so far not been put into place. Rectifying this constitutes a matter of highest urgency to avoid that artificial intelligence, its further development and proliferation leads to a further concentration of power and the acceleration of the transformation of society into a profit-making

machine at the other side of which only a select few reaps all the benefits.

The good news is that the European Union clearly possesses the ability to set such rules and has the power to shape the digital realm according to its values. The General Data Protection Regulation, adopted in 2016 and by now considered the global 'gold standard' in terms of data protection, serves as a case in point in this respect. Through determined action, guided by the compass of sustainable well-being for all, the European Union still has the chance to define a distinctly European approach to turn digitalisation into a public good that contributes to greater equality, freedom, and sustainability.

Related policy and regulatory initiatives are already well under way or under preparation. With its proposals for a 'Digital Services Act', a 'Digital Markets Act' and a 'Data Governance Act', the European Commission has embarked on a mission to level the digital playing field and to align further technological progress with public interest considerations. Moreover, with its proposed 'Regulation on a European approach for Artificial Intelligence', it is also tackling the crucial question of AI. However, related policy debates are already object of intense lobby pressure that might lead these proposals of crucial importance and their laudable intentions to be derailed.

Against this backdrop, the ICSE issues the following recommendations

Regulators' mandate must mirror the scope of platforms:

At present, the horizontal impact of online gatekeepers poses serious challenges across numerous policy fields and distinct bodies of regulation, such as consumer rights protection, competition policy, and fundamental rights protection, that are managed and enforced in silos of sectoral policymaking. Rectifying this requires the establishment of a European meta-regulator that mirrors the scope of the economic and social impact of online platforms and consists of a pool of experts and purpose-built procedures that enable not just networking or coordination, but swift and decisive decision-making.⁶³ Related institutional capacity should be built up within the European Commission and not rely primarily on outsourcing arrangements that currently seem to be favoured by the European Commission.

Stricter merger control and punish violations of related conditionalities

The digital behemoths have secured their dominant market positions through a combination of own growth and the strategic acquisition of (potential) competitors. In the past, the European Commission, responsible for the enforcement of competition law in the European single market, has routinely granted permission for such mergers and acquisitions, albeit with strings attached, for instance by prohibiting Facebook to integrate user data from messenger service Whatsapp into its social networks. Today, it is becoming clear that market concentration has, as a result, reached excessive levels that enables especially the GAFAM to engage in abusive practices, partly as a consequence of the wilful breach of the conditionality attached to mergers, as in the Facebook-Whatsapp case. Where such violations are evident, previously approved mergers should be reversed. Going forward, the Commission's default position regarding requests for mergers between players with already significant market share should be to decline them, with all mergers in the digital sector being subject to authorisation, as opposed to simple notification, requirements.

Ensure interoperability across digital services and market places

The GAFAM strive on their ability to create constantly expanding but nevertheless closed environments for users in which they have total control over online communications and transactions. To prevent and fight such market domination, the behemoths' user environments need to be opened. This should take the form of comprehensive interoperability requirements that ensure users have real choice between different services providers without being locked into the digital environments created by dominant players. This would imply, for instance, that social networks or messaging services allow users to connect across different platforms and display contents from other networks, too.⁶⁴

⁶³ Nogaredo, J. (2021): Governing Online Gatekeepers – Taking Power Seriously, FEPS Study, available at: <https://www.feps-europe.eu/attachments/publications/governing%20online%20gatekeepers%201.pdf>,

⁶⁴ Ibid.

Ban targeted advertisement

By tracking and analysing the behaviour of their users, online gatekeepers have developed the ability to establish behavioural profiles that have predictive capacity. Accordingly, they possess the ability to determine, with significant probability, what kind of commercial offers users may be interested in, what preferences they have in terms of the concrete structure and appearance of such offers, and when they are likely to make a related purchase. This ability is sold to interested retailers and providers at a premium through targeted advertising services, creating a large and steady stream of revenue for online gatekeepers. From the perspective of consumers, such a business model constitutes nothing less than manipulation and an unfair intrusion into the private sphere. Targeted advertising should therefore be banned altogether.

Regulate user engagement techniques

To create ever larger bodies of data that can then be analysed and marketed, online gatekeepers make heavy use of so-called user engagement techniques to maximise the time users spend on their platforms. These include hyper-targeting of content and advertisements, automated recommendations, and 'dark patterns' that rely on behavioural 'nudges' to manipulate users' decision-making. Such techniques, have, however been found to create addictive behaviours and often work to create so-called rabbit holes, in which users are constantly fed exclusively with certain forms of contents to which they respond particularly strongly. In terms of online media consumption, this often leads to situations in which users over time are increasingly exposed only to certain types of news and underlying viewpoints, thereby losing sight of other media and other sides of the argument that is represented. Such techniques therefore play an important part in the increasing polarisation of public debate, both on- and offline, and thus pose risks to the functioning of democracy at the same time as constituting perfidious forms of manipulation used to increase corporate profits. To rectify this situation, such techniques should be regulated with a view to creating checks and balances and banning particularly harmful techniques altogether. As part of such regulatory work, online platforms should be required to notify regulators and seek their explicit approval before rolling out engagement techniques. Additionally, authorised techniques should be deactivated on platforms as a default setting and only be activated at the explicit request of users.⁶⁵

Foster diversity in the online marketplace for goods, services, and content

Due to the all-dominating market position the GAFAM have been able to secure for themselves, breaking up quasi-monopolies and increasing the permeability of the digital sphere alone may not be sufficient to break up the strong grip of online gatekeepers. To increase diversity and to improve the quality of commercial offers and information circulating successfully online and to create opportunities for European providers and businesses, the EU and Member States should engage in active support policies to boost the chances of success for European players, including by scaling up existing initiatives to make the opportunities of online marketing and e-commerce available to European businesses of all sizes, including small and micro enterprises and start-ups.⁶⁶

⁶⁵ https://www.ips-journal.eu/topics/democracy/the-eu-is-about-to-make-facebook-even-worse-4971/?utm_campaign=en_861_20210212&utm_medium=email&utm_source=newsletter

⁶⁶ Nogarede, J. (2021): Governing Online Gatekeepers – Taking Power Seriously, FEPS Study, available at: <https://www.feps-europe.eu/attachments/publications/governing%20online%20gatekeepers%201.pdf>,

A European framework for data altruism

To take account of the fact that data not only represents a commercially exploitable commodity but has the potential to contribute to the improvement of society in the interest of all its members, regulation and policy in Europe should actively support forms of data altruism that allow for its non-commercial use for purposes that are clearly in line with the public interest. This would enable, for instance, that mobility data, which is at present only accessible to the operators of the services and applications through which it is produced, is made available for research and development to improve public transport and urban planning.

The European Commission's proposals to this end, presented as part of the Data Governance Act, constitute a promising starting point in this respect. Such processes of data sharing for the common good should naturally be in full alignment with existing data protection frameworks and be subject to stringent transparency requirements. To this end, the decision of whether user-generated data is made available for such forms of data altruism should be left at the discretion of users, not the operators of the services and applications through which such data is sourced. Limited exceptions to this rule through mandatory forms of data sharing could be considered where the sharing of data is essential to meet clearly defined public policy objectives, in which case the scope of such exceptions should be defined by means legislation. Additionally, related provisions should ensure that the organisations gaining access to data through forms of data altruism are clearly bound by public interest considerations. Restricting access to certified not-for-profit organisations, such as universities and research institutes, should therefore be considered.

Define stringent rules to ensure AI is bound by ethical standards

With its proposal for a regulation on a European approach on Artificial Intelligence, the European Commission has delivered a good starting point for the ensuing legislative process. Especially as regards matters relating to fundamental rights and protection against discrimination, clear and enforceable ethical frameworks are needed as AI is increasingly used in sensitive areas, such as the scoring of consumers seeking loans or insurance. As a matter of principle, the outcomes and decisions that are based on the use of AI must always be contestable and reversible and be linked to stringent duties of care on the part of the principals on whose behalf they are taken. In areas in which the use of AI is considered to pose related risks, the preparation of fundamental rights impact assessments should be mandatory. In areas in which the risks of AI clearly outweigh potential benefits, its use should be banned. The Commission's proposal to impose such a prohibition for the use in recruitment processes is a welcome first step that should be complemented to include areas such as the military use of AI and facial recognition technologies in policing.

Require mandatory conformity checks for AI applications

AI technologies developed for manufacturing or individual use should be subject to product safety checks by market surveillance authorities prior to their introduction. Such checks should cover fundamental rights and consumer protection rules, including the possible risk of accidents resulting from interaction with humans. Europe should avoid a patchwork of national legislations and instead develop a single set of EU rules taking into account the interests of users, businesses and other stakeholders. Going forward, such a framework would be aided by the development of internationally recognised standards, which are, however, not available at present.

Make the use of AI transparent and empower citizens

Especially in the public sector, the use of AI should be subject to mandatory disclosure requirements in the form of publicly accessible registers. Such disclosure requirements should also be considered to apply to the private sector, especially as regards the use of AI in areas posing potential risks to fundamental rights infringements. The registers should come a legal obligation to disclose and document the purpose of the system, an explanation of the model and the information on who developed the system. This information has to be made available in a comprehensible and accessible manner. Additionally, Member States should be obliged to put into place support and advice services to assist citizens in exercising their right to non-discriminatory treatment vis-à-vis AI applications.

An ambitious industrial policy for ethical AI made in Europe

As a complement to such a legislative framework, the EU should also advance an ambitious industrial policy agenda in the field of AI in order to promote this distinct European and well-being-focussed approach to AI and enable EU developers and companies to seize related business opportunities. Digital technology, including AI, rightly constitutes a key priority in EU research and innovation funding. This focus should be maintained and complemented with further support measures to satisfy the funding needs of the sector, including through targeted programmes of public and promotional banks for digital start-ups and scale-ups. Provision of 'Clean' Data Sets: To become strong in the field of AI, both in the public and private sector, Europe needs to make significant investments in the accessibility of open, high-quality, and non-personal data sets, in which potential biases that may lead to discriminatory outcomes of the applications developed on their basis have been corrected. This requires an infrastructure where non-personal data can be shared in order to stimulate the generation of high-quality data. Related regulatory actions should therefore be prepared as part of ongoing legislative work on the Digital Markets Act and the EU Data Governance Act.⁶⁷

⁶⁷ https://www.socialistsanddemocrats.eu/sites/default/files/2020-02/sd_our_inclusive_digital_europe_en_200205_0.pdf

Additionally, EU policies designed to support the European AI sector should carefully consider the impact of the proliferation of AI on labour demand in the EU economy and prioritise AI applications that complement and improve the quality of human labour, especially in terms of job quality.

Establish national expertise centres for ethical AI

As part of a European strategy for a human-centred AI, Member States should be required to establish independent centres of expertise to monitor, assess, and provide advice to government, industry and civil society regarding the societal and human rights implications of the use of AI systems. As independent statutory bodies, the centres of expertise would have a central role in coordinating policy development and national strategies relating to AI, and in helping to build the capacity of existing regulators and industry bodies to respond to the increased use of AI systems. These centres should but provide essential expertise on how to protect fundamental rights, including data protection rights, and prevent collective and societal harm. Additionally, they should support small and medium-sized enterprises (SMEs) in fulfilling their obligations under fundamental rights due diligence, including by providing support for the preparation of fundamental rights impact assessments. Such centres should involve civil society organisations, stakeholder groups and enforcement bodies, such as Data Protection Authorities and National Human Rights Bodies, to benefit all aspects of the ecosystem and build trust, transparency and cooperation between all actors.⁶⁸

⁶⁸ <https://automatingsociety.algorithmwatch.org/wp-content/uploads/2020/12/Automating-Society-Report-2020.pdf>

3.4. Turn companies into agents of sustainable well-being for all

Transforming the EU economy in line with the principles of sustainable well-being for all is an endeavour that must involve all economic actors and stakeholders. Naturally, this encompasses the corporate sector, i.e., companies of all sizes, where the decades-long dominance of the growth and profits dogma has given rise to a corporate culture fully aligned with the logic of shareholder value and short-term profit extraction. Recent economic history, not only since the 2008 global financial crisis, is rife with examples of companies siphoning startling amounts of cash into the pockets of shareholders and senior management while handing the bill for the long-term harm caused by such greed to society at large.⁶⁹

The societal impacts of such ruthless profit extraction are increasingly evident. With more and more income being sucked up by top executives and

shareholders, the share of national income going to labour has, particularly since the financial crisis, been declining. This is true within Europe, and also within the wider G20.⁷⁰ As chapter 6 of this report will describe in more detail, such inequalities are posing increasingly severe threats to the cohesion and functioning of our societies.

Guaranteeing that the profit motive of companies is kept in check by effective measures to ensure that wider societal objectives are taken into account in corporate decision-making is therefore key in view of the many challenges associated with the transition to a carbon-neutral economy and the wider sustainable transformation of society. Fortunately, many corporations in Europe and around the world are already realising the problematic impacts of high and rising wealth and income inequality as well as climate change and environmental degradation, not only morally but also to their bottom line and are taking steps to improve their impact on human communities and the planet. Over the past decades, the concept of ‘Corporate Social Responsibility’ has turned into a principle by which many corporates abide and that, despite examples of so-called greenwashing, has the power to yield positive results.⁷¹ At the same time, the idea of ‘stakeholder capitalism’ is being discussed by international groups such as the OECD or the World Economic Forum with the implication that there needs to be a more considered questioning of the primacy of shareholders and a more equitable distribution of the value created, particularly to employees.⁷²

» Transforming the EU economy in line with the principles of sustainable well-being for all is an endeavour that must involve all economic actors and stakeholders.«

⁶⁹ For a good overview, see Paul Collier and John Cay (2020): Greed is Dead – Politics After Individualism, Allan Lane

⁷⁰ International Labour Organization and Organisation for Economic Co-operation and Development (2015): The Labour Share in G20 Economies, available at: <https://www.oecd.org/g20/topics/employment-and-social-policy/The-Labour-Share-in-G20-Economies.pdf>; Piketty, T. (2013). Capital in the twenty-first century (A. Goldhammer, Trans.). Belknap Press.

⁷¹ Examples include the World Wildlife Fund's Climate Business Network of companies that have defined scientifically validated climate action strategies and engage in related public reporting activities: https://wwf.panda.org/discover/our_focus/climate_and_energy_practice/what_we_do/climatebusiness/climate_business_network/

⁷² Schwab, K. with Vanham, P. (2021): Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet, Wiley

This implies at the very least reconsidering models of corporate governance and more radically ensuring a ‘fairer’ and more equitable return to shareholders.

Despite such positive examples, more is needed to achieve an overall improvement of the corporate sector’s contribution to the sustainable transformation of the EU economy. As a recent, highly publicised court ruling against the oil company Shell in relation to its lacking climate ambition illustrates, the scale and urgency of global sustainability challenges has reached such acute levels that continued inaction on the side of the corporates constitutes a violation of future generations’ fundamental rights, even in the view of courts that are required to consider guilt proven beyond reasonable doubt before convicting defendants.⁷³

With company law being a European Union competence and European single market legislation being able to make a substantial contribution in this regard, the European Union could and should thus become a pioneer of turning corporations into champions of regulated corporate social and environmental responsibility. By acting on these competencies, it has the power to re-define the purpose of business as going beyond the maximisation of shareholder value and being the creation of ‘public value’ for all stakeholders and ensuring its fair distribution while minimising negative externalities impacting on third parties and the environment. Crucially, this implies that company stakeholders, especially the workers running their day-to-day business as and communities in which they operate, are empowered and given leverage to influence companies’ course of action and have the means to hold them accountable.

Related policies do not have to be of a restrictive character per se. Already today, our economies are populated by alternative models of business, such as co-operatives, employee-owned businesses, or trusts where there is no such shareholder power, or new stakeholder models innovating stakeholder governance models and distributing fair and appropriate return within environmental constraints. The difficulty is that these kinds of business or organisation, as well as wider social economy organisations including mutuals and not-for-profits, are existing mostly at the margins of our economy.

Support for such business models, alongside regulatory interventions to ensure businesses of all kinds adopt a focus geared towards both long-term sustainability and stakeholder value, should therefore be a central element of EU company policy going forward. This would serve both to change markets as well as to increase the resilience of the economy.⁷⁴

Additionally, research on the so-called mission economy approach has shown how purposeful cooperation between the public and the private sectors, can be of instrumental value in turning the necessary transition to a new economic model into a successful venture for both society and businesses. By engaging and guiding businesses, government can play out its strength in seeing the ‘big picture’ and allow companies to find success in delivering solutions that directly work to nurture society’s well-being. The by now famous example of how the technologies turning smartphones into life-changing appliances have been developed through research and innovation projects in which governments and businesses worked hand in hand illustrates the power of such collaboration.

» The public sector will have to wake up, loose its naivety, and be firm in guiding the corporates’ hand.«

⁷³ The ruling of The Hague District Court (C/09/571932 / HA ZA 19-379) in English is available at: <https://uitspraken.rechtspraak.nl/inziendocument?id=ECLI:NL:RBDHA:2021:5339>

⁷⁴ Stiglitz, J (2009) ‘Moving beyond market fundamentalism to a more balanced economy’. *Public Coop Econ*, Vol. 80, No.3, pp. 345–360

However, as the story of this example continues to describe how only private corporations are reaping the profits of such breakthroughs, it also goes to show that the public sector will have to wake up, lose its naivety, and be firm in guiding the corporates' hand.⁷⁵ By strategically developing its capabilities to lead the private sector in the achievement of societal objectives as an active part of the economic landscape, not only as regulator but also as an economic player, governments possess the power to make a difference that markets alone would not be able to achieve. As the COVID-19 pandemic and the reliance of society and businesses on bold government action has illustrated clearly, the decades-long fight of business elites against the myth of 'big government' that judges active involvement of governments in markets as bad per se could hardly be more out of tune with the reality our societies and our planet is confronted with today.

3.4.1. A European accountable capitalism act

In market economies, the private sector's role is one of fundamental societal importance. Next to providing society with most goods and services that it requires to satisfy its immediate needs and build its well-being, private businesses account for the lions' share of the employment that citizens rely on to gain income. The COVID-19 pandemic, where the notion of 'essential businesses' was quick to emerge and private companies were relied on to develop the needed vaccines and equipment, has exemplified how in our system certain capabilities that society depends on to sustain itself are entirely in the hands of the corporate sector.

Recent decades, especially since the 1980s, have seen significant parts of the business community lose the sense of responsibility that must go hand in hand with its crucial role in society. Especially large businesses now define their purpose in creating maximum shareholder value from one quarter to the next, frequently at the expense of their own future viability. Throughout the last decade, average dividend pay-outs in listed EU companies in the STOXX 600 (the 600 largest companies listed on European stock exchanges) have at times increased to over 70% of profits. Additionally, shareholders are increasingly demanding 'share buy-backs', which involve companies using their profits, and sometimes even credit, to allow shareholders to

trade cash for their shares at inflated prices.

Yet, as was brought to the fore by the pandemic, such short-termism and profit-extracting behaviour is detrimental to the viability of businesses themselves. Citizens across the EU remember well how companies, which had bled their coffers empty to pay out dividends and bonuses only a few weeks earlier, relied on public support to stay afloat shortly after the coronavirus crisis struck.⁷⁶ Moreover, industrial relations research shows that companies giving stakeholders a say, especially through employee representatives' involvement in decision-making at supervisory or management board level, are more profitable in the long run, prove more resilient vis-à-vis economic shocks, and are less indebted than competitors without comparative social dialogue practices.⁷⁷ Additionally, such businesses are found to score consistently and significantly better regard-

» Research finds that companies giving stakeholders a say are generally more profitable in the long run, prove more resilient vis-à-vis economic shocks, and are less indebted.«

⁷⁵ Mariana Mazzucato (2015): *The Entrepreneurial State*, 2nd revised edition, Penguin Books

⁷⁶ Mazzucato, M. and Andreoni, A. (2021): No more free-lunch bailouts, available at: <https://www.social-europe.eu/no-more-free-lunch-bailouts>

⁷⁷ Marc Steffen Rapp, Michael Wolff (2019): Strong Codetermination – Stable Companies: An empirical analysis in lights of the recent financial crisis, available at: https://www.boeckler.de/pdf/p_mbf_report_2019_51e.pdf

» If companies are found to be engaged in opaque ownership structures, for instance through holding companies in jurisdictions that can be classified as tax-havens, they should be denied access to public contracts and state aid unless a binding and time-bound roadmap for the unwinding of such opaque structures is drawn up.«

ing key sustainability indicators such as fair human resources management, environmental protection, community involvement, and fundamental rights protection than less stakeholder-oriented competitors.⁷⁸ Yet, despite such clear economic, social, and environmental advantages for companies and societies alike, European legislation over the past 40 years has worked more to restrict stakeholder rights and economic democracy.⁷⁹

Recognising how the European public demands a greater contribution of the business community to addressing the manifold challenges society's well-being is faced with in times of rampant pov-

erty, inequalities, and climate change, and given the pressure built by progressive political forces since the 2019 European elections, the European Commission, too, has begun to recognise the importance of related action. With its proposal for a Corporate Sustainability Reporting Directive of April 2021 as well as its commitment to launch a Sustainable Corporate Governance package, expected for publication during the second half of 2021, the door may have opened for the achievement of meaningful change. However, in view of persisting shortcomings of such initiatives, and in view of likely resistance from Member States and parts of the business community, creating public and political pressure remains indispensable to make the achievement of meaningful results possible.

The ICSE therefore proposes to engage with the European Commission's work and, by building on the ideas developed by US Senator Elizabeth Warren,⁸⁰ to turn work towards its transformation into a 'European Accountable Capitalism Act' that commits the business community to work towards sustainable well-being for all in Europe and the world. As part of this European Accountable Capitalism Act, the ICSE issues the following recommendations.

70%

Throughout the last decade, average **dividend pay-outs** in listed EU companies in the STOXX 600 have at times **increased** to over 70% of profits.

⁷⁸ European Trade Union Institute (2020): Benchmarking Social Europe 2019, p. 76, available at: <https://www.etui.org/sites/default/files/BENCHMARKING%202019%20Web%20version%20-%20Copy.pdf>

⁷⁹ European Economic and Social Committee (2020): An EU legal framework on safeguarding and strengthening workers' information, consultation and participation, Study available at: <https://www.eesc.europa.eu/sites/default/files/files/qe-02-20-818-en-n.pdf>

⁸⁰ <https://www.warren.senate.gov/imo/media/doc/Accountable%20Capitalism%20Act%20One-Pager.pdf>

Require large and high-risk corporations to define comprehensive sustainability strategies

As part of its proposal for a Corporate Sustainability Reporting Directive, the European Commission has proposed a mandatory requirement for large companies to define concrete strategies, including specific targets and concrete measures, to ensure their business model and strategy is compatible with key sustainability objectives, including the objective of limiting global warming to 1.5 degrees in line with the Paris Climate Agreement. To ensure the measures set out as part of such strategies are defined in adequately robust ways and to ensure the transparency of related reporting activities, the Commission intends to work towards the adoption of binding standards, which are to be published in 2022, based on a proposal to be delivered by the European Financial Reporting Advisory Group (EFRAG).

The ICSE invites progressive political forces to engage constructively with the Commission's proposal, bolster them, and work towards the swift adoption of related legislation. Such action should serve to ensure an adequately broad scope of the envisaged legislation. A purely numerical definition of the directive's scope of application should be avoided to ensure that not only large enterprises but also small companies active in sectors in which high risks for environmental and social sustainability are evident are also covered by its provisions. Progressives should also defend a broad set of social and ecological sustainability objectives to be included in corporate sustainability strategies, including objectives relating to the protection of biodiversity, the protection of fundamental and workers' rights, and respect for good governance and anti-corruption principles. Requirements relating to the definition of corporate sustainability strategies, as well as related reporting requirements and standards, should be structured in a way that ensures companies are guided by concrete and time-bound roadmaps for the improvement of their sustainability impact and that sufficient information is made available to assess whether companies comply with the targets set out in such strategies.

A European directive on mandatory corporate due diligence

In March 2021, a broad majority in the European Parliament, led by S&D rapporteurs across all associated parliamentary committees, united behind far-reaching proposals to ensure companies that are either registered in the EU or are active in its single market respect the fundamental rights of the people and communities they engage with, actively contribute to the protection of the environment, and comply with the principles of good governance.⁸¹ To this end, Parliament called on the European Commission to issue a legislative proposal in the form of a directive requiring all companies employing more than 250 workers, publicly listed companies, and companies of all sizes active in sectors in which high risks of potential breaches prevail to engage in extensive and proactive due diligence practices. Importantly, such due diligence would have to cover companies' entire value chain, including their activities outside the territory of the European Union as well as that of subsidiaries, sub-contractors, and suppliers.

⁸¹ European Parliament (2021): Report with recommendations to the Commission on corporate due diligence and corporate accountability (2020/2129(INL)), available at: https://www.europarl.europa.eu/doceo/document/A-9-2021-0018_EN.pdf

To comply with these requirements, covered undertakings would be required to map out their entire value chain and carry out systematic assessments as to the risk of potential infringements of social, worker and trade union rights, environmental standards, and good governance principles.⁸² If actual or potential risks of violations are identified, companies would be obliged to draw up comprehensive due diligence strategies to contain and eliminate such risks, including through effective measures ensuring compliance on the part of sub-contractors and suppliers. Crucially, Parliament calls on the Commission to guarantee that companies consult with stakeholders, including trade unions, local communities, and civil society organisations in the development of such strategies and to ensure that stakeholders are in a position to identify risks to be included in due diligence strategies.

As part of their due diligence strategies, companies would also be required to establish grievance mechanisms that would serve both early-warning purposes and a mediation function in cases of actual infringements. Such mechanisms must foresee a right for stakeholders to activate related proceedings and to remain involved throughout the process until its conclusion through effective remedies and compensation measures. Parliament calls on the Commission to ensure, however, that the existence of such grievance procedures in no way affects the right of victims and stakeholders to initiate legal proceedings against non-compliant companies in front of ordinary courts.

In Parliament's proposal, covered companies would be obliged to make public their due diligence strategies, including in a dedicated online repository managed by the European Commission, to evaluate them at least on a yearly basis, and to adapt them whenever their value chains are modified in a way that new risks emerge. Compliance with the directive would be enforced by Member States, which would be obliged both to carry out pro-active audits and to open investigations through the offices of public prosecutors in cases of suspected non-compliance. If companies are found to violate the requirements set out in the due diligence directive, Member States would be required to impose sanctions, which may take the form of financial fines, the exclusion of companies from state aid measures and public procurement, and the temporary closure of EU-registered companies or the revocation of the authorisation to operate in the EU single market of companies registered outside the EU territory.

In the view of the ICSE, the European Parliament's proposal for a directive on mandatory corporate due diligence describes a powerful instrument to enforce strong principles of corporate social responsibility on companies operating in the EU single market. By also taking into view the entire value chains of companies, including subcontractors and suppliers, outside the EU, the proposal has the potential to become a ground-breaking project that actively fosters good corporate practice throughout the global economy. To add further strength to the proposal, the ICSE encourages progressive political forces to consider the inclusion of the corporate sustainability strategies (see previous proposal) under the mandatory due diligence framework, including its penal provisions. This would serve to ensure that companies are not only required to define such strategies and to report on their implementation but are liable in cases of negligent action leading companies to miss the targets set out in such strategies.

⁸² The exact content of the legal provisions and standards covered by the directive would be defined as part of the legislative process, hence based on a proposal to be delivered by the European Commission, and, according to the European Parliament, should cover the relevant bodies of EU law as well as internationally agreed standards.

Condition state aid and access to public procurement on good corporate governance

Companies wishing to apply for public contracts or depending on state aid, for instance to cope with temporary shocks, should be obliged to make public their entire ownership structure and financial interests. If companies are found to be engaged in opaque ownership structures, for instance through holding companies in jurisdictions that can be classified as tax-havens, companies should be denied contracts and aid unless a binding and time-bound roadmap for the unwinding of such opaque structures is drawn up. Similar practices have already been applied in several EU Member States as part of coronavirus crisis support packages and have proven to be feasible in avoiding that public funds are used to increase the wealth of the already privileged.⁸³ Moreover, state aid packages should be linked to conditionalities that ensure that recipient companies undertake meaningful action to contribute to the decarbonisation of the EU economy, refrain from paying out dividends, limit management bonuses, and refrain from laying off workers within a specified period of time.

Strengthen employees' right to board-level representation

To make full use of the potential of economic democracy and social dialogue in managing the transition towards a sustainable economy, the European Commission should propose legislation to establish a mandatory minimum floor of board-level participation rights throughout the European Union. Such minimum standards should apply to all companies in the private and public sectors above a certain size and be formulated in a way that restructuring and cross-border company conversion processes cannot lead to the effective restriction of such rights, as is frequently the case in the currently applicable framework.⁸⁴

Bolster workers' rights to information and consultation

Additionally, reforms should be undertaken in the EU legislative framework for workers' information and consultation rights. In particular, this should lead to the revision of the European Works Council (EWC) directive to rectify the situation in which most existing EWCs operate as symbolic bodies without decisive impact.⁸⁵ This would include broadening the mandate of these bodies to include not only matters of transnational company strategy but also matters of common concern to the covered workforce, establishing robust provisions to guarantee proper information and consultation rights, at the same time as introducing measures to ensure access to justice and effective sanctions for violations of EWC rights. This should be flanked by the introduction an EU framework directive on anticipation, workers' information, consultation and co-determination in cases of

⁸³ <https://www.accountancyeurope.eu/wp-content/uploads/Long-term-tax-policy-changes-for-a-sustainable-recovery.pdf>

⁸⁴ European Economic and Social Committee (2020): An EU legal framework on safeguarding and strengthening workers' information, consultation and participation, p. 25-27, Study available at: <https://www.eesc.europa.eu/sites/default/files/files/qe-02-20-818-en-n.pdf>

⁸⁵ European Economic and Social Committee (2020): An EU legal framework on safeguarding and strengthening workers' information, consultation and participation, p. 23, Study available at: <https://www.eesc.europa.eu/sites/default/files/files/qe-02-20-818-en-n.pdf>

change and restructuring to ensure workers representatives, employers, public authorities and other relevant stakeholders throughout the European Union prepare and manage corporate change and restructuring in socially responsible ways.

Eliminate incentives for company directors to focus excessively on shareholder interests

Sales of company shares by the directors and officers of listed companies should be restricted. Especially senior managers are today compensated mostly in company equity, which strongly incentivises them to focus exclusively on shareholder interests. To ensure that they are focused on the long-term interests of all corporate stakeholders, company directors should not be allowed to sell company shares within five years of receiving them or within three years of a company stock buyback.

Limit the voting rights of large shareholders

To limit the concentration of power within large companies, the voting rights of large companies should be restricted. To this end, investments beyond a certain threshold, which could be made conditional on the size of the company, would not lead to increases in the voting rights of the same magnitude.⁸⁶ For instance, in large companies, investments beyond 10% of the company's total stock of shares would only lead to increases in voting power equal to 1/3 of the amount of investment beyond the 10% threshold, with the remaining 2/3 of such voting rights being reallocated to smaller investors, employees, or other stakeholders.⁸⁷ Threshold values and re-allocation keys could be made conditional on the size of the company, for instance in terms of employees or turnover, to limit the impact of such a measure on small and family-owned businesses.

Reward patient shareholding

As proposed by a recent report of the European Parliament's legal affairs committee,⁸⁸ the European Commission should propose a revision of the shareholder rights directive to integrate incentives for patient shareholding. Such measures should work to discourage frequent sales of company shares, which exert pressure on company directors to focus overly on the short-term development of their companies' share prices, and reward long-term commitment on the side of shareholders. This could, for instance, take the form of provisions granting patient shareholders additional voting rights, or allowing them to 're-gain' voting rights in the context of the previous proposal, when they remain invested in a company for a sufficiently long time. Additional tax incentives for long-term shareholding, or disincentives for short-term shareholding, could also be considered in this regard.

⁸⁶ Piketty, T. (2021): *Capital and Ideology*, Harvard University Press, pp. 974-5

⁸⁷ Accordingly, a shareholder holding shares equal to 25% of total stock of company shares would hold 15% of the total voting rights (10% of voting rights for the first 10% invested, 5% of voting rights for the 15% of shares beyond this).

⁸⁸ See European Parliament Report on Sustainable Corporate Governance (2020/2137(INI)), available at: https://www.europarl.europa.eu/doceo/document/A-9-2020-0240_EN.pdf

» Across Europe and advanced economies more broadly, heightened awareness of the climate crisis and widening gaps in societies have led to renewed interest in responsible entrepreneurship.«

3.4.2. A European benefit corporation statute

Across Europe and advanced economies more broadly, heightened awareness of the climate crisis and widening gaps in societies have led to renewed interest in responsible entrepreneurship. Companies, including global mega-corporations, pledging to achieve greenhouse gas neutrality within specific timeframes or companies highlighting their commitment to the well-being of citizens and their communities through elaborate communications campaigns already today constitute commonplace phenomena. Such practices often reflect changed preferences of consumers in affluent societies who are growing increasingly conscious of how narrow-minded corporate profit-maximisation frequently leads to detrimental outcomes for society and the environment and begin to look for alternatives. More often than not, related changes in corporate behaviour lack transparency beyond the superficial claims publicised by businesses themselves and thus leave the contribution to the public cause to the virtue and goodwill of private enterprise.

A promising alternative route has been pioneered in Italy, where in December 2015 company law was amended to create the new statute of ‘Società Benefit’, or benefit corporation.⁸⁹

Companies adopting the benefit corporation statute are guided, next to the profit motif, by clearly defined and legally encoded public benefit purposes, such as providing low-income or underserved communities with beneficial products and services, providing opportunities for the weak or marginalised, or protecting and restoring the environment. Moreover, the benefit corporation statute stipulates the requirement for the ‘Società Benefit’ to publish comprehensive audits and in fact measurements of its contribution to such public benefit purposes, using externally developed auditing methodologies that also take into account all relevant dimensions of corporate governance relating to employee and environmental matters.⁹⁰

As was proposed by the first ICSE policy report, the benefit corporation approach should be taken up by the European Commission and translated into a forceful EU strategy to foster its Europeanisation with a view to making benefit corporations the predominant legal form EU-registered companies within ten years.

To this end, ICSE issues the following recommendations:

⁸⁹ Note that the concept of benefit corporations used here takes inspiration from the Italian statute of ‘Società Benefit’, hence a business statute entirely governed by public law and with enforceable legal obligations. This distinguishes it significantly from the B-Corp approach becoming increasingly popular in the United States, which is mainly driven by private certification schemes and much weaker and less enforceable obligations, for instance in terms of reporting.

⁹⁰ Alissa Pelatan, Roberto Randazzo (2016): The First European Benefit Corporation: blurring the lines between social and business, available at: <https://bateswells.co.uk/wp-content/uploads/2019/06/benefit-corporation-article-june-16-pdf.pdf>

An EU directive establishing the benefit corporation statute in all EU Member States

The first element in this strategy would be the adoption of an EU directive to create the benefit corporation status in all EU Member States. The directive would stipulate the legal requirements for companies seeking registration as benefit corporations as well as related reporting duties. Ideally, these requirements would entail the 'do no significant harm' principle developed in the framework of the EU sustainable finance strategy.⁹¹ This principle would work to ensure that benefit corporations strive to make contributions to a specific public benefit purpose of their choosing, while at the same time avoiding detrimental impacts (i.e., significant harm) on a set of general environmental and social purposes to be laid out by the directive. The Commission's proposal should further include provisions to create a uniform label for benefit corporations in order to ensure consumers can easily recognise benefit corporations as public purpose-driven businesses.

Introduce incentives and provide support services to promote the uptake of benefit corporation statute

To promote the uptake of the benefit corporation statute, including among small and medium-sized enterprises, it should be structured as simply as possible and be accompanied by EU-level and national incentives, for instance through privileged access to public procurement, dedicated investment and investment support vehicles. Additionally, national governments should consider establishing dedicated support services to assist benefit corporations, especially small and micro enterprises, with the reporting duties associated with this new statute. This could, for instance, take the form of the development of standardised reporting tools as well as public bodies offering audits at low cost or free of charge for benefit corporations falling below a certain turnover threshold.

⁹¹ Cf. Final report of the Technical Expert Group on Sustainable Finance (March 2020), available at: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy_en.pdf

3.4.3. Boost the social economy

The social economy accounts for more than 6% of employment and between 6-8% of EU GDP.⁹² Social enterprises, typically taking the form of non-profit or not-for-profit forms of businesses, are deeply rooted in local communities, operate on the basis of participatory and democratic decision making, and provide essential services, for instance in social care, health, and education. The social economy also includes co-operatives and mutuals which, at their core, are designed to deliver good pay to employees and affordable goods and services to their customers rather than serving the interests of shareholders.

6-8%

The social economy accounts for more than **6% of employment** and between **6-8% of EU GDP**

In recent years, there has been a tendency to see the social economy as just dealing with market failure, in other words, supporting those who are having difficulty in finding work or providing goods and services that the market fails to deliver or under-provides. However, they, along with other kinds of alternative business such as trusts or new models of ecological or stakeholder company need to be rather

seen as part of market transformation in order to reduce income and wealth inequalities, spread economic power, as well as contribute to more sustainable futures.

In many ways, the social economy has been at the frontline of the current pandemic and has proven critical to communities' and society's resilience in the face of COVID-19. Making emergency assistance available to social economy enterprises has therefore rightly been a key area of concern in the delivery of EU measures in view of the economic and social crisis and has been made eligible to benefit from various financial support measures, including under the Next Generation EU programme and its adjacent Recovery and Resilience Facility.⁹³ Such measures amount to important stabilisation efforts, but do not, as of yet, constitute a strategic plan to boost and develop the potential of the social economy in the transition to a sustainability and well-being-focused economic model in Europe.

The European Commission, which committed to proposing a social economy action plan in its 2020 work programme, decided to postpone this strategy in view of the Coronavirus crisis, which is now due for publication in 2021. The ICSE has already called for such a strategic agenda for the social economy in its first policy report and therefore wishes to recall the importance of following through with their implementation.

IN this regard, the ICSE issues the following recommendations:

» The social economy has been at the frontline of the current pandemic and has proven critical to communities' and society's resilience in the face of COVID-19.«

⁹² European Economic and Social Committee (2015): Recent evolutions of the Social Economy in the European Union, Study available at: http://www.ciriec.ulg.ac.be/wp-content/uploads/2017/10/RecentEvolutionsSEinEU_Study2017.pdf

⁹³ European Parliament Research Service (2020): What future for the social economy? Study available at: [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2020\)659336](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2020)659336)

An EU social economy action plan that addresses current challenges

The forthcoming social economy action plan constitutes a chance for the European Commission to build on the ICSE's previous proposals and lay out a consistent frame of legislative and non-legislative action to work towards their implementation. Key elements included in this previous ICSE report concern the creation of consistent European statutes for mutual societies, associations, and foundations to facilitate their cross-border (co-)operation in the single market, measures to improve access to finance for social economy enterprises, developing and collecting better statistics of social economy activities, and action to increase the attractiveness of careers in the social economy. The action plan should, as far as possible, be supported by a robust assessment of the specific impact of the pandemic on the social economy and, if necessary, include dedicated measures to provide further emergency support measures to social enterprises. Beyond this, it should address the following strategic actions.

A dedicated Commission service to coordinate policy for the social economy

The European Commission should establish a dedicated service for the coordination of policy for the social economy to leverage its potential for societal and environmental change in the interest of sustainable well-being for all. To this end, the temporary and informal taskforce created under the joint leadership of the Directorates General for 'Employment, Social Affairs and Inclusion' and 'Internal Market, Industry, Entrepreneurship and SMEs' should be formalised and be equipped with a robust mandate to provide effective policy development and policy coordination across all policy areas under EU competence with direct relevance for the social economy.

Include the social economy in the future EU social sustainable finance taxonomy

The structure and needs of social economy enterprises should be considered closely in the development of a social investment taxonomy (see section 3.3.1.) with a view to making social economy activities eligible for inclusion under the taxonomy. This should equally be the case in the development of a European social bond standard as part of the EU sustainable finance strategy.

Support the digitalisation of the social economy

Particular challenges have been detected regarding the uptake of digital technologies and solutions in the social economy sector, mainly due to high capital costs.⁹⁴ This has had severely damaging effects on operability of many social economy operators during the pandemic and prevented it from making an even bigger contribution to societal resilience in view of the coronavirus crisis. The European Investment Bank and National Promotional Banks should therefore launch dedicated support programmes for the digitalisation of the social economy, for instance in the form of preferential loan terms or guarantee schemes.

Foster collaboration between the social economy and conventional businesses

A recent study carried out on behalf of the European Executive Agency for SMEs (EASME) has highlighted the high value and mutual benefit of cooperation between social economy enterprises and traditional businesses, typically leading conventional businesses to adopt new measures of corporate social responsibility and allowing social enterprises to engage in processes of learning and innovation.⁹⁵ Related programmes should be offered and run on a permanent basis and be supported under the European Structural and Investment funds.

3.4.4. Innovation for sustainability

The need to embark on a fundamental transformation of society to achieve sustainability and well-being for all challenges citizens and business to do things radically differently. Research and innovation can be of instrumental value in this regard, by providing solutions for the clean and cost-effective energy and mobility, new and truly sustainable models of consumption, technologies and business models that make economic opportunities available for citizens in remote regions, or by delivering innovations for better and easily accessible public services.

Using innovation policy to meet societal challenges, however, necessitates a different approach to research, development, and innovation then has been followed in the European Union to date. Traditionally, EU innovation support has mainly been

preoccupied with questions of industrial competitiveness. By focussing funding on industrial champions to accelerate innovation cycles and create, defend, and enlarge their competitive advantage in global markets, EU research and development support has, over the years, evolved into an elitist circle accessible almost exclusively to the 'best in class'.⁹⁶

What is more is that such a narrow focus on industrial leadership and competitiveness reduces innovation to purely commercial considerations. Accordingly, the history of innovation policy of recent decades is rife with examples of how publicly funded research has led to breakthroughs that were then exploited based on entirely commercial considerations by the private sector. While this allowed businesses to generate startling profits, frequently through excessive pricing strategies, the public interest, for instance in terms of ensuring equitable access to new digital technologies

⁹⁴ European Parliament Research Service (2020): What future for the social economy?, pp.6-7, Study available at: [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2020\)659336](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2020)659336)

⁹⁵ EASME (2019) Social Business Initiative (SBI) follow up: Cooperation between social economy enterprises and traditional enterprises, Study and Executive Summary available at: https://ec.europa.eu/growth/content/social-business-initiative-sbi-follow-cooperation-between-social-economy-enterprises-and_en

⁹⁶ European Policy Centre (2021): The Industrial Strategy Refresh: A new opportunity to reboot the EU's industrial innovation performance, Policy Brief available at: <https://epc.eu/en/Publications/The-Industrial-Strategy-refresh-3da158>

and pharmaceutical treatments, had to take the back seat, despite public funds being critical in launching the underlying innovation cycles.⁹⁷

Innovation policy in support of sustainable and cohesive societies that nurture the well-being of their citizens, bridge gaps between the old and the young, rural and urban regions requires a shift in focus. It requires an understanding of research and innovation as an essential public good that is provided to all citizens and communities that rely on its outputs to satisfy their well-being-related needs and aspirations. Instead of aiming to create and defend a competitive edge, this public good function of research and innovation is associated with the objective of equalising living conditions and access to social and economic opportunities.

To fulfil this task, innovation processes need to be mission-oriented, hence focus on achieving specific well-being-related outcomes that are purpose-built for the communities they are meant to benefit. Such processes rely on networks of actors, comprising researchers, businesses, and stakeholders, that are led by governments that actively manage them to create 'public value' by contributing to a common societal purpose. Instead of 'nudging' markets to adapt and hone their capabilities, the role of government in missions of this kind is to create entirely new markets that work better to satisfy society's well-being-related needs and to take the associated financial risk by acting as the investor of first, not last resort.⁹⁸

In the European Union, unique capabilities are already available to bring such a mission-oriented approach to research and innovation that addresses key societal challenges under the leadership of an entrepreneurial state to fruition. With more than 300 major public research infrastructures existing in Europe, for instance in the form of research institutes and networks that combine world-class scientific expertise with funding that does not depend on immediate commercial success, spurring cutting-edge innovation for the sake of social and environmental justice, and not for maximum profit, constitutes a real possibility. This potential to create public value, for instance in the energy transition, mobility, digital economy, health and demographic transition, must be systematically leveraged.

However, this would imply that such capabilities are not only used to conduct fundamental research but also remain actively involved throughout the subsequent stages of the cycle of innovations, including their commercialisation and roll-out. Such endeavours could further benefit from structured cooperation with public and mixed public-private enterprises, which, despite pressures of privatisation in recent decades, continue to populate EU markets in large numbers.

Otherwise, the fulfilment of such tasks would continue to rely on operators whose only aim is to generate maximum profit, which too often leads to either excessive user prices or the stalling of innovation processes that do not promise immediate concerns, despite their proven social and ecological value.⁹⁹

Next to a shift in focus in the governance of research and innovation, the success of mission-oriented research also requires reforms in the science sector, where over-specialised research has at times lost touch with the challenges faced by a global population affected by exacerbating inequalities and environmental degradation. As the 2019 Global Sustainable Development Report notices, "[t]he world now needs more sustainability science. That is a new, more engaged academic field of studies that sheds light on complex, often contentious and value-laden, nature-society interactions, while generating usable scientific knowledge for sustainable development. That means dealing with risks, uncertainty, ethical issues and appropriate use of the precautionary principle. It involves working with affected groups to recognise problems and goals and identify key trade-offs".¹⁰⁰ Although underdeveloped at present, in Europe as much as worldwide, pioneering sustainability science projects have proven their ability to create new forms of knowledge and, importantly, make them applicable in ways that turn challenges and dilemmas into co-benefits for people and planet. By combining knowledge from multiple scientific disciplines, collaborating with heterogeneous sets of citizens, business and government stakeholders, such science has a potential to boost sustainable well-being for all that must be developed and harnessed strategically.

Since its recent overhaul, Horizon Europe, the EU's principal funding programme for research and innovation with a budget of €95.5 billion for the period

⁹⁷ Mariana Mazzucato (2015): *The Entrepreneurial State*, 2nd revised edition, Penguin Books

⁹⁸ Ibid.

⁹⁹ Florio, M. and Giffoni, F. (2019): *L'impatto sociale della produzione di scienza su larga scala: come governarlo?*; Forum Disuguaglianze Diversità, available at: https://www.forumdisuguaglianzediversita.org/wp-content/uploads/2019/09/Florio-Giffoni_x96206.pdf

¹⁰⁰ Independent Group of Scientists appointed by the Secretary-General (2019), *Global Sustainable Development Report 2019: The Future is Now – Science for Achieving Sustainable Development*, United Nations, New York, p. 120, available at: https://sustainabledevelopment.un.org/content/documents/24797GSDR_report_2019.pdf

» Mission-oriented innovation should not only be a priority for large-scale funding programmes at the European level but should also guide action at the national, regional and local levels.«

between 2021-27, has begun to embrace the mission orientation as part of its portfolio of research and innovation support policies. Accordingly, five mission areas (fighting cancer, adaptation to climate change, healthy oceans, climate-neutral and smart cities, healthy soils and food) have been defined to launch related projects.¹⁰¹ In this regard, the European Commission can rightfully claim to assume a pioneering role. However, important challenges remain in the full and successful implementation of the mission approach, which will require the Commission to engage in comprehensive processes of experimentation, learning, and capacity building.

Moreover, mission-oriented innovation should not only be a priority for large-scale funding programmes

at the European level. In fact, similar approaches can be duplicated at national, regional, and local levels where social and technological innovation solutions are urgently needed to meet concrete problems that citizens, their communities, and businesses are faced with in the transition to a sustainable economy and society. The European Commission should therefore regard the turn towards this special kind of innovation policy as a process of innovation leadership in itself and work to scale it up to bring governments and public authorities at all levels on board. To ensure the successful implementation of the mission-oriented innovation approach at the level of the European Commission and begin its mainstreaming across all levels of governance, the ICSE recommends focussing on a number of key areas.

Building cross-sectoral capacity in the European Commission

Mission-oriented innovation requires collaborative and cross-sectoral approaches to the governance of innovation processes and their outputs. To succeed, the Commission services leading the networks of researchers, stakeholders, and businesses that are driving the innovation process must stimulate constant exchange, cooperation, and mutual learning among these partners and ensure constant feedback between the innovation network and the specialised government services responsible for the policy areas concerned throughout the process and the lifecycle of the envisaged innovation outputs. This may prove challenging for the European Commission, an institution that is mainly following a sectoral approach in which different departments

¹⁰¹ Cf. https://ec.europa.eu/info/horizon-europe/missions-horizon-europe_en

(Directorates General (DGs)) claim exclusive responsibility for their policy fields and prefer to work in 'silos'. Implementing the mission-oriented innovation approach successfully in the European Commission requires that new organisational processes and cross-sectoral coordination capacity is built in the institution. While the establishment of so-called mission boards chaired by high-level representatives of different Commission Directorate-Generals for the supervision of the Horizon missions appears to be promising step in this regard, the Commission must also ensure that adequate administrative capacity is built for the actual day to day management of innovation missions. Unlike in previous Horizon programmes, such project management should not be outsourced to external providers. Only this way can a purpose-driven organisational culture develop that is key for the success of innovation missions, built on strong horizontal coordination and geared towards building institutional knowledge and best practices.¹⁰² Crucially, the such governance structures for mission-oriented innovation processes should be closely linked to, and build upon the insights generated by, the Future Sustainable Well-being Capacity in the European Commission to ensure high degrees of consistency with the objectives and analysis underpinning future EU policy at large.

Draw on the own learning curve to mainstream the mission-oriented approach

This institutional learning process should be documented, evaluated, and developed into a comprehensive mainstreaming strategy targeting all EU policy fields and all levels of government. In practice, all EU programmes, especially those with an investment component, can become enablers of mission-oriented innovation. Providing the managing authorities with insights into the benefits of this approach, as well as practical guidance for its implementation, can serve to multiply innovation missions and the development of innovative solutions far beyond the EU research and innovation programmes. Related guidance should also be provided to national, regional, and local authorities where the mission-oriented approach to innovation has already sparked significant interest as a lever to boost regional development and to provide locations specific solutions for challenges associated with the necessary transition to a sustainable economic and social model.¹⁰³ Additionally, such mainstreaming approaches should also be built into EU development cooperation to assist developing and transition countries with the adoption of the mission-oriented approach to research and innovation and build related capacity.

Establish European innovation hubs

To build capacity for mission-oriented innovation in Europe, the European Commission should work towards the establishment of European innovation hubs. Such hubs should connect public research infrastructures, such as public research institutes and networks, public, private, and mixed companies across borders to collaborate as part of long-term-oriented innovation missions. Such collaboration should be geared towards the joint development of technology and innovations, as well as to the transfer of knowledge and technologies across the participating organisations. Through such hubs, which could be structured thematically to deliver solutions to address key challenges relating to climate change, the energy transition, mobility, digital economy, health and demographic transition, scientific breakthroughs and progress could be made widely accessible across Europe and disseminated based on considerations of social and environmental justice, not only commercial viability.

¹⁰² Mazzucato (2021), p. 117

¹⁰³ <https://pes.cor.europa.eu/place-based-approach-key-research-and-innovation>

Boost European sustainability science

To increase sustainability science capacity in the EU, the European Commission should engage with Member States to mainstream the approach across the European academic landscape. This would imply updating course curricula in a way that equips graduates with the ability to communicate and collaborate across disciplinary boundaries, to engage with non-academic stakeholder communities, and to identify and address socially relevant research questions. To nurture the nascent European sustainability sciences, EU Research and Development Funds, in particular the Horizon programme, should make the funding of related research projects and the aim of building European excellence in the sustainability sciences a key priority. Additionally, career incentives for professional researchers should be reformed in a way that rewards trans-disciplinarity and social engagement, and not only, as is often the case at present, high degrees of specialisation and publications in a select number of academic publications.¹⁰⁴

Adapt private sector research and innovation funding

Boosting private sector mission-oriented research and innovation also requires policy change in the innovation funding landscape. EU governments currently display a strong bias towards supporting innovation mainly through tax incentives for private sector companies engaged in research and development. Tax incentives, however, are only successful in stimulating research and development in late stages of the innovation cycle, e.g., where research and development are conducted to prepare the commercialisation of pre-existing solutions or technologies. To stimulate basic and applied research, the key ingredient of mission-oriented innovation, tax incentives have much smaller impacts than direct financial support. The shift towards mission-oriented innovation should therefore be accompanied by a rebalancing of innovation funding towards more grants and less and better targeted tax breaks.¹⁰⁵ However, to avoid situations in which public funds are used to take risks at early stages of the innovation cycle, yet the profits generated through successful innovations exclusively remain with the businesses that commercialise such solutions, public innovation funding bodies should, as matter of principle, retain either equity or (partial) intellectual property in them.

Develop a European standard for innovation funds

To increase funding available for the support of research and innovation, the equity and intellectual property held by governments from innovation projects should be transferred into innovation funds that support the next cycle of innovation. Such funds can potentially be established at all levels of government, from the EU level down to the local level. Such funds and the arrangements for retaining equity and intellectual property should be based on a common European standard to facilitate cross-border cooperation among innovation stakeholders. The European Commission should therefore propose a regulation to establish a uniform statute for such funds in all EU Member States.¹⁰⁶

¹⁰⁴ For a detailed discussion of necessary reforms in science and academia with a view to boosting sustainability science, see Independent Group of Scientists appointed by the Secretary-General (2019): Global Sustainable Development Report 2019: The Future is Now – Science for Achieving Sustainable Development, United Nations, New York, available at: https://sustainabledevelopment.un.org/content/documents/24797GSDR_report_2019.pdf

¹⁰⁵ OECD (2020): How effective are R&D tax incentives? New evidence from the OECD microBeRD project, available at: <https://www.oecd.org/sti/microberd-rd-tax-incentives-policy-note.pdf>

¹⁰⁶ Mazzucato (2013): pp. 203-4



CHAPTER 4

Living in a society of change: the imperative of a just transition

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At the beginning of this year, the European Commission published a legislative proposal which aimed to create a “Just Transition Fund” within a mechanism of the same name (JTM). The operationalisation of the just transition concept is an indisputably meaningful political step in the right direction since it aims at ensuring that the transition towards a climate-neutral economy happens in a fair way. It however lacks a substantial definition of a just transition for people and communities.

Summary

At the beginning of this year, the European Commission published a legislative proposal which aimed to create a “Just Transition Fund” within a mechanism of the same name (JTM). The operationalisation of the just transition concept is an indisputably meaningful political step in the right direction since it aims at ensuring that the transition towards a climate-neutral economy happens in a fair way. It however lacks a substantial definition of a just transition for people and communities. Yet, a too limited approach, blind to the actual magnitude of the social crisis, would be dangerous, because it could understate the grave social and political risks associated with a climate policy that is not embedded in equally ambitious social policy.

This is where our approach of a “just transition” can be a powerful policy concept of the early 21st century, when addressing the mega-crisis we face—provided we embrace its full meaning. We can by no means allow a conflict between social and environmental policy objectives to happen. Because it would mean that the most vulnerable sectors of society would bear alone the consequence of a failed transition. Instead, a true social-ecological transition must answer environmental change with social progress. The transition we are calling for must be fair, it must offer stability, and it must promise protection. A particular focus will therefore be placed on anticipative and inclusive policymaking: building capacity to anticipate structural changes in order to allow policy to intervene before harm is caused is key to achieve fairness and sustainable well-being. In this respect, we provide an inclusive definition of Resilience to implement transformative policies.

This definition will require from policy-makers to understand resilience in the context of sustainability by looking at the entire ecological-social-economic-political system.

Its transformative approach leads to a major question: who decides when and why a particular system should be considered “resilient” and what would be the political objective we want to achieve via the transformation phase. This is where strong social consensus on the goal and pathways to sustainability is fundamental. In fact, such an approach to a just transition should even be used to (re-)vividify democracy itself. A true participatory democracy must define the nature of the ambitious reform the EU should undergo to achieve human well-being goals and to co-create the society of tomorrow.

This section proposes to create inclusive governance mechanisms at all levels, so that citizens, communities, trade unions and employers can be part of implementing a strategy they co-decided. Along the same lines, this section seeks to reaffirm the crucial role of education, training and lifelong learning in paving the way towards a sustainable future for Europe and beyond.

However, if this transformation is not set within a comprehensive approach to the wide-ranging distributional impacts on social groups, regions and localities, it cannot suffice to meet the EU’s pledge of ‘leaving no one behind’. Our definition of a Just transition requires the application of a place-sensitive approach which would invite to create a greater variety of regional development strategies, opening the door for more complex but fairer solutions that cannot be achieved through a ‘one size fits all’ approach.

Finally, and in order to ensure a just transition, we need to address the two dimensions of the challenges faced when pursuing climate justice objectives, namely: tackling the unequal vulnerability and exposure to environmental risk in society and at work, on the one hand, and the need for social fairness in environmental policies, on the other hand.

4.1. Introduction

The just transition concept

The concept of just transitions originated in the US labor movement. In the 1970s, Tony Mazzocchi (leader of the Oil, Chemical, and Atomic Workers Union) put pressure on the US government to support wartime workers at risk of losing their jobs as a result of disarmament. A decade later, the concept was adapted by trade unions in response to a wave of new environmental protection policies¹⁰⁷ to counter the “jobs versus environment” discourse and encourage collaboration between organised labor and environmental justice groups. This led to the development of a comprehensive, multi-stakeholder strategy.

Along these lines, the labor movement’s work on just transitions has significantly contributed to the international climate debate over the last two decades. The concept was subsequently incorporated into the negotiating text for the Copenhagen Summit in 2009 and later into the preamble to the Paris Agreement adopted in December 2015.¹⁰⁸

At EU political level, the call for a just transition also became a major demand by the PES and S&D Group during the 2019 European election campaign, subsequently taken on board by the new Commission in its strategic priorities.

On January 14th 2020, the European Commission published a legislative proposal which aimed to create a “Just Transition Fund” within a mechanism of the same name (JTM).¹⁰⁹ This mechanism, which is based on three pillars combining European, national, local and private public funding, is aiming to guarantee the professional retraining of people directly affected by the foreseeable disappearance of high carbon-emitting activities, as well as the economic revitalisation and land rehabilitation of territories located throughout the continent, but mainly in Central and Eastern Europe. The operationalisation of the just transition concept in the form of the EU just transition mechanism is an indisputably meaningful political step in the right direction since it aims at ensuring that the transition towards a climate-neutral economy happens in a fair way. It however lacks a substantial definition of a just transition for people and communities.

¹⁰⁷ Mazzocchi acknowledged that the activities associated with their industries were damaging the environment and advocated for public policies that protected the natural environment as well as workers. He then proposed a “superfund for workers” following union and employee-sponsored studies citing significant job losses as a result of increased environmental regulation. Just Transition Concepts And Relevance For Climate Action- A Preliminary Framework - Center for Strategic and International Studies (CSIS) and Climate Investment Funds (CIF Ben Cahill (CSIS) and Mary Margaret Allen (CSIS) - June 2020

¹⁰⁸ The Paris agreement requires that national plans on climate change include just transition measures with a centrality of decent work and quality jobs.

¹⁰⁹ COM/2020/22

The concept of a “just transition” can be a powerful policy concept of the early 21st century, when addressing the mega-crisis we face—provided we embrace its full meaning.

Yet, political commitments to just transition in connection to climate and ecological policy stop short of embracing the magnitude of what is at stake. Typically, just transition is defined as a set of compensatory policies directed towards low income households and at best as being about leaving no one behind. This is the narrative employed, for instance, by the European Commission.

We believe this is a limited approach, blind to the actual magnitude of the social crisis, and a dangerous one, because it could at best understates the grave social and political risks associated with a climate policy that is not embedded in equally ambitious social policy.

Climate experts are well aware of the tipping points in the process of global warming and the risk they represent.¹¹⁰ A similar risk resides in the social crisis, which has been dramatically illustrated by the yellow vest protests in France in 2018. It will not be enough to try and compensate fragile and lower middle income populations.

Such compensations will not get the job done, because they will not resolve the underlying social crisis. Wide protests may come again as a result in other parts of Europe. In such a tense climate, they may then open the road for a resurgence of populist right wing politics, inspired by the Trump experience in the US. Hence, a just transition must live up to the social challenges our societies face.

As previously stated in the foreword of this report, the world is in a permanent state of multiple and intertwined political, economic, social and ecological crises. The transitions our societies are currently experiencing and will be dealing with in the next decades will be multifaceted and probably perpetual. Transitions will not be temporary phases anymore. They are becoming a new normal. Hence, progressive policy-makers are facing an unprecedented challenge: wide-ranging and continuous transitions will inevitably occur and it is their prime responsibility to guide them to just outcomes.

We can by no means allow a conflict between social and environmental policy objectives to happen. Because it would mean that the most vulnerable sectors of society would bear alone the consequence of a failed transition.

The social-ecological nexus, which we regard as a defining characteristic¹¹¹ implies that a true social-ecological transition must answers environmental change with social progress. This amounts to building a social-ecological state to sustain the transition; and finally aiming to improve present and future human well-being rather than increasing economic growth, even a “green” one. The transition must be fair, it must offer stability, and it must promise protection.¹¹²

In this regard, the substantial contribution of the concept of **resilience** and its related indicators could help. True resilience allows reducing our vulnerabilities, preventing risks, and when faced with challenges, developing innovative solutions that transform and effectively protect our societies against future threats. In a socio-ecological transition, resilience is the ability to face shocks and persistent structural changes in such a way that current individual and societal well-being is increased, without compromising that

» We can by no means allow a conflict between social and environmental policy objectives to happen.«

¹¹⁰ The Intergovernmental Panel on Climate Change (IPCC) introduced the idea of tipping points two decades ago. Tipping points are events that have high impacts and are interconnected across different biophysical systems, potentially committing the world to long-term irreversible changes (e.g. runaway loss of ice sheets that accelerate sea level rise; forests and other natural carbon stores such as permafrost releasing those stores into the atmosphere as carbon dioxide (CO₂), accelerating warming; and the disabling of the ocean circulation system).

¹¹¹ Readers may refer to our conceptual section 1.3.

¹¹² Towards a social-ecological transition. Solidarity in the age of environmental challenge, Eloi Laurent and Philippe Pochet, ETUI, The European Trade Union Institute, 05 November 2020

of future generations. In this section, we will elaborate on policies linked to the transformative capacity of resilience.¹¹³ The main feature of this transformative capacity is that it does not only include technical and technological changes, but also cultural changes, behavioural shifts and institutional reforms. These transformations should lead to a new, sustainable path, with enhanced levels of well-being.

A just transition requires anticipation and carefully calibrated policy interventions to mitigate potential conflicts and transitional changes, and, thus, to avoid the emergence of additional vulnerabilities while at the same time addressing pre-existing inequalities. Transparent planning and decision-making that lead to just transition measures will prevent fear, opposition and inter-community and generational conflict. People need to see a future that allows them to understand that, notwithstanding the threats, there is both security and improvement.

A particular focus will therefore be placed on **anticipative and inclusive policymaking**: building capacity to anticipate structural changes in order to allow policy to intervene before harm is caused is key to achieve fairness and sustainable well-being.

A just transition should be guided by the **principle of recognition**, which implies accurate participation, at a minimum, of groups vulnerable to impacts in the context of transitions. Representation should, of course, accurately capture the interests, values, and heterogeneity of these groups. To do so effectively, groups need the mechanisms and knowledge to be involved in decision making, which is often accomplished through capacity development. Education and training are crucial in this respect to ensure the smoothness and inclusiveness of the sustainable transformation of society.

Equally important, a just and **meaningful participation of a more procedural nature** requires involvement that affords some degree of weight in the decision-making process.

This could range from consultations through effective social dialogue to participation in formal negotiations to resist unequal power relations. The latter should include a greater focus on more deliberative approaches which better enable people to engage in complex discussions on a more equal footing and

allow them to raise their voice to defend a desirable future. Participatory democracy must define the nature of the ambitious reform the EU should undergo to achieve human well-being goals and co-create the society of tomorrow. The possibilities of building new hybrid democratic systems that combine direct and representative, and digital and territorial forms of democracy are crucial to better involve people in the political decision-making process.

A social-ecological transition should carry out policies ensuring territorial equality, using a place-specific approach. In this respect, a greater role should be given to the territorial plans established and designed at territorial level and involving a range of local public and private actors to develop local social-ecological indicators and policies. Social dialogue, collective bargaining and participation are basic values and tools that underpin and can allow to reconcile the promotion of social cohesion, the quality of employment, the creation of jobs, and greater innovation and fairness of European economies and societies. In that respect, involving trade unions in climate action plans to build and develop rights for a fair transition will be particularly critical.

Finally, the notion of **climate justice** must guide the policy-making process to prevent the impacts of the transition to be unfairly distributed across gender, geographical location and age, which would exacerbate already existing inequalities in Europe, while the opposite must be achieved. Placing a particular focus on issues linked to accessibility, the report will offer proposals to tackle emerging inequalities (i.e.: the fight against energy poverty, the access to electromobility). Finally, as climate change is already having serious consequences in Europe and worldwide, the report will explore options for **an effective climate adaptation strategy** incorporating key well-being objectives.

Beyond the non-legislative Communication presented by the European Commission last February, this chapter will propose an upgraded policy agenda with binding targets at the EU level (with a series of recommendations ranging from adaptation stress tests, the integration of adaptation into macro-fiscal policy to common EU 'taxonomy' for sustainable investments in risk preparedness and prevention).

¹¹³ Three related attributes of social-ecological systems determine their future trajectories and can be classified as "absorptive capacity", "adaptive capacity" and "transformative capacity". For Good Measure - Advancing Research on Well-being Metrics Beyond GDP - Marleen de Smedt, Enrico Giovannini, Walter J. Radermacher

» A widespread and narrow understanding of resilience is that of returning to a previous state after a disturbance (a shock, a crisis...). This is not our understanding. Resilience is more than that.«

4.2. Resilience: an inclusive definition to implement transformative policies

The concept of resilience already has a long history behind it. It has been investigated in different scientific disciplines, from biology and ecosystems to engineering (e.g. elasticity of materials) and health (e.g. psychological trauma), and for different contexts and entities (communities, organisations¹¹⁴ and nations).

Resilience is by now a widely used and increasingly popular word in the public and political spheres. However, its precise meaning can vary, which has major policy implications.

A widespread and narrow understanding of resilience is that of returning to a previous state after a disturbance (a shock, a crisis...). This is not our understanding. Resilience is more than that. In particular, unless a system can stay within its state of equilibrium despite the disturbance that affected it, the goal must be to bring it back to a new state of equilibrium - precisely because the disturbance exposed the failure of the anterior measures that were meant to prevent it. Hence, these two different understandings of resilience can lead to radically different policy conclusions.

Furthermore, when a disturbance becomes unbearable while an adaptation to it would lead to an excessively detrimental change (in terms of higher inequality and vulnerability, for example), resilience must become transformative. For instance, in the context of the current pandemic or of climate change, transformative resilience can be defined as the capacity to learn from past events to engineer changes towards a better condition.¹¹⁵

To allow for an approach that is not field-specific, we build on previous work,¹¹⁶ and operationalise the notion of resilience as the ability to face shocks in such a way that societal well-being is reinforced, without compromising that of future generations.

This requires from policy-makers to understand resilience in the context of sustainability by looking at the entire ecological-social-economic-political system.

4.2.1. Recovering from the COVID pandemic and “build back better”

The COVID-19 pandemic has shown how vulnerabilities in health systems can have profound implications on health, economic activity, social cohesion or trust in government, and beyond this how the underlying causes behind the occurrence of such a disease in humans can destabilise the world. Accordingly, for the recovery from the pandemic to be durable and resilient, a return to ‘business as usual’ must be avoided. A transformative resilience approach to dealing with such future shocks is required. Such a transformative approach should lead policy-makers to a range of actions:

¹¹⁴ 2014 Human Development Report “Sustaining Human Progress: Reducing Vulnerabilities and Building Resilience”

¹¹⁵ For a discussion on different forms of resilience, see: For Good Measure - Advancing Research on Well-being Metrics Beyond GDP - Marleen de SMEDT, Enrico Giovannini, Walter J. Radermacher

¹¹⁶ Manca, A. R., Benczur, P., & Giovannini, E. (2017). Building a Scientific Narrative Towards a More Resilient EU Society. JRC Science for Policy Report, JRC28548.

Post-pandemic transformative resilience: a comprehensive policy agenda is needed



HEALTH

a) Health systems

- explore the elements and conditions for capacity building to strengthen health system resilience,
- address healthcare provision for vulnerable patient groups and how to sustain such provision in a system under stress,
- set out a common approach to develop and implement “resilience tests” of Member State’s health systems.
- include a stronger focus on preventive health to increase resilience within the general population, tackle inequalities and reduce re-course to acute care

b) Health workers

- A comprehensive policy agenda for essential health workers: keeping frontline health workers safe on the job, increase training, information, and resources, fostering inter-professional and inter-sectoral collaboration with community health workers and informal care givers, raise pay to a permanent living wage

c) Health policies

- Benchmark and support where needed research and development and procurement (especially for innovative medicines),
- debate methods for Member States to collect and share aggregate health data and socioeconomic status,
- integrate information and communication technologies across care levels and public health,
- strengthen primary and mental health care, increasing public health focus on psychological distress,



ENVIRONMENTAL POLICIES

- Integrate biodiversity considerations into the recovery from the COVID-19 crisis. Biodiversity loss is a key driver of emerging infectious diseases and poses a variety of other growing risks to society. Investing in the conservation, sustainable use and restoration of biodiversity can help to address these risks.

- Protecting the ecosystems for the benefit of the current generation and of the generations to come should be at the centre of any long-term policy no matter which specific economic or social policies are concerned



ECONOMIC POLICIES

- Economic recovery packages should be designed to “build back better”. This means doing more than getting economies and livelihoods quickly back on their feet.

- Recovery policies also need to trigger investment and behavioural changes that will reduce the likelihood of future shocks and increase society’s resilience to them when they do occur. Central to this approach is a focus on well-being and inclusiveness.

The scenario of a collapse of the health services and its terrible consequences on our societies led to the adoption of measures that impacted very heavily on peoples' daily lives and required great efforts of adaptation with a high toll on the economic, social and cultural spheres. New burdens were imposed on families, heavier still in overcrowded dwellings. Having children and teenagers permanently at home proved particularly challenging for couples and more so for single parents, most often women. Those with small children and working from home, even if in the liberal professions, had to rearrange their agendas, revise their priorities and, last but not least, try to compensate the lack of available school education.

If full school closures were to be enforced again over a long period, a significant proportion of students from more vulnerable backgrounds would likely experience persistent disadvantage through a range of barriers: long-term educational disengagement, digital exclusion, poor technology management, and increased psychosocial challenges. We must learn from the impact of this initial phase of COVID-19 and have systems in place to operate effectively despite being in crisis. Failure to learn from this pandemic risks exacerbating existing educational inequities and subjecting students, particularly those in vulnerable settings, to an increased risk of adverse social outcomes.

Future directions must plan for schools, teachers, parents, and students to be prepared at multiple levels for a collaborative response, leading to a true resilience of the educational system. This must include an alternative to being physically present on the school campus, and policymakers and practitioners must ensure equity in the provision of education for all students. This would concretely mean to underline inclusivity, appropriate use of technology with varying modalities, the provision of support for both teachers and families, as well as the importance of creating communities that facilitate learning. "Building back better" necessarily need proactive and multifaceted responses to address the educational needs and also avoid widening existing educational disparities. Resilience, in this specific sector, would then mean that as governments plan and prepare for future disaster responses, they must re-examine resource allocations to schools to ensure

all students have equality of access to resources especially related to technology.

In the same line, since COVID-19 hit, people have also lost access to cultural and social events. A very common response to physical distancing due to the restrictions imposed to counter the pandemic was to re-create social closeness. People revisited the mechanisms of mutual help and solidarity by new means and through new communication channels, also exploiting the possibilities offered by digital technology. Since the first days of the lockdown, creativity exploded generating a myriad of spontaneous initiatives: arranging collective applauses from win-

» Failure to learn from this pandemic risks exacerbating existing educational inequities and subjecting students, particularly those in vulnerable settings, to an increased risk of adverse social outcomes.«

dows and balconies dedicated to those on the front line, rearranging spaces, inventing or converting devices to novel uses, sharing knowledge, skills, competences, and resources one could offer. In the same line, there flourished a number of individual and collective initiatives by artists, musicians, comedians, as well as institutional endeavours by museums, theatres, orchestras sending signals of endurance from the world of culture, art and leisure.

Yet, the cultural and creative sectors have been among the most negatively affected sectors by the COVID 19 pandemic. The containment measures that have been put in place throughout the EU have led to a chain of effects, severely impacting the economic and social situation in the cultural sector. Many concerts, art events and festivals have been taking place online. However almost one in two people globally cannot access them due to issues such as lack of internet connectivity, according to UNESCO estimates.¹¹⁷ With the lockdown, many public and private providers moved content on-line for free to keep audiences engaged and satisfy the sharply increased demand for cultural content. While the provision of free and digitally mediated cultural content is not sustainable over time, it has opened the door to many future innovations. To capitalise on them, there is a need to address the digital skills shortages within the sector and improve digital access beyond large metropolitan areas, with the additional consideration that digital access does not replace a live social and cultural experience or all the employment opportunities that go with it.

Building on the impact of the COVID-19 crisis on both the education and the cultural and creative sectors, strategic complementarities can be developed. Both sectors experienced accelerated digitalisation, which brings new opportunities for local and regional development but also risks of exacerbating inequalities without accompanying measures. Such accompanying measures include, for example, the development of methodologies and technological solutions for distance and distributed learning with digitally mediated access to cultural resources and experiences. The lockdown and social distancing measures have also made evident the importance of culture for people's mental well-being – and possibly, through the increasingly documented psychosomatic effects of cultural access, also health.

This recognition provides a new opportunity to capitalise on the role of arts and culture as ways to achieve resilience with transformation and invite to provide the right framework for possible interventions at policy and sectoral levels to support this transformation.

This kind of transformative approach to resilience leads to a major question: who decides when and why a particular system should be considered “resilient” and what would be the political objective we want to achieve via the transformation phase. Hence, in a democracy, transformative resilience must become a central topic of an open and inclusive democratic process. This will inform and determine the collective choices that are made, and equally important, will provide the necessary public support to policies which by nature have far-reaching implications for citizens as a whole.

4.2.2. Resilience to climate change: above and beyond climate resilience

Climate change could cause social and economic damages far larger than those caused by COVID-19. Hence, it will be impossible to achieve a just transition without embedding resilience into climate change policy. This will require a comprehensive approach, building on the 2030 Agenda of the UNSDGs. The interlinkages across the economic, social and environmental dimensions of development and the opportunities to build positive synergies among them must be exploited here, because several of these interlinkages and synergies are fundamental to facets of building climate change resilience in a social-ecological way.

Just as vulnerability to climate change must be used as a particularly effective key to understand the state of our societies and territories, so resilience can be a powerful tool, to review the concepts that under today's governance in a time of risks and disasters. Therefore, to anticipate the consequences of these events on sustainable well-being, we must develop preventive tools. Resilience should establish what is the desirable future for our societies, instead of being a simple shock absorption tool.

¹¹⁷ Culture in crisis: policy guide for a resilient creative sector - UNESCO - 2020

Develop broad vulnerability indicators for the EU

Member States and regions (NUTS 2 level): vulnerability is best understood as a multidimensional concept.¹¹⁸ A wide range of factors should be considered: it should encompass physical, social, economic, environmental and institutional features that could be hit by the overall impact of a given shock. These factors could include a wide range of data, from the asset stock of a household, its access to public services, to the geographical characteristics of a particular place. For instance, indicators on social vulnerabilities should take into account pre-existing precarious situation or due to measures introduced to tackle the emergency (lockdown, social distancing, ...) and focus on all groups which have likely experienced difficulties to satisfy their basic needs during the lockdown period and will have less resources for recovering.

Create a comprehensive dashboard of resilience indicators for the EU and its Member States¹¹⁹

Such a dashboard would allow (1) a continuous monitoring of the resilience of the society of the EU and its Member States, (2) an assessment of the impacts of policies on resilience, and (3) based on such information, the forming of guidance for new policies improving resilience.

- The proposed dashboard would aim to capture social, economic, and health aspects, using a selection of available and ready-made indicators to estimate the resilience capacity to cope with a shock (like the COVID-19 crisis) by absorbing, adapting, and transforming in response to it.
- Such resilience characteristics should then be monitored continuously. Building on the Sustainable Development Goals index, the data could help to lay the groundwork to measure the progress of countries, by going beyond GDP and including measures of well-being, environmental sustainability and good governance.

¹¹⁸ Birkmann, 2006; Bohle, 2002; Cutter et al., 2000

¹¹⁹ Building a Scientific Narrative Towards a More Resilient EU Society Part 1: a Conceptual Framework - 2017 - MANCA Anna Rita, BENZUR Peter, GIOVANNINI Enrico

Analyse vulnerability and resilience through a Human well-being lens

Resilience and vulnerability do not represent opposite ends of the spectrum, but rather form part of the same equation: resilience determines in large part how people or systems respond to shocks, and hence determines how people or systems are affected by those shocks and how vulnerable they are to experiencing a particular outcome.

- The sustainability of the socio-economic and natural systems where people live and work is critical for well-being to last over time. Sustainability depends on how current human activities impact on the stocks of different types of capital (natural, economic, human and social). Suitable indicators for describing the evolution of these stocks must be developed.
 - Build “integrated” climate resilience impact assessments, which would combine different types of modelling tools to uncover the interlinkages across the environmental, economic and social dimensions of development, targeting the importance of bringing inequalities to the fore. Vulnerability to climate change, poverty alleviation and disaster risk reduction while reducing structural inequalities. The forthcoming Fit for 55 package must be based on transparent and comprehensive impact assessments that reflect fully the overall social benefits of increased EU climate ambitions, notably in respect of health, reduction of inequalities, territorial and social cohesion and the trade-offs between different policy choices.
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4.3. Inclusive governance and open democracy for a just transition

Openness, transparency and participation in policy design, decision-making and implementation are key ingredients to build accountability and trust, which are necessary for a just transition in a vibrant democracy. In fact, such an approach to a just transition can even be used to (re-)vivify democracy itself. There is a need for the EU to create a feeling of belonging and involvement, at the same time as it seeks a more active participation of citizens, through the establishment of relevant participatory tools, especially at a time of moving towards a climate neutral society. This transition requires a common and strong political will, a bold vision of long-term objectives. Changes that will be addressed are systemic and public authorities at all levels need to develop coordinated, complementary and innovative strategies. This transformative process requires building trust throughout society. Above all, it requires meaningful dialogue with all parts of society, at every stage of the process and at every level.

The Just Transition Mechanism partially addresses this issue by providing for Member States to prepare their “Just Transition Territorial Plans” in consultation with local stakeholders (trade unions, enterprises, NGOs, local authorities).

Strong social consensus on the goal and pathways to sustainability is fundamental. Social dialogue has to be an integral part of the institutional framework for policymaking and implementation at all levels. Adequate, informed and ongoing consultation should take place with all relevant stakeholders. In the tumultuous times European societies are facing, solidarity and a new mode of cooperation is more needed than ever. It is not only an issue of intergovernmental solidarity among the member states—it is also about transnational solidarity among EU citizens.

Inclusive governance and participatory democracy are not about gaining consensus on already taken decisions, in order to ensure that they will be supported. It is about building those decisions in a truly inclusive manner.

For many years now, countries across the world have witnessed people’s growing and persisting discontent, materialised through protests and the rise of populist movements, which have been further amplified online. Discontent can be seen as the by-product of various related factors such as structural and widespread social inequalities, which in turn have eroded the legitimacy of liberal democracy and political representation, and provoked the widespread loss of trust in institutions.¹²⁰

The EU **is no stranger to this widespread phenomenon**. Pervasive levels of distrust threaten indeed the EU’s democratic legitimisation. Complexity of EU decision-making should not be perceived as tackled “by entrusting decision-making to ‘experts’ and technocrats and where policy choices would be presented as technical, as if they were the result of an objective maximisation of ‘efficiency’, univocally defined, hiding the clear-cut political choices that they embody”.¹²¹

» Strong social consensus on the goal and pathways to sustainability are fundamental.«

¹²⁰ DevTalks - Democracy, deliberation and the digital age - OECD - Monday, 21st June 2021

¹²¹ The time for a U-turn towards social and environmental justice is now - Fabrizio Barca - The Progressive Post - September 4, 2020 - FEPS

Philosopher Marcel Gauchet notes that in today's world, politics have become “*the true functional and symbolic infrastructure of our societies*”.¹²² Disinformation and manipulation campaigns, in this respect, aim to undermine this infrastructure by weakening the authority, legitimacy and effectiveness of politics in democratic societies. From this point of view, the European democratic system can be seen as a critical infrastructure that needs to be protected jointly, in the same way as the traditional material and technical infrastructures.¹²³ **But, as other infrastructures in a transition process, it should undergo a substantial reform.**

This chapter intends to discuss the opportunities and challenges of a true deliberative democracy, a starting point to begin to rebuild the social contract between civil society and institutions. The possibilities of building new hybrid democratic systems that combine direct and representative, and digital and territorial forms of democracy are crucial to better involve people in the political decision-making process and, thus, to achieve sustainable well-being objectives. Space for a heated, open and informed public debate should be promoted in order to allow citizens' participation.¹²⁴

4.3.1. Placing social dialogue at the heart of transition policy

Policies for mitigating and adapting to climate change are inherently political because they oblige society to choose a new path. Enhancing social dialogue on transition policies is imperative since their development, diffusion and deployment could have uneven impacts within and across national borders.

4.3.1.1. Inclusive governance for the just transition mechanisms

The “Just Transition Mechanism” will require national authorities to submit their “Territorial Just Transition Plans” to the Commission within the framework of the European Semester, so that the Commission can approve their overall ambition and specific content as well as certify their conformity with the “National Energy-Climate Plans” for 2030.

» Policies for mitigating and adapting to climate change are inherently political because they oblige society to choose a new path. Enhancing social dialogue on transition policies is imperative.«

This exercise must be more open: it should ensure the necessary involvement of the social partners and other directly concerned stakeholders. The climate pact fails also to provide a concrete governance framework that would allow civil society and workers to truly participate in the design and implementation of the European green Deal. And although the trade unions are partners in the structured dialogue established within the governance of the cohesion funds, this fails to grasp the way they will be involved in the processes of drafting climate policies at national and local levels. For social dialogue to work effectively, it requires to strengthen workers' participation and empower trade unions to ensure their effective involvement.

¹²² <https://www.cairn.info/revue-la-revue-lacanienne-2008-2-page-59.htm>

¹²³ European Democracy, a fundamental system to be protected - <https://www.robert-schuman.eu/en/european-issues/0578-european-democracy-a-fundamental-system-to-be-protected>

¹²⁴ The time for a U-turn towards social and environmental justice is now - Fabrizio Barca - The Progressive Post - September 4, 2020 - FEPS

4.3.1.2. Advance social dialogue at sectoral and company level

More attention is to be given to the role of social dialogue to tackle climate change, especially at the company level. Trade unions are structured, have on the ground perspective, and democratically represent workers in all sectors of the economy. They are key in shaping the different measures so as to accommodate the needs of the workers and in identifying the key challenges of the transition, making sure that workers and most vulnerable sectors of society do not bear alone the burden of financing the transition. Workers on the ground are in a good position to foresee the problems arising from climate change and to put forward fair solutions. This calls for a bottom-up approach, with inclusive governance at all levels, so that communities, trade unions and employers can be part of implementing the strategy.

4.3.1.3. The need and role of civil society organisations in the just transition

In the field of ecological transition, the EU should promote policies empowering civil society unique and expanded role in generating democratic legitimacy by fostering public deliberation, translating and transmitting concepts, ideas and messages.

It should lead to stimulate cooperation with NGOs and to create networks and structured dialogue between them to engage with the transition to a society achieving sustainable well-being for all. Countries' adaptation plans are largely state driven and top-down in approach, while climate change is locally experienced and can only be effectively addressed by engaging local groups and institutions. Civil society organisations (CSO's), being closest to the problem, are best suited to creating transformative capacities within communities.

Technology interventions and policies designed to address specific aspects of climate change can only be effective and sustainable if they are suited to the local context, meet the perceived needs of the community, and are within its management capacity. Unless a community has been involved in the choice, design and deployment of the technology, they will not feel a sense of ownership and the very purpose of the intervention will be defeated. CSO's and NGO's occupy the spaces between national government, specialised institutions, private actors and the public, by virtue of which they can play effective roles in.

The concept of a Just Transition process as well as the role of social partners in its governance must be enshrined in the legislation. Social dialogue and the role of trade unions should be explicitly mentioned in the Climate Law and the European Green Deal.

- **A European Climate Justice Governance Regulation**

Despite a range of important EU initiatives to address this (such as the Just Transition Fund or the forthcoming Climate Social Fund), a lot will depend on how national and regional governments will address the social risks and opportunities of the ecological transformation. Hence, alongside the Fit for 55 initiatives, the European Commission should bring forward a Climate Justice Governance Regulation, notably inspired by the existing Energy Governance Union approach, to develop and monitor national climate justice plans. (NECPs).

- In order to provide a concrete governance framework that would allow civil society and workers to truly participate in the implementation of the European green Deal, the Commission should create a European Green Deal advisory board with trade union representations.
 - It is crucial for the adaptation strategy to fully involve workers and trade unions as decisions about adaptation to climate change are made. The new adaptation strategy should promote social dialogue and collective bargaining to address the social impacts of climate change and develop adaptation measures for the world of work.
 - Extend the scope of collective bargaining. At sectoral and workplace levels, extend the scope of collective bargaining to green transition issues to discuss the impact on employment and wages of the decarbonisation process and the impacts on skills needs and health and safety at work
 - At sectoral level, foster effective social dialogue through the creation of sectoral technical expert groups as well as through other various trade union or bipartite initiatives: publication of positions, employment impact studies, skills mapping, roundtables.
 - Negotiate agreements at sectoral and company level to map the future evolution of skills needs and the creation of sectoral skills councils. Establish dialogue with all relevant stakeholders and regional authorities to identify and manage the social impacts within a global commitment to retention, retraining and redeployment of workers, and ensure and support skills development, particularly for vulnerable workers.
 - Develop and strengthen a network of Trade Union representatives at the workplace level and involve workers in concrete actions aiming to assess the environmental footprint of their company.
 - Boost the role of civil society for a just transition towards sustainability and to translate knowledge into action.
 - Foster the engagement and active participation of all stakeholders, including youth, in accelerating the shift towards a more sustainable Europe.
 - Developing Inclusive and local frameworks on a just and inclusive Transition. Engaging stakeholders, especially the one representing the most vulnerable, would help uncover the complex social and economic dynamics that engender poverty and vulnerability, and help design interventions that lead to fair and acceptable outcomes for all stakeholders.
 - Involve local communities, representative groups of the most vulnerable, CSOs including NGOs and various stakeholders - governance, resource and knowledge providers in institutional frameworks for transition in a consultative and participatory manner.
 - Introduce a European association statute to strengthen freedom of association, assembly and expression.
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4.3.2. The transition to a truly participatory democracy

Citizens are taking over the streets in different cities across the world. Concerned youth and citizens are expressing their concerns, like activists against climate change worldwide gathering, spontaneous movements everywhere. Taking the streets is an important move. But a bridge needs to be built to ensure that requests and innovative ideas to improve the quality of life of people should be rooted in the democratic infrastructure and processes. And democratic processes should be constantly updated to reflect the need for citizens to be an active part of the evolution of the institutions and policies.

Participatory democracy must consolidate the ambitious reform the EU should undergo to achieve human well-being goals. **Democracy is not only a dimension of the transition to well-being, but also the method that must govern its definition and governance: it is both an input and an output of human well-being.**¹²⁵

It is indeed of crucial importance to build tangible transitions in the European Union at every levels of governance, since well-being is best measured where it is actually experienced.

The well-being transition is, in Elinor Ostrom's (2010) words, a "polycentric transition": each level can seize this opportunity to reform its policies.

A transition policy thus presupposes new forms of citizen participation and deliberation. In other words, a wider and thicker democracy. Qualitatively different forms of democratic engagement are required to advance democracy and climate action at the same time. Climate assemblies have drawn much attention as a vehicle for democratic participation on energy transition issues. While these assemblies offer valuable deliberative spaces, so far they have had a limited political impact, limit the numbers of people able to be involved, and have insufficient connections with actual policymaking processes.¹²⁶ It is therefore important to find ways to link these approaches more strongly with existing policy processes, as well as to explore other innovative and complementary forms of public engagement on the climate agenda, as well as other societal challenges

» Democracy is not only a dimension of the transition to well-being, but also the method that must govern its definition and governance: it is both an input and an output of human well-being.«

such as technology change, inequality, ecological degradation, or resource use. In particular, alternative territorial governance arrangements can provide useful lessons on long-term citizen engagement and more seamless connections between citizens and government officials, thereby complementing other forms of public deliberation.

The climate system itself poses unique challenges to democratic governance. Accelerating rates of environmental change associated with climate change make past experience less applicable to current situations and complicate predicting the future even further. As such, participatory and deliberative approaches may need to be reconfigured to respond adequately to the challenges of climate change.

¹²⁵ Pour une politique du bien-être. Eloi Laurent 2018. Revue de l'OFCE 2018/4 (N° 158), <https://www.cairn.info/revue-de-l-ofce-2018-4-page-403.htm>

¹²⁶ In France, the Citizen's Climate Convention, with its 150 citizens selected to reflect on reducing France's CO₂ emissions from 2019 to 2020, has attracted considerable attention as an experiment in the participatory democracy field. However, more than half of the proposals from the Convention were dropped from the French climate law so far.

Build several ‘Citizen conferences’ on a Pan-european scale

including a panel of citizens, experts and decision-makers discussing the respective importance of the different dimensions of well-being and agreeing on a scoreboard common to be implemented (e.g., building on the UN model of conferences on ‘The Future We Want’ and linking this to initiatives such as the Conference on the Future of Europe).

Involve citizens in deliberative and participatory settings to discuss desired and concrete pathways to sustainable well-being for all,

developing the concepts of community placemaking conversations, hyperlocal governance for co-production and co-ownership, and allowing different models of collaboration between city governments and citizens.

Ensure that the information on investments and reforms financed by the EU – expenditures, physical implementation and procedures –are properly accessible to all citizens

in an open and verifiable way, and that participative monitoring is facilitated at local level.

The very bases of our models for political participation, governance and even democracy already undergo profound changes as new technologies are rolled out and taken up in Europe.

Citizens are increasingly using alternative methods to engage in through social media and Information and Communication Technology. New and formalised participatory governance mechanisms are therefore necessary to enhance inclusiveness in the decision-making process on just transition policies. The European Commission should explore innovative ways to effectively engage with citizens to source ideas, co-create solutions, and seize opportunities provided by digital government tools.

Build a European Model for local and regional practices on climate-sensitive participatory budgets

in which citizens deliberate among themselves and with officials how to allocate part of a municipal or public budget for new public goods in the transition process.

4.4. Education and lifelong learning

Education needs to be seen as the foreground to social justice in our thinking. Next to being positively correlated with individuals' economic success and life satisfaction, education also fosters the well-being of a Society. Regardless of this, EU Member States, in whose hands related political competencies remain, are on average investing less in education than ever before since the beginning of the continent-wide collection of related data. To achieve the transition to a model of sustainable well-being for all, this trend must be reversed. It is crucial to acknowledge that Education is a fundamental human right and a common public good. This has to be respected and strengthened as a future EU objective in line with the 2030 Agenda for Sustainable Development of the United Nation (UN) and full implementation of the European Pillar of Social Rights.

In November 2017, the European Commission published its Communication to the EU Leaders' meeting in Gothenburg which endorsed the European Pillar of Social Rights. The text focused on setting up new policy goals on education for the 2018-20 period and beyond and announced the creation of the European Education Area (EEA). It also proposed new initiatives, more investment and stronger cooperation of Member States to help all Europeans, of all ages, benefit from the EU's rich education and training offer.

We must however remind here that the objective of inclusive education is a necessary and adequate response to increasingly complex and diverse societies of today which considers diversity as an added value and not simply as a challenge to address.

The contemporary world appears to be in a perpetual state of flux, changing continuously. How can schools prepare students to tackle societal challenges that we cannot yet imagine, for jobs that have not yet been created, and to use technologies that have not yet been invented? How can we equip them to thrive in an interconnected world where are confronted to different perspectives and world views, interact respectfully with others, and take responsible action toward sustainability and collective well-being? The COVID pandemic showed that the future is difficult to predict; but by drawing up our definition of just transition, we can learn –and help our children learn –to adapt to, thrive in and , above all, shape whatever the future holds.

The EU should propose a comprehensive policy agenda in which it educates caring and responsible citizens in a participatory democracy that take into account political, demographic and economic changes. Education is crucial to ensure the smoothness and inclusiveness of the sustainable transformation of society. Education in a model of sustainable well-being must be available to all at every stage of their lives, commencing as early as possible and continuing throughout.¹²⁷

Therefore, this section seeks to reaffirm the crucial role of education, training and lifelong learning in paving the way towards a sustainable future for Europe and beyond. The social role of schools and education should be protected by policy coherence to mainstream sustainability as a priority across Europe and the world.

» Education is a fundamental human right and a common public good.«

¹²⁷ This is at the core of the UN 2030 Agenda for Sustainable Development (SDG 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all)

This alignment aims at considering thoroughly the need for a consistent approach that should be reflected in the implementation of the European Green Deal, European Skills Agenda, European

Education Area, Digital Education Action Plan, European Research Area, EU Recovery Plan and other EU strategies.

» While following any crisis there is a tendency to shift education towards labour market needed skills, it is essential to fight for social cohesion, democratic values and citizenship, with enforcing social and citizenship competences.«

4.4.1. Education and learning as social rights: policy proposals and governance

- **Protect holistic education as a public good** and protect the social role of schools and education. The COVID-19 crisis clearly showed that schools are essential for children and students to develop their social competences. Education is also key to providing a sense of belonging and opportunities for active participation for all learners, especially for those who are disadvantaged. Teaching key competences, especially the transversal skills, are important and the role of teachers is essential in developing how the key competences can be applied to teaching. **While following any crisis there is a tendency to shift education towards labour market needed skills, it is essential to fight for social cohesion, democratic values and citizenship, with enforcing social and citizenship competences.** Access must be universal including for newcomers such as migrants and refugees.
- **The European Union should launch a broad consultation on the Future of education and skills in a in an ever-changing and interconnected world.** The aim of the project would be to initiate a discussion about the knowledge, skills, and values that today's students will need to thrive and shape their world. This consultation would lead to recommendations helping instructional systems to develop these knowledge, skills, and values effectively.

- **The EEA should implement the European Pillar of Social Rights¹²⁸** The related Action Plan must offer the opportunity for the EU to commit to concrete actions in this respect. It should require the member states to present their national strategies and adopt a clear monitoring on national actions and reforms in line with the following goals:
 - *Right to high quality and inclusive education for all*
 - *Quality and inclusiveness of education achieved by clear national strategies*
 - *Education as a human right and public good to prepare the students to be responsible citizens with solid democratic values and ready for necessary upskilling within the labour market;*
 - *Improved governance: Social dialogue need to be strengthened and national strategies need to be set up with the education trade unions and based on research on students' and teachers' needs.*
- **Democratic governance of education** and collaborative leadership in schools are fundamental requirements for high quality and inclusive education systems. Shared school governance with clearly defined responsibilities and taking into consideration the needs of all key stakeholders in education (including teachers, school leaders, and other education personnel, students, parents, and the wider community), is important for inclusive education creating democratic school culture.
- In order to develop **relevant indicators for the future for education and training**, the European Commission should carry out thorough research and impact assessment, and adjust the targets based on trustworthy data **on the impact of the COVID-19 crisis on education**, students and teachers. The target should lead to set up actions to support the socio-economically disadvantaged students with joint social and education policies.
- **Well trained and highly valued teachers.** Teachers and educators are essential in helping to develop a well-functioning society of well-being. All too often, however, their role and the teaching profession as a whole are undervalued. In these challenging times, when everyone understood the multifaceted role of teachers under Covid conditions, we have a timely opportunity to revalorise the teaching profession and to emphasise the significant role of teachers in Society. This would include to safeguard appropriate funding to Education and teachers (funding education should be regarded as an investment rather than a cost for society and national budgets) and to provide teachers and other education personnel in every European country with the space, tools and support to exercise their profession, especially in the context of increased level of digitalisation in the teaching profession.
- **Sustainable investment to education.** The EU strategy should put particular emphasis on the need for further public investment in education, improving equality and social inclusion in schools, and cooperative school leadership and teaching. The use of digital technology needs appropriate and continuous high investment in schools regarding the equipment and software updates. The EU should be more ambitious in order to ensure sustainable investment to high quality and inclusive education and to invest more in order to facilitate innovation with the best learning and teaching equipment in schools.

¹²⁸ The first pillars states: "Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market"

» The EU strategy should put particular emphasis on the need for further public investment in education.«

4.4.2. True skills and competences for a just transition

- **Ensure adequate, long-term funding at both European, national, regional and local level**, including through the next EU Multi-annual Financial Framework (2021-2027) and Next Generation EU, in order to unlock the full potential of sustainable development skills across all learning sectors. Attention should be given to building closer and more operational synergies between funding programmes and instruments so that **innovation in learning is not lost to siloed-thinking**.
- Establish that the "European skills strategy for sustainable competitiveness, social equity and resilience" must **guarantee the right to lifelong learning for all** and in all areas.
- **Introduce a skills-based compensation systems in companies accessing public funds** for upskilling workers and in agreement with workers' representatives, as this system would ensure that there is a return on that public investment
- **Fair digitalisation in education.** In relation to the planned Digital Education Action Plan for Europe and on the Coordinated Plan on Artificial Intelligence, The ICSE acknowledges, in view of the fast evolution of technological progress, and its impact on the labour market and society as a whole, the need for a meaningful reflection on the potential benefits - and inherent limits - of the digital era for the education sector. We believe that these reflections and decisions will durably impact the education sector, for teachers and students alike. **Online learning** has extraordinarily developed as an effect of social distancing caused by the pandemic. While online education will and should never replace physical presence, it opens promising avenues to complement and enhance it. The Digital Education Action Plan should help advance the digital transition in education with a view to help training according to the learner's needs and reach out to people from remote areas. In this respect, **access to IT tools and internet** for all students and teachers need to be ensured by sustainable public investment.

- **Fair green transition of education and schools.** The latter would not only be envisaged as a way of enhancing skillsets and boosting the economy, but also of furthering the aims of global citizenship. In order to achieve these goals,¹²⁹ EU member states should better connect environmental policies to education policies and the European Commission should support to set up national green skills and competence strategies. Indicators and benchmarks on green skills and competencies could be developed based on EU-level research on mapping national policies on integrating climate change awareness, environmental responsibility, sustainable development, and green skills and competences within education curricula of early childhood education, general education, VET and higher education.
- **Tackling vulnerabilities with Lifelong Learning.** European countries are indeed now entering a period of significant demographic change. Demographic change and the green and digital transitions often affect, support or accelerate each other. This will result, potentially, in severe skills shortages in Europe's technologically advanced industries and raises questions about the abilities of older workers to acquire significant new knowledge, particularly in the field of new technologies.¹³⁰ Strategic foresight will therefore be an essential tool to predict and prepare policies to address these issues **and leave no one behind**. Moreover, and to ensure for a lifelong learning to become a reality in a European Education Area, we have to ensure the fluidity between education and training systems, which can only flow **from the automatic mutual recognition of qualifications and diplomas across Europe, including professional qualifications**, vocational trainings and informal and non-formal experiences.

» Civic education needs to be mainstreamed through all education from early ages to later on in adult life.«

¹²⁹ See the UN Sustainable Development Goals (SDGs) on inclusive and equitable quality education (SDG 4) and on climate change (SDG 13). In particular, target 13.3 aims to: “[i]mprove education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning” and target 4.7 aims to “ensure that all learners acquire the knowledge and skills needed to promote sustainable development”

¹³⁰ OECD (2016), Skills Matter: Further Results from the Survey of Adult Skills, OECD Skills Studies, OECD Publishing, Paris.

4.4.3. Education on well-being goals and sustainable aspects

As the principal instrument to integrate individuals into society, education is essential to create ownership of sustainable well-being as a new social paradigm among citizens by providing them with the means to be active agents for social and technological progress. Education and training systems must be comprehensive enough to help foster competences which will drive this transformation, from European citizenship education, critical thinking, media training to Artificial Intelligence, ICT and coding.

- **Citizens active participation is unquestionably linked to sustainable development.** Promoting equitable, inclusive, and fair societies involves generating processes for citizen participation that imply shared decision-making and an assumption of responsibilities in favour of global sustainability. Civic education needs, therefore, to be mainstreamed through all education from early ages to later on in adult life.
- **Promote a green mind-set in skills, education and training programmes,** beyond the labour market, as an important area of citizenship competence. Further support for learning aimed at promoting climate and environmental literacy, sustainable lifestyles and understanding of human-nature interdependencies. The EU should upscale and broaden the scope of initiatives addressing these issues and provide further support for learning providers active in this field.
- **Incorporate Sustainable Development in education and training policies and programmes** such as the European Education Area, Digital Education Action Plan, aligning with Sustainable Development Goal target 4.7 among others. This would imply to mainstream sustainable development education and training in Erasmus+, ESF+, Horizon Europe and creating synergies between these programmes.

4.5. Just transition and place-sensitive policies for sustainable cohesion

Regions in the EU have consistently shown differences in their economic structure and level of socioeconomic development. For decades, one of the EU's goals has been to reduce these disparities. In recent years, large variations in regional development have shown that some regions have struggled significantly to improve their development trajectories. Despite considerable investment many of these regions are still underperforming and not able to keep up with the transition, with potential negative consequences on regional income, well-being and political stability.¹³¹ Moreover, convergence has, to some extent, been driven by many former well-off regions experiencing long-term economic decline. Many formal industrial regions have struggled to cope with greater economic integration, increases in trade, outsourcing and offshoring processes, and face considerable challenges from the economic transition towards digitalisation. Both types of regions have fallen into what is known as a development trap¹³² and have special development needs, which could be better supported by targeted interventions and investments.

Many of these regions already found it difficult to recover from the great recession and are bound to labour in re-emerging from the pandemic crisis. Other ongoing economic transformation – driven by trends including technological and climate change, as well as the long-term impact of the COVID-19 pandemic – will continue to demand massive transformative efforts.

These developments have the potential of creating particular challenges for all types of vulnerable regions, especially as they may already lack the capacity and endowments to benefit from changing economic opportunities. Ensuring a just transition for the territories requires anticipation and carefully calibrated policy interventions to mitigate potential conflicts and transitional changes. A more rapid transition in the most developed regions – fundamentally the largest cities in Europe, often the capital cities – could deepen pre-existing vulnerabilities and inequalities and ignite social conflict. Anticipative and inclusive policymaking are crucial: building capacity to anticipate structural changes in order to allow policy to intervene before harm is caused is key to achieve fairness and sustainable well-being for all people regardless of where they live. A forward-looking approach should identify and anticipate the policy areas that offer crucial support for keeping up with ongoing transitions.

Broad structural and multi-faceted policies are needed (public investments, social dialogue, social protection, social justice, industrial policy, state aids and competition policy, skills and education, etc.) to create support in society for the structural reforms of our economies needed to protect the people and the climate.

» Ensuring a just transition for the territories requires anticipation and carefully calibrated policy interventions.«

¹³¹ EU lagging regions: state of play and future challenges - Policy Department for Structural and Cohesion Policies Directorate-General for Internal Policies Authors: Marta PILATI, Alison HUNTER (EPC) PE 652.215-October 2020

¹³² Iammarino, S., Rodríguez-Pose, A., Storper, M., & Diemer, A. (2020). Falling into the Middle-Income Trap? A Study on the Risks for EU Regions to be Caught in a Middle-Income Trap. Luxembourg: Publications Office of the European Union.

» There is a critical need to guarantee a “just transition” where the people themselves are the actors and designers of the transformation, rather than victims of the transition.«

There is a critical need to publicly organise this shift in a way that it benefits the society as a whole **to guarantee a “just transition” where the people themselves are the actors and designers of the transformation, rather than victims of the transition.**

The place-sensitive approach — an approach that posits that economic development should be sensitive to the need for economic development to occur in as many places as possible, tapping into the considerable development potential of most areas¹³³ — proposed here requires addressing the territorial distress felt by those places that are struggling to cope with economic, social and environment of transitions and promoting policies that go beyond fundamentally targeting — as has often been the case until now — either the more developed and often dynamic large cities or simply the least developed regions.

There is an urgent need at all geographical scale to move beyond and complement policies focusing on the current situation — e.g. core cities or lagging-behind regions — to consider the dynamics of economic development. This entails thinking about viable development intervention to deal with long-term trajectories of low, no, or negative growth and provide solutions for those places suffering from industrial decline and brain drain, as well as those stuck in a development trap. Moreover, the policies must go beyond simple compensatory and/or appeasement measures. This implies tapping into the often overlooked economic potential most of these places have

and providing real opportunities to tackle neglect and decline. By confronting the economic decline, weak human resources, and low employment opportunities the conditions can be laid out for improving the playing field and, more importantly, enhancing the well-being of citizens wherever they live.¹³⁴

While EU cohesion policy seems to be successful in driving improvements in key indicators and supporting a better quality of life in recipient regions, it has not always been effective in helping regions in their economic transformation. Indicators used to measure the efficiency of EU cohesion policy remain relatively constrained and too much linked to GDP or macroeconomic indicators. They fail to grasp the reality of the situation of the various places in Europe, both in its diversity and its granularity. More data (such as that describing the situation in terms of access to some basic public services) are becoming increasingly available. However, they are hardly used by public authorities, be they European, national, regional or local, to inform public intervention at a territorial level and development strategies. Restructuring processes are often incomplete, infrastructure provision is sometimes hampered by a lack of resources for running and maintenance costs, and job creation is sometimes transient.¹³⁵ The most recent literature is now turning its attention to structural transformations, productivity and ecosystems, to the need for cohesion policy to be place-sensitive, and to the context conditions that can support regional development policies in achieving their goals.

¹³³ Iammarino, S., Rodríguez-Pose, A., & Storper, M. (2019). Regional inequality in Europe: evidence, theory and policy implications. *Journal of economic geography*, 19(2), 273-298.

¹³⁴ The Geography of EU discontent - Lewis Dijkstra, Hugo Poelman and Andres Rodriguez-Pose - Urban and regional policies Working Paper © European Union, 2018

¹³⁵ Rodríguez-Pose, Andrés - The revenge of the places that don't matter (and what to do about it). *Cambridge Journal of Regions, Economy and Society* 2017

There is no one-size-fits-all solution. Policies and programmes need to be informed by theory and sound empirical evidence, but also designed in line with the specific conditions of countries and regions. Policies need to be adapted to the context where they are providing largely local services (water, waste disposal, local transport) or higher level services (such as education, research and innovation, law and order) the effectiveness of which, it is now understood, strongly depends on them being adapted to places.¹³⁶ This applies still more to those formal and informal institutions that are a prerequisite for development: there is no general recommendation for building trust or social capital, which needs to be designed place by place. Cohesion policy should be presented for what it is: “for tackling the new divides and for delivering inclusion and innovation for persons in places”,¹³⁷ in line with the principles of the European Pillar of Social Rights and the social aspects of EU climate policies.

This section shows how territories can become the heart of the necessary transition to well-being, resilience and sustainability. We will propose recommendations addressing the “territorial momentum” we are living, which results as much from globalisation as from urbanisation, and then explains how the territory, understood as a social-ecological insti-

» The question of territorial justice is inseparable from that of social-ecological transition.«

tion, can become the ecosystem par excellence of the transition. However, this territorial moment is fraught with a threat: the worsening of social inequalities. The serious warning of recent waves of elections taking place across Europe clearly indicates that pervasive and growing social and territorial inequalities and the different capacities of territories to confront and adapt to the different transitions can create the political climate that may derail our capacity as a society to get together to face the important challenges we are confronting. The rise of anti-system voting is polarising our societies to levels not seen in a long time and represents a serious threat to garnering the society-wide consensus needed to achieve just economic, social and environmental transitions. The rise of anti-establishment voting is threatening not only European integration but also the very economic, social and political stability of our societies. This explains why the question of territorial justice is inseparable from that of social-ecological transition.

The social-ecological transition must be measured in the light of each territory, with the objectives of the equality between territories.

The application of a place-sensitive approach requires to a greater variety of regional development strategies, opening the door for more complex but fairer solutions that cannot be achieved through a ‘one size fits all’ approach. Decentralisation and the empowerment of sub-national governments can play important roles in this respect. This requires a more efficient vertical and horizontal integration of institutions and social partners. In other words, place-sensitive policies should be built on cooperation among national, regional, and local governments, and with socioeconomic partners.

The intensity and pace of change in the economy and society under the triple transition—green, digital and demographic—all accelerated by the pandemic, are of an unprecedented scale. An approach to ‘justice’ and ‘fairness’ which narrowly targeted groups or regions expected to be severely hit by the combined effect of the technological advances and the decarbonising of the economy could hardly square the circle of meeting the environmental challenges while ensuring social equity and well-being.

¹³⁶ An agenda for a reformed cohesion policy - A place-based approach to meeting European Union challenges and expectations - Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy by Fabrizio Barca - 2009

¹³⁷ Fabrizio Barca, Keynote speech: EU cohesion policy, a forward-looking perspective - 7th Cohesion Forum, 26-27 June 2017 Brussel

A constrained just-transition approach, relying on a combination of social safety-nets and vocational education and (re)training policies for specific groups of workers most affected, would risk being another failed blueprint.¹³⁸ A crucial step in addressing the just-transition challenge would be to set at the core of the EPSR a broadly defined right to protection. As important as it to engage with the

implications in terms of employment and vocational education and training for the social groups most severely hit by the green and digital transitions, if this transformation is not set within a comprehensive approach to the wide-ranging distributional impacts on social groups, regions and localities, it cannot suffice to meet the EU's pledge of 'leaving no one behind'.

Data need to be systematically collected and used at place level

on exposure to environmental hazards by socio-professional or income group and on cumulative vulnerability and health risks across social groups due to the distribution of the burden of environmental inequality. Also required are greenhouse-gas emissions by income group (on the basis of consumption) and the distributional impacts of various environmental policies. Such data would provide a valuable compass to a genuinely just transition. Data need to be systematically collected as well on issues such as opportunities, institutional quality, well-being and welfare at local level, as well as on the impact of trade, globalisation and automation, among other processes, at a fine subnational level.

Mapping the upheavals in labour markets caused by the economic transition to a new production system

and of the multiple futures transitions is also a pre-requisite: , Either towards a low carbon economy, which has a more circular use of resources, or from technological change, opportunities should be identified to allow effective policies to be designed and implemented, ensuring worker protection. In this respect, a greater role should be given to the territorial plans established and designed at territorial level and involving a range of local public and private actors.

¹³⁸ A greener and more social pillar by Maria Petmesidou and Ana Guillén - Social Europe - 1st April 2021 - <https://socialeurope.eu/a-greener-and-more-social-pillar>

Promote public and open scrutiny at place level

to strengthen the role of organisations representing economic and social interests and civil society, including any group significantly affected by the transition in integrated territorial strategies and in the field of research and innovation.

Mainstream attention to the needs of the most vulnerable regions across all EU policies

EU policies show a lack of sensitivity to the intensity of the specific challenges EU regions experience. Without careful consideration of their constraints, there is a risk that policies have a more limited (or even negligible) impact in the regions that need the most support. A stronger commitment to address these challenges could lead to better prioritisation and targeting of actions based on needs and potential. This also applies to policies intended to support the energy, digital and industrial transitions, which tend to adopt a top-down approach and are not well aligned with the needs of most vulnerable regions.

Ensure that structural reforms entail a place-based sensitivity

Most vulnerable places often lack the capacity and resources to engage with a complex reform agenda successfully. Structural reforms should be supported by clear, place-sensitive impact analyses, to be able to plan targeted support when implementing reforms. A reformed European Semester should strengthen the territorial dimension. This could incentivise and support targeted reforms for EU regions that face the most acute challenges.

Support and encourage investments in sectors with high employment creation and environmental protection potential

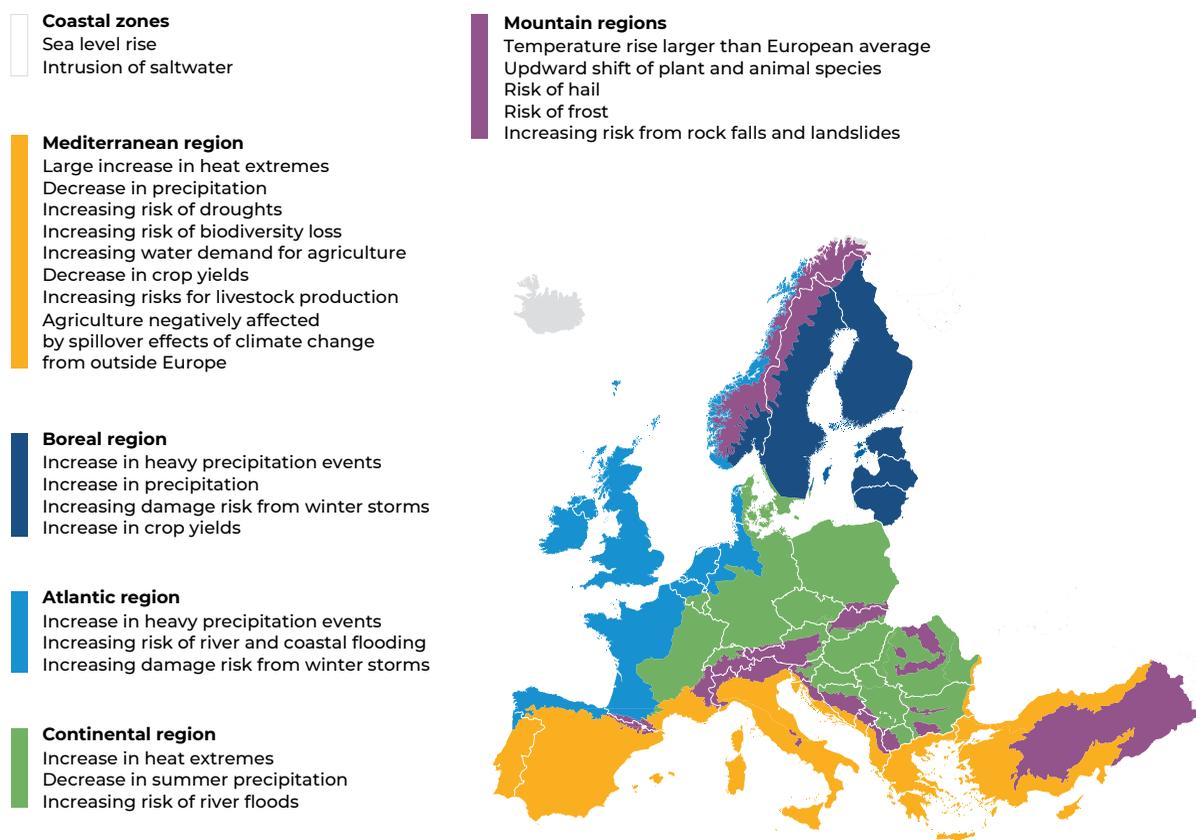
such as energy efficiency, renewable energy, with particular attention being paid to energy poverty, sustainable mobility, and the upgrade of transport infrastructures among other investments. Given the key role of regional and local authorities in the recovery, the green transition and the implementation of the SDGs, it is essential that regional and local authorities are strongly involved in all stages of the national resilience recovery plans (NRRPs), from design to implementation.

Encourage Smart Specialisation

as a EU policy approach offering a methodology along which regions and countries could develop and implement their research and innovation strategies. Priorities should be given to the search for solutions through the mobilisation of science, technology and innovation to environmental and social needs and must comply with well-being objectives.

4.6. Climate justice: the need for a fair adaptation framework and just environmental policies

The concept of climate justice frames global climate change as a political and ethical issue and not just a strictly environmental one. Climate justice should be viewed in a global context of spatial and temporal interdependence.



Source: Adapted from EEA (2017b)

Climate Injustice is already striking: social groups and territories are unequal in their exposure to environmental risk and hazard and in their ability to adapt to climate change.

» Climate change and other forms of environmental degradation have already caused net negative impacts on jobs and working conditions.«

The uneven distribution of the impacts of climate change, pollution and extreme temperatures on the health of Europeans closely reflects the socio-demographic differences within our society. The elderly, children and those in poor health tend to be more adversely affected by such environmental health hazards than the general population. Groups of lower socio-economic status (the unemployed, those on low incomes or with lower levels of education) also tend to be more negatively affected by environmental health hazards, as a result of their both greater exposure and higher vulnerability. In many European countries, the disproportionate exposure of lower socio-economic groups to pollution, noise and high temperatures occurs in urban areas. Moreover, and as previously stated, there are pronounced regional differences in social vulnerability and exposure to environmental health hazards across Europe. Regions with lower average socio-economic status and higher proportions of elderly people in southern and south-eastern Europe experience greater exposure to ground-level ozone and high air temperatures. Finally, even in wealthier sub-national regions, it is still the poorer communities that tend to be exposed to higher local levels of pollutants and extreme temperature, as shown by studies at finer spatial scales.

Climate change and other forms of environmental degradation have already caused net negative impacts on jobs and working conditions, and these impacts are expected to become more pronounced in the coming decades.¹³⁹ Although the whole European economy is concerned, some economic sectors are considered to be particularly at risk. This is especially an issue in sectors, which are heavily dependent on natural

resources, such as agriculture and forestry, but not limited to them. Rising sea levels, ocean acidification and changing ocean temperatures will limit biodiversity and alter the distribution and productivity of fisheries. Natural disasters will likely disrupt sectors such as energy and water providers, construction, transport and tourism, destroy critical infrastructure and take lives, putting additional pressure on emergency and rescue services, the health care sector and other public services. The probability of most types of extreme events is expected to increase significantly, which can in turn affect banking and insurance companies. The manufacturing sector and the industry are also exposed, mainly through spillover effects coming from the most affected sectors.

Last but not least, the higher temperatures projected with climate change pose serious risk to workers' health and safety, especially in Southern Europe where the highest rise in temperatures are expected. Many of them work outside and therefore may suffer from heat stress, dryness, dizziness or even heat stroke or collapse if the body temperature rises above 39°C. Even at less extreme temperatures, heat leads to a loss of concentration and increased tiredness, which means that workers are more likely to put themselves and others at risk.

Climate injustice could be worsen by inappropriate policy decisions. The impacts of both the technological and sustainability transition on production and consumption systems might not be fairly distributed across gender, geographical location and age and might exacerbate already existing inequalities in Europe.

¹³⁹ Guide for Trade Unions - Adaptation to Climate Change and the world of work - ETUC - www.etuc.org/en/adaptation-climate-change - 2020

Environmental injustice occurs when those with political or economic power exploit the planet's resources to the detriment of poorer communities or the average citizen, despite these people being the least responsible for the emissions that have driven the climate crisis.¹⁴⁰ This situation could lead to a strong resistance to climate change policies, and the perception that they penalise the average citizen, specific sectors, or communities and individuals dependant on fossil fuels despite the benefits of such policies. Different policy initiatives focus on sectors and areas that are greatly influenced by climate challenges, for example health, transport, agriculture, energy. In this respect, it is important to state that Climate Justice is not just about those affected directly by the impacts of climate change but also those affected by the drivers of climate change through dependency on goods, services and lifestyles that are associated with high emissions and low resource efficiency. Climate Justice can provide an overarching integrated approach to ensure that the transition to a low carbon economy is achieved when pursuing the interests of the sustainable well-being.

People should be at the centre of structural change, so that affected people can become active participants. This means not only that a supportive, reliable political framework and adequate resources must be provided, but also that all those affected must be effectively empowered to participate critically and constructively.¹⁴¹

In order to ensure a just transition, we need to address the two dimensions of the challenges faced when pursuing climate justice objectives, **namely: tackling the unequal vulnerability and exposure to environmental risk in society and at work, on the one hand, and the need for social fairness in environmental policies, on the other hand.**

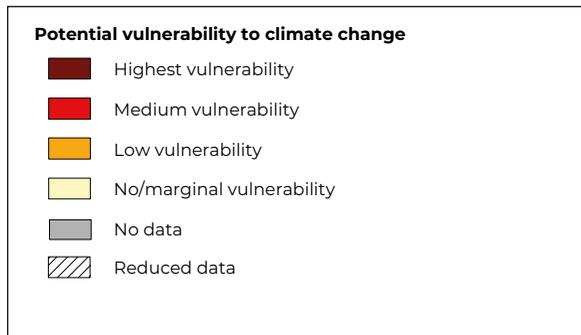
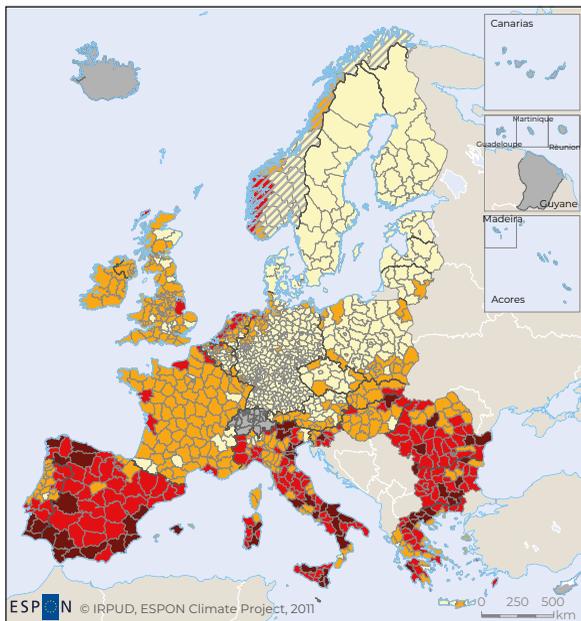
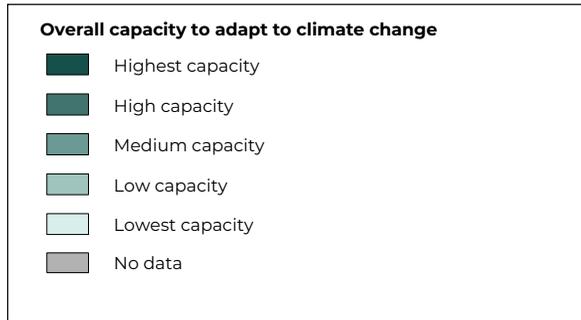
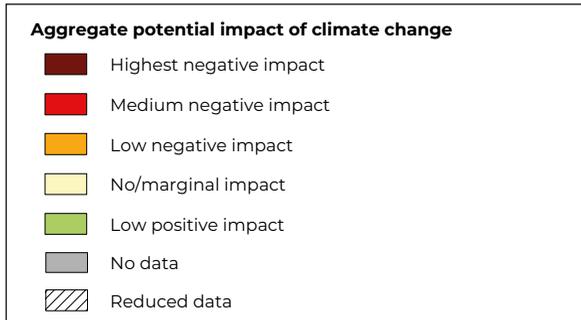
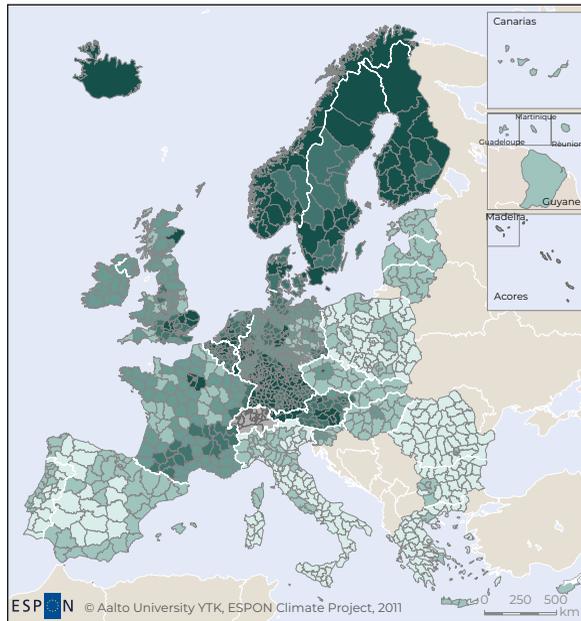
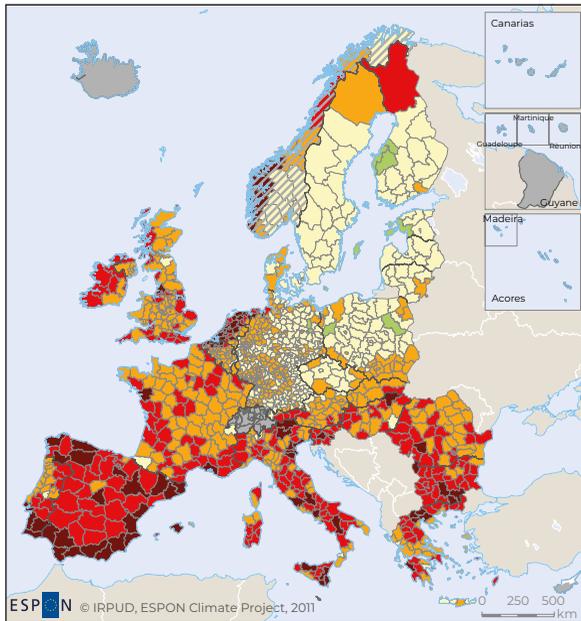
4.6.1. A comprehensive strategy for a fair adaptation to climate change

The Paris Agreement committed to strengthening adaptation capabilities to cope with the inevitable impacts of climate change, re-orienting all financial flows and technology deployment and development consistently with new temperature goals. The European Commission also adopted on the 24th February its communication on a new EU Strategy on Adaptation to Climate Change, setting out the pathway to prepare for the unavoidable impacts of climate change. The new strategy intends to show the way to boost adaptive capacity, strengthen resilience and reduce vulnerability to climate change. It focuses mainly on technical requirements: early warning, infrastructure, water resources, coastal erosion, crop management... All vital questions, but the communication says little about the harmful social impact of climate change. Our main concern here would be to assess how social justice and sustainable well-being

» Our main concern here would be to assess how social justice and sustainable well-being for all are taken on board in adaptations to climate change impacts across the EU.«

¹⁴⁰ *The richest 1% on the planet is responsible for twice as many CO₂ emissions as the poorest half of humanity. Confronting carbon inequality - Putting climate justice at the heart of the COVID-19 recovery - OXFAM 21 September 2020*

¹⁴¹ In this sense, the WBGU (German Advisory Council on Global Change) proposes the launch of an overarching 'Zero Carbon Mission' on multiple political levels. Its aim should be to strengthen and inter-connect transformative potential in the affected regions on the basis of reliable local, national and international frameworks. The Zero Carbon Mission should enable future-oriented modernization strategies for 'pioneer sustainability regions' and not be limited to immediate crisis management https://www.wbgu.de/fileadmin/user_upload/wbgu/publikationen/politikpapiere/pp9_2018/pdf/wbgu_policypaper_9.pdf



(source: ESPON, European Commission - Overall impacts derived from 26 impact indicators, overall adaptive capacity from 15 individual indicators, and overall vulnerability from a combination of overall impacts and adaptive capacity - 21 Dec 2016)

» Climate justice has two main dimensions: tackling the unequal vulnerability and exposure to environmental risk in society and at work, on the one hand, and the need for social fairness in environmental policies, on the other hand.«

for all are taken on board in adaptations to climate change impacts across the EU. The impacts of climate change are not neutral. Men and women, low-income households, older people, persons with disabilities, displaced persons have different adaptive capabilities. Adaptation measures need to address their situation. So far, most adaptation measures promoted by the EU adaptation strategy and developed by Member States were focused on technical solutions. This section intends to address how resources provided by broad climate objectives are creating a moment for Europe to take transformational action.

4.6.1.1. Adaptation policies must address environmental inequalities

Mitigation policies intend to make the impacts of climate change less severe by preventing or reducing the emission of greenhouse gases (GHG) into the atmosphere. Whereas the IPCC defines adaptation as “the process of adjustment to actual or expected climate and its effects”. As climate change is currently worsening, Europe will face exceptional weather events of

33%

Heatwaves in nine European cities increased the **death rate** by up to 33 per cent

all sorts. The evidence is incontrovertible. The past decade was the warmest on record¹⁴² and the impact on human health and society is clear. A ten-year World Health Organization study¹⁴³ found heatwaves in nine European cities increased the death rate by up to 33 per cent and, according to the European Environment Agency,¹⁴⁴ extreme weather events across Europe between 1980 and 2019 (see chart¹⁴⁵) inflicted economic losses amounting to almost €446 billion. Even if all greenhouse-gas emissions ceased tomorrow, this would not halt the impact on the climate, likely to continue for decades. Mitigation is vital but, in the meantime, ensuring that society can anticipate change and adapt to it is just as important.

¹⁴² <https://earthobservatory.nasa.gov/images/144510/2018-was-the-fourth-warmest-year-continuing-long-warming-trend>

¹⁴³ <https://www.euro.who.int/en/health-topics/environment-and-health/Climate-change/activities/public-health-responses-to-weather-extremes2/heathealth-action-plans/heat-threatens-health-key-figures-for-europe>

¹⁴⁴ <https://www.eea.europa.eu/data-and-maps/indicators/direct-losses-from-weather-disasters-4/assessment>

¹⁴⁵ Guide for Trade Unions - Adaptation to Climate Change and the world of work - ETUC - www.etuc.org/en/adaptation-climate-change - 2020

Climate change adaptation policies

[klaɪ.mət tʃeɪndʒ æd.əp'teɪ.ʃən 'pɒl.ə.sɪ] **noun**

anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause or taking advantage of opportunities that may arise

Climate change adaptation, according to the definition of the European Commission, means “anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause or taking advantage of opportunities that may arise”.¹⁴⁶

According to our specific goal of ensuring a just transition, the primary objective of adaptation is to address climate vulnerability of specific regions, economic sectors or populations. An early adaptation action will save lives and jobs. Adaptation measures should consist of bold investments in infrastructure to protect against natural disasters, the development of resource efficiency management systems, the strengthening of social protection systems and the adoption of adequate prevention measures.



Extreme weather events across Europe between 1980 and 2019 inflicted economic losses amounting to almost €446 billion



¹⁴⁶ https://ec.europa.eu/clima/policies/adaptation_en

The EU adaptation strategy must be legally binding

Health hazards related to climate change will affect people, particularly some vulnerable groups. These hazards are already increasing morbidity and mortality due to extreme weather events (heatwaves, storms, floods, wildfires) and emerging infectious diseases (whose spread, timing and intensity are affected by changes in temperature, humidity and rainfall). There is a strong correlation between mandatory policy targets and the efficiency of their implementation. Ensuring the EU's preparedness against hazardous climate change should at least require the development of mandatory adaptation plans, climate vulnerability assessments and climate stress tests at local, regional, and national levels.

- We therefore ask to address the need to mainstream climate adaptation in, and maximise the co-benefits with, all relevant EU policies towards a more sustainable future, such as agriculture and food production, forestry, transport, trade, energy, environment, water management, buildings, infrastructure, industrial, maritime and fisheries policies, as well as cohesion policy and local development, and social policies, and the need to ensure that other European Green Deal initiatives are consistent with climate adaptation and mitigation measures.
- We call for a strengthened governance of the new strategy:
 - 1) the identification of priority areas and investment needs, including an assessment of the extent to which EU investments contribute to reducing the overall climate vulnerability of the Union,
 - 2) a more frequent review process, with clear goals, a proper assessment, and indicators informed by the latest science to measure progress in its implementation.
 - 3) we call the European Commission to integrate mandatory climate risk assessments into the EU strategy on adaptation to climate change, including of national adaptation plans.

Particular attention also has to be paid to the impacts of climate change and the costs of adaptation for each region, particularly those regions that are facing the double challenge of contributing to the global mitigation effort while bearing the increasing costs of dealing with climate-related impacts. It is therefore equally important to further promote climate adaptation in regions and cities in the new Strategy, such as through promoting legislative frameworks requiring adequate adaptation strategies also at these levels;

Develop a strong social dimension, which would put people first

The strategies developed so far lack concrete socio-economic impact assessments of climate change consequences on the society and on the working world, both in terms of employment and working conditions. These strategies should include meaningful indicators to monitor the socio-economic impacts of adaptation strategies and to assess the value of the prevention and management of risks linked to climate change. The adoption of adaptation strategies and policies is crucial as these strategies and policies play a key role in avoiding or diminishing the negative effects climate change may have on human health, safety and on the economic environment and employment. **If not addressed at the proper level, these effects will aggravate environmental inequalities in Europe.**

Social protection policies are necessary to protect lower-income groups against the threats of climate hazards

Adaptation policies are critical to preventing a deterioration of livelihoods as a result of climate hazards. In the same way, the strategy must protect vulnerable communities, such as migrants and seasonal workers, and avoid perpetuating any form of ethnic, religious or other discrimination.

Climate change will affect men and women in different ways

Adaptation measures must promote and not undermine gender equality. This means Women need to participate in political decision-making and design of the policies in order to incorporate a gender perspective. Climate policies should be gender mainstreamed. This should lead as well to women participating in the 'gender-screening' of all proposals, to assess their specific impact.

Urban-planning, investment in resilient infrastructure and housing

will play a crucial role regarding disaster prevention. The EU should pilot more closely policy to assist local communities develop and implement adaptation plans, and support the most vulnerable ones, so that they can find the expertise to plan and the resources to take action.

Public services are likely to be affected by climate change

as demand for caring, health services and emergency support will increase. The EU needs to plan for the consequences and to invest in public services, infrastructure, social protection and insurance schemes, so that our societies are ready to handle the challenges. As underlined by the EPSU study,¹⁴⁷ the different strategies are

¹⁴⁷ Public services and adaptation to climate change - European Public Services Union - 2017 - https://www.epsu.org/sites/default/files/article/files/2_EPSU%20Public%20services%20and%20adaptation%20to%20climate%20change%20for%20reading.pdf

characterised by an “absence of stable and systematic public financing, at both national and municipal levels”. There is also a lack, at EU level, of any legal instrument that would protect citizen’s health in relation to the risks raised by climate change.

Public policy will have to play a critical role in providing public goods for adaptation

and ensuring that social processes and institutions are flexible enough to learn and assess policy options. Climate change presents a public goods-related problem, one that could produce socially undesirable results if not addressed properly. Information and accurate climate forecasts, public infrastructure, flood control systems, early warning systems, knowledge and technology are public goods, all of which are essential for adaptation.

Design a Climate risk insurance for low-income households as one fundamental element of the social-ecological welfare state¹⁴⁸

Ecological crises are social risk threatening the lives and livelihoods of Europeans, especially the most vulnerable ones: close to 100,000 Europeans have died because of these increasingly violent ecological shocks in the last four decades, many more have been driven to poverty or precariousness by losing their homes, equipment and social networks. We know for sure that these human losses are going to skyrocket if we don’t build adequate collective social-ecological protections. Those social-ecological risks should be pooled in order to reduce their economic cost and social injustice using the same institution that has proven so successful in fostering human development for a century in Europe and so strategic in the face of the Covid crisis: the welfare state.

A new public insurance scheme, akin to national health insurance schemes, aimed at covering natural catastrophes or extreme weather events such as heat waves, heavy precipitation, droughts, and storms that will increase in many European regions. Because of this increase in natural hazards, the price of insurance policies is expected to become unaffordable for lower income households. This unprecedented situation will require the establishment of a social-ecological safety net which would extend risk coverage and public solidarity to new risks linked to the deterioration of climatic conditions. To do so, Member States should collectivise part of the risk to make up for the private sector’s failure to offer viable insurance options. In this scheme, the EU would act as a reinsurance capacity to support national public funding.

¹⁴⁸ While between 1980 and 1999, the overall cost of storms, floods, heatwaves, cold waves, droughts and forest fires totalled 175 billion euros in the EU, they amounted to 245 billion euros between 2000 and 2019, close to 1,5 more. We know for sure that these costs are going to increase much further in coming years. Of these losses today, at best, private insurance covers 25% on average in EU countries (60% at best), largely for wealthy households.

4.6.1.2. Adaptation policies must ensure fair working conditions

Climate change is already impacting workers and working conditions in a wide variety of sectors. It will have even more serious implications for vulnerable workers. For example, the health and safety of outdoor workers in construction or agriculture could be severely affected by the rise in temperature. Heat stroke, skin cancer, fatigue and dehydration, as well as the spread of diseases are among the increased risks.

Heat stress or extreme weather events will primarily affect outdoor workers and especially those whose activity is physically demanding.¹⁴⁹ Agriculture and construction are sectors considered particularly at risk. Several categories of workers who work indoors may also be impacted, especially those who work in warm spaces that are not air-conditioned. Experience shows that even office workers can be impacted if the building is lacking in proper isolation or a cooling/ventilation system. Possible preventive measures include changing working hours, in-work organisation, investment in proper equipment and access to water. It's important to note, moreover, that some of these measures may introduce new hazards.

Civil-protection workers, such as firefighters and nurses, will see their workloads and stress increase significantly, as wildfires and other extreme weather events become more severe and frequent. The adaptation strategy should address workers protection from high temperatures, natural ultra-violet radiation and other health-and-safety hazards. Protection currently varies across Europe and in some countries fails to address rising temperatures. The EU should encourage member states to carry out studies on the impact of climate change on the world of work, examining different regions and sectors in detail.

» We will try to explore how aiming to reduce environmental destruction is reinforced by combatting inequality here and now and by taking inequality into account when designing environmental policy.«

¹⁴⁹ Guide for Trade Unions - Adaptation to Climate Change and the world of work - ETUC - www.etuc.org/en/adaptation-climate-change - 2020

Introduce legislative instruments

that recognise the increased safety and health risk faced by workers due to climate change and create obligations to protect them.

Establish social protection mechanisms at European level

to support Member States in case of emergencies.

Strictly monitor the development and implementation of national adaptation strategies,

with regards, in particular, to the assessment of climate change's socio-economic impact and make sure trade unions are involved.

Provide sufficient funding for adaptation

through a rise of the amounts dedicated to adaptation by the different European Structural and Investment funds and harmonise taxation regimes across Member States in order to prevent tax fraud, tax avoidance and ensure a fair redistribution of resources in order to allow public authorities to finance adaptation measures.

European trade unions and European employer's organisations should establish a strong and stable social dialogue on the implications climate change may have on the health and safety of workers

in order to issue guidance for companies on how they should act to protect their workers.

4.6.2. How justice needs to guide environmental policies

The aim of this section is to explore how to **promote policies achieving a fair share of resource- and energy use both to tackle the climate and environmental problems we are facing while addressing inequalities** (because they intersect with the effects of climate change). Together with the following chapter (*Chapter 5 : Living an healthy life in a decarbonised planet* which will address more in depth the necessary ambition to reduce GHG emissions), we will try to explore how aiming to reduce environmental destruction is reinforced by combatting inequality here and now and by taking inequality into account when designing environmental policy. We should avoid at any cost that policy measures making sense from a climate point of view could impact low income households unequally and, in general, fight the regressive effect they can have on the most vulnerable segments of the population.

As previously stated, we need to include a clear definition of the just transition concepts in the European legislation as well as some monitoring indicator. This should be done using the framework set out by the International Labour Organization in its Guidelines for a just transition.

In parallel, the EU Pillar of Social Rights is to serve as a compass for a renewed process of convergence towards better living and working conditions amongst Member States. The EPSR is based on 20 principles,¹⁵⁰ many of which will be impacted either directly by climate change or indirectly by the need to transition to new economic models. We consider its implementation by 2030 to be an integral part of our climate ambitions. Indeed, we need to ensure that the transformative process of a carbon neutral economy fully addresses the issue of inequality between and within EU member states, between people and places. The climate challenges we are facing today stems also directly from the very unequal and unsustainable economic system that has developed over the years.

4.6.2.1. Just transition for labour

The ambitious goals set by the Paris Agreement will entail an unprecedented social and economic transition in a relatively short period of time, as countries seek to adapt and restructure towards more sustainable systems of production and consumption. The transformation of production can be an important vehicle for technological progress, sustainable development and new jobs and job creation but also for social innovation. However, the transition to a low-carbon model will carry serious implications for employment, with at best the potential displacement of jobs in many sectors and regions. Anticipating these trends and their impact on workers in terms of organisation of work, skills need, investment capacity and employment should be at the heart of our recommendations.

The transition is expected to benefit companies operating in the environmental sectors in particular. Investments in renewable energy and in energy efficiency will create jobs in basic manufacturing, engineering, transport equipment, utilities, construction, and their supply chains. In the EU, the overall employment in the so-called “eco-indus-

» We need to ensure that the transformative process of a carbon neutral economy fully addresses the issue of inequality.«

¹⁵⁰ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

tries” is already estimated at 1-2% of total European employment (4.2 million jobs).¹⁵¹ In some countries (such as the United States), the size of the environmental sector is already larger than the aerospace and defence industries. Some sectors are experiencing very strong employment dynamics (renewable energies, heat and energy saving equipment, waste management). This development should continue in the coming years. According to a study from the European Commission released in 2012, the renewable energy sector would have had the potential to create 3 million jobs by 2020. Despite the ever-growing share of renewable energy, a downward trend in related jobs occurred from 2011 onwards, turning to stagnation in the following years. Nowadays, In the EU, the green transition was expected to create 1.2 million additional jobs before the outbreak of COVID-19.¹⁵²

The transition is also expected to create some new constraints, for example in carbon intensive industries. These risks could consist of lower demand for certain products, higher investment needs to cope with tighter environmental standards as well as with a higher carbon price. In some sectors, the development of new technologies may lead to a higher degree of automatisisation of production processes, which in turn reduces the need for workers. If these risks are not properly managed, they can result in restructuring processes, collective redundancies or

even plant closures.¹⁵³ Last but not least, the transition may also impact the quality of jobs. The shift will stimulate demand for high skilled jobs but also for medium and low skilled ones, which may mean poorer working conditions and more occupational health and safety risks.



The renewable energy sector would have had the potential to create 3 million jobs by 2020

To be successful, it will require strong, stable and coherent policies aiming at supporting developing sectors, as well as more traditional industries, which can be an important driver for the implementation of more effective and sustainable production processes. It is our priority to protect and preserve communities and to facilitate the transition while creating enhanced levels of well-being, both socially and economically, of those affected.

» It is our priority to protect and preserve communities and to facilitate the transition while creating enhanced levels of well-being, both socially and economically, of those affected.«

¹⁵¹ Source : Eurostats

¹⁵² Commission Staff Working document - Exploiting the employment potential of green growth SWD/2012/0092 final

¹⁵³ https://www.etuc.org/sites/default/files/publication/file/2018-09/Final%20FUPA%20Guide_EN.pdf

Boosting European industries' transformation and creating decent jobs in a sustainable and low-carbon economy

- Promote the adoption of integrated industrial policies that would be consistent with sustainable development goals, providing industry with clear strategic objectives, a stable regulatory, financial, fiscal and legal framework and allowing for the creation of green and decent jobs
- Promote investment in sustainable technologies. Promote European and national public and private investment in green technologies through European R&D, as well as the creation of European technological platforms dedicated to low & zero carbon technologies.
- In regions and industries most affected by the transition, promote economic diversification as well as the adoption of policies and measures that will allow a just transition for workers, favour investment in sustainable sectors, promote technological innovation and provide the means (financial, social) to ensure this transition.

Beyond skills: promote competence building and enhance employability

The transition towards a low-carbon economy is expected to have very strong implications in terms of competences and skills. Potentially, it may affect a great number of workers, raising the need for new skill profiles, lowering the demand for others. Workers whose jobs may disappear as a result of climate change or as a result of the need to end dependency on the drivers of climate change should not be the ones to pay the price for this change. Ensuring a just transition will require an adaptation of vocational and educational systems but also active labour market policies targeting employment creation, training and life-long learning.

- In regions dependent on carbon-intensive activities, the transition process should lead to support workers with measures aiming at creating re-qualification and redeployment of workers, from declining sectors to growing sectors.
- Identify both challenges and opportunities: In sectors and regions that are the most affected by the change, identify both challenges and opportunities linked to the decarbonisation process and promote initiatives aiming at retraining workers in developing sectors.

Adequate social protection

As underlined in the ILO's Decent Work Agenda,¹⁵⁴ social protection is a fundamental human right and ensuring a just transition raises the need for adequate and efficient protection measures (unemployment benefits, health insurance, social benefits, retirement, etc.), that will protect affected workers and target social inclusion and the eradication of poverty.

- **Promote the integration of adequate social protection measures** into national climate change policies including measures specifically targeting those who are going to be negatively affected, and in particular workers largely dependent on natural resources or facing major structural changes.

¹⁵⁴ <http://www.ilo.org/global/topics/decent-work/lang-en/index.htm>

4.6.2.2. Just transition for consumers

There is a perception that a sustainable life style, and sustainable consumption choices are only compatible with a high disposable income and that ethical, climate friendly, sustainable choices are not accessible to all equally.¹⁵⁵ Pricing that incorporates the climate costs (such as resource intensity) of goods and services should be supported by a policy framework that challenges this perception and increases accessibility for all consumers. Without the alternative choice the consumer is left with no option, but forced into poverty/poor decision making/unhealthy choices/unsustainable choices and develops a dislike for “environmental” policies that are seen to be penalising the end user. Meanwhile, those who profit from this system are not paying, but are making more money, and so the inequality increases – under the guise of environmental policy contradicting the principles of sustainability. The power of consumers in achieving the transition can only be harnessed when consumers have the option of sustainable ethical alternatives that do not lead to a significant reduction in terms of accessibility. Viable alternatives for consumers can be developed through the new economic models such as the Digital, Collaborative, and Circular Economy and through the international cooperation on the global, sectorial transition to these models.

» There is a perception that a sustainable life style, and sustainable consumption choices are only compatible with a high disposable income and that ethical, climate friendly, sustainable choices are not accessible to all equally.«

- Support mechanisms, including public money, economic instruments and incentives should be used to ensure that infrastructure and appropriate supports exist for consumers wishing to choose a low carbon lifestyle, including assistance for meeting the higher costs of ethical/long life/sustainable goods and services.
- Citizens should not feel that climate change policies are associated with unfairly penalising of those who have no alternative but to operate within the fossil fuel economy.
- Too often the polluter pays principle is misapplied and levies are forced on consumers, when they have no viable alternative available. In order to drive behaviour change in the required direction, the sustainability policies are dependent on ensuring that supports for transition are clearly identified, prioritised, and adequately financed.

¹⁵⁵ European Economic and Social Committee - Climate Justice (own-initiative opinion) - Section for Agriculture, Rural Development and the Environment - 2017

Focus on automative mobility

Cars contribute over sixty per cent of CO₂ emissions in the transport sector and thus constitute a source of very considerable leverage for emission reduction strategies. The stakes in the automobile industry are particularly high and the transformation is also more complex than in other sectors. Besides decarbonisation, the digitalisation of both the production and the product and a reconfiguration of the global supply chains of the industry are proceeding simultaneously. And all this is happening at an accelerating pace.¹⁵⁶

The Commission will present a binding roadmap for the full phasing out of internal combustion engine cars by 2035. To ensure that all actors are involved - and notably workers and communities that will be affected by such changes - the EC should launch without any delay a “Just transition strategy for the automotive sector” so as to anticipate and manage the changes.

- This roadmap should follow the principles of the place-sensitive policies as discussed above to ensure the phasing out of combustion engine process is fair, both for people and workers.
- Binding targets for charging infrastructures in each member states and a sustained support for the European batteries cell industry are equally necessary.
- Increased EU funding should be available to support national, regional and local authorities to implement sustainable mobility plans based on their citizens’ needs, in particular the most vulnerable ones.
- Extensive digitalisation and vehicle electrification should make possible a drastic change in mobility and entail the development of services and service provision functions alongside new connectivity and public transport features. Such change is critical since it has the potential for overhauling vehicle usage and ownership. The Commission should assess the changes in mobility patterns and the role of individual vehicle use will have in the future.
- The EU must support the development and promotion of public transport as a solution that attains a more efficient use of road networks and provides a more socially equitable and clean mobility than private vehicles. The multifaceted aspects of mobility should lead to the integration of various means and modes of transport, ensuring a rational division of transport tasks between individual modes of transport, the development of new, environmentally friendly, techniques and technologies of transport and delivery, promotion of alternative forms of movement in urban areas, as well as changes in users’ behaviours and habits.

4.6.2.3. The just transition must tackle energy poverty

Energy poverty is a major issue across Europe and although its meaning and context can vary from country to country, it is another striking example of the need to ensure climate change policies are focussed on protecting the most vulnerable. Energy poverty is already a reality for 10 % of EU citizens. From 2007 to 2018, electricity prices for households rose by around 25% according to Eurostat and ACER. It will be crucial that future EU policies address this problem and counterbalance any regressive distributional effects that climate measures may have on citizens. Fighting energy poverty, in the broader

» Energy poverty is already a reality for 10 % of EU citizens.«

context of an EU overall strategy against poverty, must be a top priority of the European Commission and the Member States.

- Adding a provision to ensure that access to energy services is a basic social right. Along these lines, a broad European definition of energy poverty, refined by Member States according to their own national circumstances should be established to implement this right in the most efficient way. Access to energy must be secure, sustainable and affordable for all in Europe, including via the promotion of social tariffs.
- To fight the root causes of energy poverty, tripling the renovation rate of dwellings thanks to increased and renewed ambitions in respect of energy efficiency and the Energy Performance of Buildings Directive will be key steps. Setting criteria for a significant minimum percentage of energy efficiency obligation schemes to target energy-poor citizens. A “European Energy Poverty Observatory” that would bring together all stakeholders would help define European energy poverty indicators. JUST transition means ensuring that clean and affordable accessible energy is supplied to everyone.
- The European Commission must push Member States to act: increased EU funding should help local, regional, national authorities to overcome current administrative, financial and economic obstacles to make renovation accessible to all so that high upfront costs are not borne by vulnerable people. Local communities are key actors in the fight and community led renovations should receive more support.
- Renewable energy production in terms of a % of electricity consumption has more than doubled between 2004 and 2015 in the EU (14% to 29%). However, in heating, buildings and industry, and in transport the energy requirements are still enormous. Progress is occurring, but from a very low base, for example the share of renewable energy in fuel consumption in transport has increased from 1% to 6% in the same period.
- Policies that support addressing the energy poverty problem in EU can also be solutions for establishing a clean energy infrastructure and supply, by shifting subsidies and coordinating political will.
- Public subsidies in favour of fossil fuels must be phased out as soon as possible otherwise we will use taxpayer’s money to support stranded assets at the expense of other urgent and long term public priorities to ensure a just transition for all, be it the need to increase public investments in social infrastructures and policies or the need to increase investments in climate neutral technologies and infrastructures across all economic sectors.

Climate Justice in the Courtroom: global increase in the number of lawsuits relating to climate change

The number of lawsuits relating to climate change is increasing worldwide. A wide variety of lawsuits were registered, and, of these, pioneer lawsuits for compensation due to climate-related loss and damage were the exception. But the rights attached to Human linked to climate change are now being recognised in various countries around the world, through the judiciary process. This trend illustrates that Courts consistently uphold the principle that governments can be held legally accountable for not taking sufficient action to prevent the foreseeable harm resulting from climate change.

On 20 December 2019, the Dutch Supreme Court, the highest court in the Netherlands, upheld the previous decisions in the Urgenda Climate Case, finding that the Dutch government has obligations to urgently and significantly reduce emissions in line with its human rights obligations.

A Paris court has convicted the French state of failing to address the climate crisis and not keeping its promises to tackle greenhouse gas emissions. The court found the state guilty of “non-respect of its engagements” aimed at combating global warming. Billed by the “affair of the century”, the legal case was brought by four French environmental groups after a petition signed by 2.3 million people.

In April 2021, Germany’s Constitutional Court has found in a landmark ruling that key parts of the country’s climate legislation are insufficient. The court said Germany’s Climate Action Law is partly unconstitutional because it shifts the climate burden of making painful reductions to future generation and obliged the government to introduce details on greenhouse gas reduction targets for the period after 2030 by the end of 2022.

On June 17 2021 the Court of First Instance of Brussels has collectively condemned the Belgian authorities for their negligent climate policy. The judges ruled that the Belgian climate policy is substandard and not only violates the legal duty of care but also Human rights.

The fact that some of these decisions are based exclusively on the rights of future generations – all of them taken together and functioning intertemporally, nonetheless – constitutes an innovative departure. Indeed, these decisions should serve as a blueprint for lawsuits in other countries, adopting the logic of intergenerational climate justice. Lawsuits filed against companies by people who have been harmed by climate change can contribute towards realising a just transformation. Furthermore, lawsuits can also be a trigger and driver for the long-term establishment of mechanisms to ensure just compensation for every citizen affected by climate change.¹⁵⁷

¹⁵⁷ https://www.wbgu.de/fileadmin/user_upload/wbgu/publikationen/politikpapiere/pp9_2018/pdf/wbgu_policypaper_9.pdf



MAKE
EARTH



FIGHTING
FOR OUR
FUTURE

FRIDAYS FOR FUTURE
GREECE

AVO

CHAPTER 5

Living a healthy life on a decarbonised and preserved planet

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All the evidence indeed suggests that Humans have gone too far in the destruction of the only planetary ecosystem they have, leading to them now being endangered. The world's leading climate scientists are increasingly concerned that global heating will trigger tipping points in Earth's natural systems, which will lead to widespread and possibly irrevocable disaster, unless action is taken urgently.

Summary

All the evidence indeed suggests that Humans have gone too far in the destruction of the only planetary ecosystem they have, leading to them now being endangered. The world's leading climate scientists are increasingly concerned that global heating will trigger tipping points in Earth's natural systems, which will lead to widespread and possibly irrevocable disaster, unless action is taken urgently. Reducing greenhouse gas is therefore a matter of absolute necessity. The EU cannot afford to fail, because the target is still close, and because our chances of a second try constrained. These shocks would indeed not only damage the environment on which we depend, they also weaken our political, economic and social systems.

Climate change is a “crisis multiplier” that has profound implications for international peace and stability. It is indeed common knowledge that the environmental degradation and anthropogenic climate change caused by an exploitative world economy is the prime example illustrating the unsustainable nature of today's model of development. Less noticed are its unequal fundamental components: the richest 1% on the planet is responsible for twice as many CO₂ emissions as the poorest half of humanity, as the devastating effects of climate change are felt more than ever.

» Ecological crises reinforce inequalities, just as inequalities increase environmental damage.«

The same goes for global pollution and its detrimental effects to Nature and Human, which generate unacceptable injustices. Ecological crises reinforce inequalities, just as inequalities increase environmental damage.

It is indisputable that the European Union displays unprecedented environmental policy ambitions to deal with the threats that are now facing us. The goal of climate neutrality by 2050 has become a legally binding target, paving the way for a much-needed ambitious environmental agenda.

In the view of the ICSE, the opportunity of the ongoing EU climate action should be seized to propose a sustainable transformation of Europe. A true environmental agenda not only aims to protect our livelihood and that of planet Earth, but to actively improve our future sustainable well-being through

» Climate change is a “crisis multiplier” that has profound implications for international peace and stability.«

» We must make it clear that applying a well-being lens when designing climate mitigation policies has the potential to deliver wider benefits both in the short and the long term.«

a fully-fledged social-ecological response to climate change.

This section proposes a comprehensive approach on carbon emissions reduction with the aim of aligning carbon pricing, effort sharing and climate policies in order to carry out a fair distribution of the emissions space among countries and among people. If carbon pricing and environmental taxation are important instruments to implement the green transition, it is equally crucial to take into account the distributional effects of these instruments and to put in place accompanying policies to mitigate their potentially socially unfair effects. In particular, carbon pricing revenues should be used to counter potential negative social and economic consequences resulting from the decarbonisation process.

It is equally important that the 2030 climate target is translated into a concrete and adequate policy framework to achieve ambitious environmental goal. To do so, the EU should act as the leading promoter of transformational measure by: designing an integrated industrial policy focused on strategic missions linked to decarbonisation; aligning infrastructure policies and mobility policies to this long-term vision; boosting sustainable production and consumption; and proposing a comprehensive framework for improving natural carbon sinks.

Besides, we must make it clear that applying a well-being lens when designing climate mitigation policies has the potential to deliver wider benefits both in the short and the long term. A co-beneficial approach should recognise the intrinsic interconnections between our social and ecological systems as the basis for a just and sustainable economy, with health as the great connector. Along these lines, the revalorisation of Biodiversity into the political agenda of the European Union is necessary to emphasise the interactions between human activities, ecosystems and climate. With the same view of aligning policies with the objectives of sustainable well-being, this section will seek to re-affirm that health, in a wide sense, is “one”, which implies that policy responses must be guided by a coherent approach towards human and environmental health.

Furthermore, a shift in perspective is needed to better integrate growing challenges to the sustainability of the food system, and the CAP should ensure full policy coherence covering agricultural, food, environment, and climate policies. Finally, and as air, water and soil pollution, as well as the use of hazardous chemicals, can undermine the health of all citizens, the ICSE is calling for an overarching framework at EU level that can address the complex interlinkages across policy domains relevant to environment and health.

5.1. Introduction

The COVID crisis has triggered a global chain reaction leading to the lockdown of virtually the entire world's population and an almost complete stop of the global economy. It is now acknowledged that this pandemic is a striking example of the extent of the consequences on Human life of the ongoing deterioration of nature. This worldwide health crisis is, at its origin, ecological: the virus — like SARS, MERS, Ebola— stems from the human-animal frontier. The loss of biodiversity in the ecosystems has created the general conditions that have favoured and, actually, made possible, the insurgence of the COVID-19 pandemic (a so-called 'zoonosis').

While attention and political response have properly been focused on the virus, the world has witnessed at the same time recurring and extreme weather phenomena. To name a few: heat waves in Siberia, unprecedented summer droughts in Europe in the last 250 years, wildfires in Australia and California and storms in Bengal which forced two million people to evacuate their homes...

All the evidence suggests that¹⁵⁸ Humans have gone too far in the destruction of the only planetary ecosystem they have, leading to them now being endangered.

Climatologists are unanimous that, if not properly addressed, global warming and the destruction of biodiversity are pushing our planet and human civilisation into unknown territory. These shocks not only damage the environment on which we depend, they also weaken our political, economic and social systems. As a result of the recent COVID experience, human beings are all becoming increasingly and intimately aware of the impact of nature on their existence and the extent to which, across borders and generations, their fates are interconnected. This wake-up call will however not be sufficient, far from it.

Climate change is a “crisis multiplier” that has profound implications for international peace and stability. It is indeed common knowledge that the environmental degradation and anthropogenic climate change caused by an exploitative world economy is the prime example illustrating the unsustainable nature of today's model of development. Less noticed are its unequal fundamental components: the richest 1% on the planet is responsible for twice as many CO₂ emissions as the poorest half of humanity,¹⁵⁹ as the devastating effects of climate change are felt more than ever. The same goes for global pollution and its detrimental effects to Nature and Human, which generate unacceptable injustices (*see Chapter 4 “The imperative of a just transition in a changing world”¹⁶⁰*).

» Climatologists are unanimous that, if not properly addressed, global warming and the destruction of biodiversity are pushing our planet and human civilisation into unknown territory.«

¹⁵⁸ In the past 2 decades, Europe already experienced an increased frequency of droughts with estimated loss of about EUR 100 billion. Ionita, M. et al. The European droughts from a climatological perspective. *Hydrol. Earth Syst. Sci.* 21, 1397–1419 (2017).

¹⁵⁹ The richest 10% of the global population, comprising about 630 million people, were responsible for about 52% of global emissions over the 25-year period, the study showed: <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/621052/mb-confronting-carbon-inequality-210920-en.pdf>

¹⁶⁰ The effects of climate change and pollution levels tend to be more serious for specific subgroups based upon territorial disparities and wealth. In other words, the low-income households are least to blame for CO₂ emissions but suffer the most—forced to live with pollutants and / or climate change direct effects that the polluters themselves pay to avoid.

If nothing or too few is done, these “extreme inequalities”, at work for several decades, could precipitate the world towards both climate and social chaos.

Ecological crises reinforce inequalities, just as inequalities increase environmental damage. Hence, policies to reduce Greenhouse Gas Emissions must restore Justice within our societies.

To avoid the distributional effects of climate policies, the latter, for example carbon taxes, must be designed to avoid or compensate any negative effects that would increase inequality. Otherwise, the effort will be perceived as unfair and the transition is not likely to happen. One striking example is the yellow vests movement that emerged in France in 2018, whose fierce protests forced the French government to step back on its plans for taxing carbon emissions. As noted by the High Council on Climate (HCC),¹⁶¹ an increase of the climate-energy contribution at the level initially planned for 2022 coupled with the modification on the taxation of diesel fuel would have represented an effort of almost 1% of disposable income for the poorest 10% of households against 0.3% for the top 10% richest.¹⁶²

Such a prospect is obviously not compatible with the vision of a social model built on the notion of sustainable well-being for all and must therefore be addressed by our work on a new policy agenda for a sustainable and socially fair transformation of society.

The last Special Report of the International Panel on Climate Change warned that the world is already 1°C warmer than pre-industrial levels. Between 2030 and 2052, global warming is likely to hit a 1.5°C increase.¹⁶³ By signing the Paris Agreement,¹⁶⁴ the EU committed itself to the goal of global net climate neutrality by 2050. With the aim of achieving at least 55% greenhouse gas emissions reductions by 2030, the European Green Deal is the European Union’s flagship strategy to tackle climate change and the roadmap towards a carbon neutral Europe by 2050.¹⁶⁵

In addition, the European Commission has started working on the so-called “Fit for 55 Package”, which includes initiatives and revisions of existing directives to be aligned with both the new 2030 targets and with the long-term goal of 2050.

» The richest 1% on the planet is responsible for twice as many CO₂ emissions as the poorest half of humanity«

It is indisputable that the European Commission displays unprecedented environmental policy ambitions to deal with the threats that are now facing us. The goal of climate neutrality by 2050 will become a legally binding target, paving the way for a much-needed ambitious environmental agenda. However, the path to achieve such a high-level commitment has for long been - and still is - a divisive issue inside both the academic and political communities.¹⁶⁶

Reducing greenhouse gas is indeed a matter of absolute necessity. Using a worst-case scenario existential risk analysis in a much-discussed report, Australian climate experts¹⁶⁷ recently stated that an additional 2°C of warming would have disastrous consequences on our societies.

¹⁶¹ The French “Haut Conseil pour le Climat” is an independent body tasked with issuing advice and recommendations to the Government on the implementation of public measures and policies to reduce France’s greenhouse gas emissions. Agir en cohérence avec les ambitions - Haut Conseil pour le Climat - 2019 - https://www.hautconseilclimat.fr/wp-content/uploads/2019/09/hcc_rapport_annuel_grand_public_2019.pdf

¹⁶² The tax increase was perceived as unfair in the sense that, in a relative way, it affected more, and was rejected by, the low-income population, in particular by people who needed their cars to commute every day.

¹⁶³ IPCC AR5 Synthesis Report: Between 2030 and 2052, global warming is likely to hit a 1.5°C increase. This increase of 1.5°C could already endanger between 20% and 30% of biodiversity. While an increase to 2°C would significantly worsen the risks of drought, floods, extreme heat

¹⁶⁴ Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels

¹⁶⁵ On the 21st of April Negotiators from the European Parliament and EU member states reached an agreement on the European Climate Law that will enshrine the EU’s commitment to reaching climate neutrality by 2050. As expected, the 2030 target was the most fierce political fight, but parties reached an agreement to reduce net greenhouse gas emissions by “at least 55%” by 2030, compared to 1990 levels. That objective will therefore become a legal obligation for the EU and its member states.

¹⁶⁶ In order to ensure that sufficient efforts to reduce and prevent emissions are deployed until 2030, the climate law introduce a limit of 225 Mt of CO₂ equivalent to the contribution of removals to the net target. It also states that the European Union shall aim to achieve a higher volume of carbon net sink by 2030. With the inclusion of “carbon sinks” (from Forestry and Agriculture) into the legislation, the EU’s 2030 target would translate into a “gross” reduction of 52.8%.

¹⁶⁷ Existential climate-related security risk: A scenario approach - David Spratt & Ian Dunlop - May 2019

» The EU cannot afford to fail, because the target is still close, and because our chances of a second try are constrained.«

In their scenario, “tipping points” will occur if humanity fails to institute bold carbon emission reductions in the 2020s and 2030s.¹⁶⁸ The Intergovernmental Panel on Climate Change (IPCC) introduced the idea of tipping points two decades ago. They are events that could potentially commit the world to long-term irreversible changes. At that time, these ‘large-scale discontinuities’ in the climate system were considered likely only if global warming exceeded 5°C above pre-industrial levels.

However, in June 2021, a recent leaked, 4,000 pages report from the Intergovernmental Panel on Climate Change (IPCC) brought more cause for concern and alarm. Now the world’s leading climate scientists are increasingly concerned that global heating will trigger tipping points in Earth’s natural systems, even between 1 and 2°C of warming. The draft reportedly describes how climate change will “fundamentally reshape life on Earth in coming decades, even if humans can tame planet-warming greenhouse gas emissions” with projections on food supplies, water scarcity, extinction rates, migration, infectious diseases and extreme weather events.

At a global level, the recent wave of net zero targets commitments has put the Paris Agreement’s 1.5°C within relatively striking distance. Actually, the Climate Action Tracker (CAT) has calculated that global warming by 2100 could be as low as 2.1°C as a result of all the net zero pledges announced as of November 2020,¹⁶⁹ while if everything continues as it is today, we are heading for a warming of 2.9°C.

The EU cannot afford to fail, because the target is still close, and because our chances of a second try are constrained.

In the view of the ICSE, the opportunity of the ongoing EU climate action should be seized to propose a sustainable transformation of Europe. **A true environmental agenda not only aims to protect our livelihood and that of planet Earth, but to actively improve our future sustainable well-being through a fully-fledged social-ecological response to climate change.**

To this end, the ICSE is proposing a comprehensive policy package to address the multifaceted dimension of political responses at stake. Our mainstream approach would be to design recommendations that would result in progress for all, individually and collectively. We aim at addressing both risks and opportunities for people and society, in respect of jobs and quality of employment, social cohesion and social equality, territorial equity, quality of life and increased well-being for all and society in general. The green (and digital) transformation can and should be - if properly framed from the onset - powerful engines of progress.

This section will first propose a comprehensive approach on carbon emissions reduction with the aim of aligning carbon pricing, effort sharing and climate policies. If carbon pricing and environmental taxation are important instruments to implement the green transition, it is equally crucial to take into account the distributional effects of these instruments and to put in place accompanying policies to mitigate their potentially socially unfair effects, and ensure a just transition. The Emissions Trading System (ETS) should be significantly reformed and tightened through a lower emission cap, with deeper annual linear reductions and an end to the handing out of free pollution permits.

¹⁶⁸ According to the authors, this would create a hothouse effect on Earth, leading to rapidly rising sea levels set off by melting of the Greenland Ice Sheet and “widespread permafrost loss and large-scale Amazon drought and dieback”. The “hothouse Earth” effect would cause “35 percent of the global land area, and 55 percent of the global population, (to be) subject to more than 20 days a year of lethal heat conditions, beyond the threshold of human survivability.” For instance, as rising temperatures lead to the melting of Arctic permafrost, the unfreezing soil releases methane, a powerful greenhouse gas that in turn causes more heating. Other tipping points include the melting of polar ice sheets, which once under way may be almost impossible to reverse even if carbon emissions are rapidly reduced, and which would raise sea levels catastrophically over many decades, and the possibility of the Amazon rainforest switching suddenly to savannah

¹⁶⁹ <https://climateactiontracker.org/publications/global-update-paris-agreement-turning-point/>

» The green (and digital) transformation can and should be - if properly framed from the onset - powerful engines of progress.«

In full complementarity with this objective, the Carbon Border Adjustment Mechanism (CBAM), which has long been advocated by the progressive and is now proposed by the European Commission, would ensure that the price of imports reflects more accurately their carbon content. Future carbon pricing revenues would finance climate mitigation and climate justice policies.

Ultimately, the establishment of a European carbon budget¹⁷⁰ would offer effort differentiation rules in order to carry out a fair distribution of the emissions space among countries (taking into account the historical responsibility of each country in climate change, differences in living standards or even demography). The chapter will then address how the direction to a low-carbon future necessarily needs concerted action to align policies, regulatory frameworks and climate goals with the objective of achieving sustainable well-being objectives. The contribution of extensively sustainable production and consumption policies to both GHG emissions reduction and well-being progress will be critical in this respect. Parallel, a general rethinking of land use (to unequivocally increase natural carbon sequestration) will be an absolute necessity.

Second, next to GHG emissions, other ecological consequences of human activity are increasingly undermining the planet's biodiversity and lead to worrying negative chain reactions between different forms of life in ecosystems.

The essential link between the biodiversity and the human, ecological, domestic animal and wildlife health and the threat disease poses to people, their food supplies and economies has been clearly established by the COVID outbreak.

A co-beneficial approach should recognise the intrinsic interconnections between our social and ecological systems as the basis for a just and sustainable economy, with health as the great connector. This chapter will put forward new synergies and trade-offs between climate change mitigation and broader goals such as health and wider environmental quality. With the same view of aligning policies with the objectives of sustainable well-being, this section will seek to re-affirm that health, in a wide sense, is "one", which implies that policy responses must be guided by a coherent approach towards human, and environmental health.

This approach, which the European Green Deal already, but only partly, acknowledges, would lead the ICSE to lay out policy recommendations within this coherent framework. While political debate has recently moved on to increase EU competence in Health, the approach followed in the report allows proposing recommendations in a series of domains like the challenges to the sustainability of the food system, the reduction of exposure of humans and the environment to pollutants and the access to quality health for all.

¹⁷⁰ This concept has been put forward by the IPCC. It establishes the quantity of GHGs that our humanity can emit over the next decades.

5.2. A fair path to decarbonisation: beyond carbon pricing, the need for carbon value and a consistent political agenda

Through the Paris Agreement, countries agreed to reduce greenhouse gas emissions, but the amount of carbon dioxide in the atmosphere keeps rising, heating the Earth at an alarming rate. The latest EU carbon market emissions data released by European Commission on April 1 2021 was striking, though. It showed the impact of the COVID pandemic and a total year-on-year emission reduction estimated at 13% for all installations and airlines covered by the EU carbon market. However, data breakdown¹⁷¹ shows that pollution from industrial sectors, such as cement, chemicals, and steel fell by only around 7%,

and this mostly due to the reduced output caused by the COVID pandemic. The power sector registered a drop of 15.6% while emissions from aviation plummeted by 63.8% (due to the grounding of flights). Unlike in the power sector, carbon pollution from heavy industry has hardly decreased since 2012. Without additional policies and measures, it is also not expected to go down until 2030.

In concrete terms, this means that not only are industrial emission reductions lagging behind, emissions also likely to rebound in the next few years.

The EU committed itself to the goal of global net climate neutrality by 2050: the European Green Deal, with its climate law, is therefore the main strategy to achieve at least 55% greenhouse gas emissions reductions by 2030 (together with the “Fit for 55 Package”, which includes initiatives and revisions of existing directives to be aligned with these new environmental objectives). The opportunity should be seized to propose a sustainable transformation of Europe with two main objectives: fairer effort sharing in the GHG reduction objective and bringing an added-value to people *via* a progressive environmental agenda. An approach with multiple instruments, including targeted support for policies aiming at GHG reduction, is indispensable to avoid path dependencies and lock-in of long-lived, high-carbon assets. The following recommendations intends to improve the relevance and consistency of the “Green Deal” policy package with the achievement of sustainable well-being for all.

» The opportunity should be seized to propose a sustainable transformation of Europe with two main objectives: fairer effort sharing in the GHG reduction objective and bringing an added-value to people *via* a progressive environmental agenda.«

¹⁷¹ EU ETS emissions plummet due to pandemic as EUA surplus skyrockets - Sandbag - Apr 8, 2021. <https://sandbag.be/index.php/2021/04/08/eu-ets-emissions-plummet-due-to-pandemic-as-eua-surplus-skyrockets/>

» Firms acquire free allowances at zero cost, yet incorporate some of their value in product prices. This means that consumers pay more while firms generate higher profits.«

5.2.1. Carbon pricing: linking the social and environmental goals and making them mutually supportive

Carbon pricing is supposed to have many virtues. It allows fighting against climate change while boosting economy and creating new jobs. It contributes to decoupling economic growth from the growth of emissions. It is based on the “polluter pays” principle (through market mechanisms, the fundamental objective is to pass the cost of emitting to emitters, which is a way to hold them responsible for the serious environmental - and thus social - costs of adding GHG emissions to the atmosphere).

It is held as an instrument to spur investments in clean technologies by creating financial incentives for polluters to reduce emissions. It is supposed to create a positive change in producers and consumers behaviour.

To date, alas, it has not borne much relation to reality. Emission prices constrain emissions but have not to date led to deep reductions. In practice, and if not reformed properly, carbon pricing strategies could tend to promote the optimisation of established business models and technologies but neglect more fundamental system change necessary for deep decarbonisation.

Moreover, and as it has often been stated,¹⁷² if carbon pricing and environmental taxation are important environmental and fiscal instruments to implement

the green transition, it is equally crucial to take into account the distributional effects of these instruments and to put in place accompanying policies to mitigate their potentially socially unfair effects, and ensure a just transition.

The EU Emission Trading System, in its original form, is a telling example of such an underachievement. According to a recent study,¹⁷³ EU ETS has not only proved to be regressive on the household-expenditure side (carbon cost being passed through to products that make up a greater share in the consumption basket of low-income households) but also on the government side – with a compensation mechanism that benefits capital owning households. Moreover, the pass-through of the value of free allowances within ETS system has distributional consequences. Firms acquire free allowances at zero cost, yet incorporate some of their value in product prices. This means that consumers pay more while firms generate higher profits.

As countries prepare their updated national climate action plans, known as NDCs, which are essential to meet the temperature targets agreed under the Paris Climate Change Agreement, momentum is growing to rethink the price on carbon pollution as a means of bringing down emissions and driving investment into cleaner options. A wide range of Economists, businesses, governments, NGOs and international bodies are advocating strong carbon pricing as a key instrument in transitioning to a low-carbon economy. UN Secretary-General António Guterres has

¹⁷² Report on the European Semester for economic policy coordination: Annual Sustainable Growth Strategy 2021 (2021/2004(INI))

¹⁷³ The distributional effect of climate policies - Georg Zachmann, Gustav Fredriksson and Grégory Claeys - Bruegel 2018

also added his voice, saying “*we need to see much more progress on carbon pricing.*”

Although the ICSE fully recognises the need for carbon pricing tools to support EU’s increased climate ambitions, it is very concerned about their potential distributional effects and calls for the respect of at least three principles when designing implementation policies:

- solidarity and fairness between EU Member States when implementing, carbon pricing should address the differences between them when it comes to the magnitude of the challenge for the local economies
- solidarity and fairness within Member States: the impact of carbon pricing tools on vulnerable groups in society and lower income households should be tackled, not only in terms of affordability but equally in terms of access to certain goods/services to fulfil their needs (energy, cooling and heating, transport and mobility..)
- addressing the territorial impact of such policies, not only for remote or peripheral areas, but more generally for those areas within Europe which are already undergoing a profound transformation in respect of their social and economic development (“left behind areas”) as well as for rural areas

It is therefore necessary to reform carbon pricing to make it fairer and more efficient and to acknowledge the role of broader policy portfolios. The case

» The socioeconomic effects of a carbon pricing policy vary substantially depending on how the revenue from the policy is used.«

for integrating revenue use decisions with broad tax policy design, rather than separating it (as is the case with labelling transfers as carbon dividends), becomes stronger as carbon pricing revenue raises. The EU should choose how (e.g. targeted to low income households via the social benefits system, or to all households via tax reform or a lump-sum transfer) and how much of the additional revenue is recycled back to households in order to achieve a desired distributional outcome as well as other policy goals.

The socioeconomic effects of a carbon pricing policy vary substantially depending on how the revenue from the policy is used. As such, revenue use is a significant aspect of policy design. The questions raised by the use of carbon pricing revenues are equally important: how can policy design safeguard an equal and fair distribution of these revenues? How to ensure that these revenues will serve the fight against climate change and support investments geared by the principle of “just transition”? How can we design from the onset flanking or compensatory measures in various forms to redress the negative distributional impact of carbon pricing tools?

The EU’s 2030 overall climate target is implemented through the 2030 Climate and Energy Framework. Most notably, in its strategy towards climate-neutrality, the European Commission has outlined the importance of carbon pricing to complement the existing climate policy framework. In addition, the European Commission is expected to present a legislative proposal on a Carbon Border Adjustment Mechanism in the second quarter of 2021 as part of the European Green Deal as well as a proposal on how to include the revenue generated to finance part of the EU budget. The purpose of this proposal is to ensure that the price of imports reflects more accurately their carbon content. This mechanism would create a global level playing field as well as an incentive for both EU and non-EU industries to decarbonise. While the EU’s ambition to step up Europe’s 2030 climate ambition is clear, it needs to give a new impetus to carbon pricing and green tax reforms and ensure the consistency of its Union’s environmental and climate strategy. Then it could drive a deep decarbonisation of our systems and foster the needed system change.¹⁷⁴

Set broader political objectives for carbon pricing

It is very often argued that carbon prices mechanisms will overall provide new job opportunities and growth. It might be true at the aggregate level (EU 27). However, the outcome might be patchier if one takes a more granular approach space wise. This has to be taken into account when designing carbon-pricing measures. The European Commission must provide more comprehensive, complete and detailed assessments on quality jobs and employment (e.g. in the form of desegregated data). The aim would be to integrate the overall social benefits of increased climate ambitions policies, notably in terms of well-being and quality of life. Up-skill workers for the low-carbon transition through a new Just Transition Fund to be financed from auctioning revenues would simply not be enough and would narrow the transformative potential of carbon pricing. A review of the complementarity and the adequacy to current objectives of EU's climate mitigation instruments and carbon pricing measures should be undertaken. A clear assessment into the Commission modelling process and in its political narrative allowing to establish clear-cut data and figures would consent to addressing them with at least the same level of attention that it puts on EU competitiveness and growth. In the same line of thought, we need a coherent approach between carbon pricing regulation and EU state aid rules (and more generally EU competition policy currently under review for adapting it to the green and digital agenda).

Make the ETS more efficient and fairer:

Make the ETS more efficient

to reduce GHG emissions through a significant reform (a lower emission cap with deeper annual linear reductions). First and foremost, the fundamental question is: is the EU ETS reducing emissions? Emissions rose in Phase I (2005–2007). In Phase II (2008–2012) decreases in emissions were not linked to EU ETS but rather to the economic crisis. In phase III, The carbon emissions from sectors covered by the EU ETS (excluding aviation) have decreased by 21% from 2008 onwards. However, the drop in total emissions hides the immense differences between industrial sectors and the power sector and this reduction should not be fully attributed to the EU ETS – other decarbonisation policies, such as coal phase-outs, renewable energy deployment or energy efficiency investments, played a major role. At the same time, industrial pollution from the production of steel, cement and chemicals has stagnated.¹⁷⁵ The ICSE would recommend to lower the actual cap of the EU ETS which derived in the context of the previous EU climate protection targets (–40% for the 1990–2030 period). For the commitments made with the new NDC of the EU-27, the cap of the EU ETS will have to be significantly adjusted in view of the prominent role of emissions from installations regulated by the EU ETS.

Make the ETS fairer.

Every sector of the economy will need to make deep and sustained cuts in its emissions – and the EU ETS could contribute significantly if the polluter pays principle was extended to all the sectors it covers. Yet, there are recurrent concerns on the use of ETS allowances under the current ETS regime, including the issue of “windfall profits”.¹⁷⁶ Free allocation¹⁷⁷ should, therefore, be abolished and replaced by auctioning of all emission allowances. This measure would make the EU ETS fairer to citizens, since it would divide the costs of the low-carbon transition more equally between citizens and industry. It would then be opportune to ensure the current provisions on ETS/ Modernisation Fund and ETS Innovation Fund are fit for purpose. There is a clear need for stronger social and environmental conditionality in the use of these funds and ensure that there are geared by the principles of just transition.

¹⁷⁵ *The EU Emission Trading System – carbon pricing as an important tool to achieve the objectives of the Green Deal* - Sabine Frank - Carbon Market Watch - 2020
<https://carbonmarketwatch.org/2020/06/23/the-eu-emission-trading-system-carbon-pricing-as-an-important-tool-to-achieve-the-objectives-of-the-green-deal/>

¹⁷⁶ Special Report 18/2020: The EU's Emissions Trading System: free allocation of allowances needed better targeting - European court of Auditors

¹⁷⁷ Under the EU Emissions Trading System, companies need to obtain emission allowances covering their carbon emissions. Free allocation is set as a transitional method of allocating allowances in contrast to the default method (auctioning). However, allowances allocated for free continue to represent more than 40 % of the total number of available allowances.

The Carbon Border Adjustment Mechanism: a powerful tool if properly designed

When establishing a carbon border adjustment mechanism to stimulate global climate action, we need to ensure it is part of a broader EU industrial strategy and goes hand in hand with a full phase out of all current measures aimed at mitigating carbon leakage, including free ETS allowances. It should cover the power sector and energy-intensive industrial sectors like cement, steel, aluminium, oil refinery, paper, glass, chemicals and fertilisers, which continue to receive substantial free allocations, and still represent 94 % of EU industrial emissions. The introduction of a CBAM must not water down the overall cap on emission allowance or the need to further strengthen the annual reduction of total permits, in line with the EU's climate neutrality objective and an updated EU 2030 climate target. In the same line, export rebates should be excluded from the mechanisms as this could otherwise encourage differentiated production for domestic and export markets, leading to exporting of higher carbon products. Export rebates would not be coherent with higher EU climate ambition and the drive to encourage higher climate ambition globally. The CBAM remains a "peripheral (but ground-changing) tool"¹⁷⁸ in a policy mix needed to ensure increased EU domestic efforts to avoid further climate disruption, and to address the environmental impacts of products imported into the EU. A consistent policy mix would therefore also need to address EU consumption impacts regardless of where these impacts occur. Finally, as the CBAM would focus on a few strategic sectors, it should be designed in a way that limits the risk of offshoring of manufacturing activities downstream the value chain. The future CBAM should therefore also apply to intermediate and finished products, focusing on components with a high carbon footprint. To cope with technological, regulatory and market change, the CBAM should be dynamic and its scope should be regularly reviewed.

Tax revenues: climate dividends for social justice

The gap between actual carbon prices and those required to achieve ambitious climate change mitigation could be closed by using revenues in a fair way that ensures benefits are relevant to all. As such, we should not dismiss carbon taxation on the basis that it could be, in essence, regressive. Rather, we need to explore the ways to offset these impacts to make carbon taxation good both for the people and the planet.

Carbon pricing can raise significant revenues, and the way they are used is essentially a political choice. There are three main ways of using revenues: 1) general budget allocation, where they are directed to the government public funds with no specific indication of their use; 2) green subsidies, where they are reinvested in climate purposes such as promoting low-carbon technologies; 3) revenue recycling, where they return to consumers in the form of dividends/lump-sum rebates.

Allocate revenues of carbon pricing (reformed ETS and CBAM) to just transition and mitigation policies.

A fair approach, when it comes to revenues generated by the EU ETS or the future Carbon Border Adjustment Mechanism, would consist in dedicating them to manage the just transition, especially in those regions and countries most affected by decarbonisation. In this case, such revenues should not be used to feed the general EU budget, but they rather should be earmarked to finance climate action (e.g. : to increase the financing of the Innovation Fund, the Modernisation Fund and the Just Transition Fund). In the same lines, options should

¹⁷⁸ Climate Action Network - Supporting document to response to the European Commission's public consultation on the carbon border adjustment mechanism-(CBAM) - 28/10/2020 - <https://caneurope.org/supporting-document-consultation-carbon-border-adjustment-mechanism/>

be explored for pricing carbon through a contribution payable in non-ETS sectors, with part of the resulting revenue to fund assistance for workers, communities and regions.

Carbon dividends: an equitable use of the revenues. The ICSE is of the opinion that carbon pricing revenues should be used to counter potential negative social and economic consequences resulting from the decarbonisation process, and that these revenues collected due to increased pricing of CO₂ should be redistributed to citizens. One use of revenues that is likely to be fair everywhere is to use transfer payments to lessen the impact on the households whose cost of living is disproportionately affected by carbon pricing. Carbon pricing can only be made just and politically durable if linked to returning the revenue to the public as carbon dividends.

A carbon dividend distributes the revenue from a carbon price back to households. In its simplest form, a carbon dividend would divide the amount of revenue generated by a carbon price over the course of a year evenly among all households. However, it does not need to be divided in equal amounts (it can be divided based on one's income, tax returns, or other factors). Hence governments need to assess which groups in society are going to be hit hardest. That depends on factors such as whether the low-income households predominantly use electricity, fossil fuels or traditional biofuels, and what their transport, heating and cooling requirements are.

5.2.2. Carbon value: a long-sighted approach for equity

A recent IPCC report¹⁷⁹ - dealing with impacts of global warming of 1.5°C above pre-industrial levels - recently provided with an estimate for a global remaining carbon budget (excluding permafrost feedbacks) of limiting warming to 1.5 degrees during and beyond this century. The equation is simple: to stay within 1.5 degrees warming, the carbon budget left is around 416GtCO₂, or 10 more years of emissions at our current rate.

1.5°C

To stay within 1.5 degrees warming, the carbon budget left is **around 416GtCO₂**, or **10 more years of emissions at our current rate.**

The notion of “remaining carbon budget” is useful as it squarely addresses the most important anthropogenic greenhouse gas emission, namely CO₂, and provides with an accurate panorama over the available alternatives. In concrete terms, limiting global warming to 1.5°C depends on greenhouse gas (GHG) emissions over the next decades, where lower GHG emissions in 2030 lead to a higher chance of keeping peak warming to 1.5°C. Available pathways that aim for no or limited temperature overshoot of 1.5°C keep GHG emissions in 2030 to 25–30 GtCO₂ emissions / year in 2030. To date, this contrasts with median estimates for current unconditional nationally determined contributions (NDCs) of 52–58 GtCO₂ emissions /year in 2030.

It would be misleading to consider these data as purely quantitative. Over and above these figures, the choice of the pathways to decarbonisation will bear consequences for the future of the Planet and human beings. Sea level rise will continue beyond 2100 even if global warming is limited to 1.5°C in the 21st century, but with moderate amplitude.

» It has become evident that the avoided climate change impacts on sustainable development, eradication of poverty and reducing inequalities would be greater if global warming were limited to 1.5°C rather than 2°C.«

However, marine ice sheet instability in Antarctica and/or irreversible loss of the Greenland ice sheet could result in multi-metre rise in sea level over hundreds to thousands of years. These instabilities could be triggered at around 1.5°C to 2°C of global warming.

Climate change impacts and responses are closely linked to sustainable development which balances social well-being, sustainable economy and environmental protection. The United Nations Sustainable Development Goals (SDGs), adopted in 2015, already provided an established framework for assessing the links between global warming of 1.5°C or 2°C and development goals that include poverty eradication, reducing inequalities, and climate action.

Thus, and in line with the policy recommendations we proposed in the previous chapter on “Just transition”, it has become evident that the avoided climate change impacts on sustainable development, eradication of poverty and reducing inequalities would be greater if global warming were limited to 1.5°C rather than 2°C.¹⁸⁰

As stated before, enhanced carbon pricing will not be enough to tackle these crucial issues.

¹⁷⁹ IPCC, 2018: Summary for Policymakers. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörrner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]

¹⁸⁰ “If further action is not taken to strengthen the Nationally Determined Contributions and develop a pathway to meet the global warming targets of the Paris Agreement (Rogelj et al., 2016), then the greatest shifts in climate will be experienced by the poorest” - In “The Inequality of Climate Change From 1.5 to 2°C of Global Warming” - Andrew D. King and Luke J. Harrington - ARC Centre of Excellence for Climate System Science, School of Earth Sciences, University of Melbourne, Melbourne, Victoria, Australia, Environmental Change Institute, University of Oxford, Oxford, UK

Carbon pricing aims to reduce GHG by making them more expensive. Doing so, and if not properly reformed, it could link the ability to continue with one's current emission-intensive lifestyle to the ability to pay for it. Under politically relevant forms of carbon pricing this would lead to an unfair distribution of burdens. It does so by needlessly burdening those individuals who have contributed the most to climate change during the last couple of decades. Carbon value, however, is addressing more deeply the fair distribution of burdens.

We already identified three main channels through which the inequality-aggravating effect of climate change materialises, namely (a) increase in the exposure of the disadvantaged groups to the adverse effects of climate change; (b) increase in their susceptibility to damage caused by climate change; and (c) decrease in their ability to cope and recover from the damage suffered. It should be clearly noted and understood that the same analytical framework can be used to discuss the relationship between climate change and inequality across countries.

We must get this right when dealing with the level of ambition we consider necessary to achieve global decarbonisation in a fair and sustainable way. To date, though, important issues remain unaddressed at the European level.

The Green Deal greenhouse gas accounting, in line with the norms in force at the United Nations since the Kyoto Protocol, is based on production or territorial emissions (those that take place within European borders) but fails to point out that the region contributes indirectly to climate change through its consumption emissions.

Although easily overlooked, the embodied carbon emissions associated with the consumption of imported goods has been on a significantly upward trend in Europe in the past two decades, often understating part or all of the domestic carbon reduction gains achieved by individual countries. Although nearly any imported product is responsible for a certain amount of carbon emissions generated in its value chain up to the point of import, imports from key trade partners in emerging economies are often more carbon intensive in their manufacturing pro-

cesses than similar products imported from other European countries. Considering many European countries have outsourced an increasing number of products to overseas developing and emerging economies such as China and India since the 1990s, we can witness the emergence of so-called 'carbon leakage' whereby the production of domestic products is moved to more carbon-intensive economies and with the resulting products subsequently imported.

To put it differently, taking into account imported emissions would take out a lot of the albeit ambitious EU climate performance and efforts.

Consumption-based emissions accounting must be assessed alongside the territorial, production-based emissions typically required to be reported by governments, since they highlight the links between local consumption and its global environmental consequences. When the EU is considered as a whole, and taking into account the consumption-based calculation, the top 10% of people with highest household emissions are responsible for around 15% of EU's household emissions, while the bottom 10% emit only 5%.¹⁸¹

This situation confirms that, in order to tackle frontally global warming, the EU needs to address the full picture of the CO₂ emissions, including the inherent inequalities they bear within our societies.

A recent Oxfam report¹⁸² indeed revealed a stark "carbon inequality" between and within European countries. While Europe is responsible for 15% of global consumption emissions, despite being home to just 7% of the world's population, the richest 10% of

» Taking into account imported emissions would take out a lot of the albeit ambitious EU climate performance and efforts.«

¹⁸¹ Simon Evans - Carbon Brief - Are the UK's emissions really falling or has it outsourced them to China? - March 19, 2015 - <https://www.carbonbrief.org/are-the-uks-emissions-really-falling-or-has-it-outsourced-them-to-china>

¹⁸² Confronting Carbon Inequality in the European Union - Why the European Green Deal must tackle inequality while cutting emissions - OXFAM - Tim Gore, Mira Alestig - 7 December 2020. <https://www.oxfam.org/en/research/confronting-carbon-inequality-european-union>

15%

Europe is responsible for 15% of **global consumption emissions**, despite being home to just 7% of the world's population

Europeans are responsible for over a quarter of emissions – the same as the poorest half combined – with the wealthiest 1% producing 7% of emissions. More seriously still, these inequalities are also seen in the effort required to reduce emissions. According to the report, the poorest half of Europeans have cut emissions by almost a quarter, while emissions from the wealthiest 10% continue to rise. In contrast, both the richest 10% and 1% have increased emissions, by 3% and 5% respectively, while middle-income Europeans were responsible for just under half of emissions, making cuts of 13%.

The conclusion is rather significant: while the poorest half of Europeans have cut emissions significantly, they will be the hardest hit by climate change. Next, the richest 10% of EU citizens have a per capita footprint over 10 times higher than the level needed by 2030 for a 1.5C-consistent emissions pathway, while the footprint of the richest 1% is 30 times higher. By contrast, the footprints of the poorest 50% of Europeans will need on average to be halved by 2030.

As is reasonably logical to expect, disparities are also apparent between member states with the richest 10% of citizens in Germany, Italy, France and Spain – approximately 25.8 million people – collectively responsible for the same emissions as the entire population of 16 member states – approximately 84.8 million people.

Absolute emissions are also high among the richest 10% in far smaller Member States such as Belgium and the Netherlands, as a result, in particular, of these countries' high dependency on imports of oil and gas, and use of gas for residential heating.¹⁸³

The EU should set emissions reductions targets that are in line with the latest international commitments and that reflect the EU's high historic responsibility for emissions and its capacity to ensure a low carbon transition. Now everyone must pull their weight to achieve the deeper emission cuts needed over the next decade. To date, EU emissions reductions have coincided with rising economic inequality, leaving emissions among the richest Europeans unacceptably high even as they fall among lower income groups. To achieve the deeper reductions that are now needed, all sections of European society must do their fair share.

We strongly believe that EU should use the European Green Deal to fight inequality while cutting carbon emissions, as an essential part for achieving ambitious - and much needed - EU climate targets.



The richest 10% of Europeans are responsible for over a quarter of emissions

» While the poorest half of Europeans have cut emissions significantly, they will be the hardest hit by climate change. Next, the richest 10% of EU citizens have a per capita footprint over 10 times higher than the level needed by 2030 for a 1.5C-consistent emissions pathway.«

¹⁸³ The richest 10% in Belgium and the Netherlands (c. 3.7m people) are responsible for higher emissions in absolute terms than the total population of many other Member States, including Hungary (c. 9.9m people), Bulgaria (c. 7.3m people), Greece (c. 10.9m people), Denmark (c. 5.7m people), Sweden (c. 9.9m people) and Finland (c. 5.5m people). *Op. Cit.*

Aim for a net decoupling

taking greenhouse gas consumption emissions, not only production emissions, as a reference and promote on this basis and other equity criteria - as the carbon budget (see below) - a comprehensive global collective climate justice strategy – understood as the fair distribution of mitigation efforts. Goals to achieve carbon neutrality by 2050 are pointless if this is done through pollution displacement – by increasingly importing CO₂-intensive products from the rest of the world.¹⁸⁴ For the EU to reduce its global CO₂ emissions, systemic changes to the European economy are needed. As the world's largest economic and trading block, the EU and its Member States' policies on trade and investment flows are important, but often overlooked, parts of the policy toolbox to achieve change. European trade and investment flows are too important to disregard their impacts – both positive and negative – on climate change.

Establish a European carbon budget

The European Commission should table a carbon budget for the EU by December 2021, detailing the remaining carbon emissions that would be possible to keep within the Paris Agreement's temperature threshold on time. A carbon budget shall be developed to quantify the amount of GHG emissions that can be emitted in total over each 5 year period through 2050. This is would be achieved by developing trajectories that give estimations of the yearly rate of emissions reduction to achieve the target set by the Paris COP 21 agreements taking into account the constraints given by final objectives of EU policies.

The carbon budget would allow to propose differentiation rules in order to carry out a fair distribution of the emissions space among countries. Carbon budgets could be assigned to countries by equity principles (based for example on cumulative emissions, per capita emissions, GDP, taking into account the historical responsibility of each country in climate change, differences in living standards or even demography). Doing so, it would provide the EU with a corridor of carbon social values, which could be systematically used in socio-economic assessments of public policy instruments and public investments. Such an approach would allow to redistribute more financial support could be provided to low-income countries through EU funding to accelerate the deployment of new infrastructures and low carbon technologies as well as to mitigate the negative socio-economic impacts of the transition.

A European carbon budget, would clarify the long-term target and would create a natural foundation for the right amount of emission allowances within the - hopefully - expanding ETS. A carbon budget would as well improve predictability and the robustness of the CO₂ price. Finally, the trajectories proposed within Carbon Budget would, for the first time, link a regional policy to a global policy by means of the estimation of a regional carbon budget. It would then allow to invite policymakers to revisit the present EU policy mitigation agenda linking it more actively and quantitatively to the 'big-picture' commitments signed within the Paris treaty.

¹⁸⁴ "In 2001, EU consumption caused global CO₂ emissions that were 12% higher than the total emissions that occurred within the EU. This excess was about 500 million tons – more than Italy's CO₂ production that year. The difference is mainly due to the level of emissions in developing countries – particularly China – associated with the manufacture of goods consumed in the EU. Evidence suggests that the global emissions from EU consumption have further increased. Most emissions, whether in the EU or China, are not related to imports or exports, but take place domestically to satisfy domestic consumption". WWF's Trade and Investment Programme and the Industrial Ecology Programme at the Norwegian University of Science and Technology John Kornerup Bang, Eivind Hoff and Glen Peters - Published January 2008

5.2.3. Align policies and regulatory frameworks with the objective of achieving climate and sustainable well-being goals

As stated above, carbon pricing and value should be used as part of a policy mix that promotes innovation and sustainability, accounts for political dynamics, varies between sectors and over time, and aims at profound system change. Climate policy responses need to move beyond market failure reasoning and focus on fundamental changes in existing socio-technical systems such as energy, mobility and industrial production. We argue that climate change can be more appropriately understood as a system problem. Core societal functions will be met through large and deeply entrenched socioeconomic systems made up of interconnected technologies, infrastructures, regulations, business models, and lifestyles.

Along with a proper framework for a Just transition, it is equally important that the 2030 climate target is translated into a concrete and adequate policy framework to achieve ambitious environmental goals. In that regard, the “Fit for 55 Package”¹⁸⁵ will be decisive for EU’s climate action in the coming decade.

While the EU has decided to raise its 2030 climate target to 55 percent, it is far from being on track to reach this objective. The European Commission projects at least a 10 percentage points gap for emissions reductions in 2030 based on current scenarios. Quick and decisive action is thus needed across all sectors of the economy to meet the new 2030 target and to prepare for climate neutrality by 2050. The new EU budget will make some contribution to reducing emissions, however, to transform the EU economy to climate neutrality in less than three decades, additional policies are needed.



Natural solutions and effective reforestation could absorb up to 30 % of global emissions, but this estimate is very uncertain and its improvement still needs ambitious policies to support it.

Several areas offer the possibility of significant reductions, but some bottlenecks need to be overcome. Recycling and the circular economy offers the prospect of less resource use but are until now too limited. Carbon-capture and storage is of limited scale to date, and their outcome is controversial. Natural solutions and effective reforestation could absorb up to 30 % of global emissions, but this estimate is very uncertain and its improvement still needs ambitious policies to support it. Increased use of nuclear energy opens a difficult debate on radioactive waste storage, depletion of reserves, and high costs in times of climate hazards. On the other hand, improvements in energy efficiency – assuming radical steps – could save up to 40 % of global emissions while behavioural changes could save 10-15 % or more.¹⁸⁶

This target has not yet been reached, far from it. The reduction in energy consumption that needed to reach a 20 % decrease by 2020 have not been demonstrated so far.¹⁸⁷ Recent analysis shows that between 2000 and 2018, the sectors of transport and services increased their final energy consumption by 10.8% and 20.2% respectively.¹⁸⁸

» While the EU has decided to raise its 2030 climate target to 55 percent, it is far from being on track to reach this objective.«

¹⁸⁵ To achieve the 55% GHG reduction objective, the European Commission identified a set of actions needed to decarbonise the different sectors of the economy. It also indicated that several key legislative instruments will be revised. Among these legislative instruments subject to revision are: the Emission Trading System Directive, the Effort Sharing Regulation, the Renewable Energy Directive, the Energy Efficiency Directive, the Energy Performance of Buildings Directive, the CO₂ Emissions Performance Standards for Cars and Vans and the LULUCF Regulation.

¹⁸⁶ *Decoupling economic growth from environmental harm* - EPRS | European Parliamentary Research: Eamonn Noonan with Stefano Vrizzi, Global Trends Unit PE 651.916 – July 2020 [https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/651916/EPRS_ATA\(2020\)651916_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2020/651916/EPRS_ATA(2020)651916_EN.pdf)

¹⁸⁷ European Environment Agency Trends and projections in Europe - 2020

¹⁸⁸ Joint Research Center, 2020, Energy Consumption and Energy Efficiency trends in the EU-28, 2000-2018

» A robust industrial strategy ensuring that Europe's carbon neutrality should serve as a springboard for European industrial leadership in renewables-based, decarbonised and digital solutions.«

The energy consumption in the tertiary sector is expected to continue to increase, notably due to the increased use of electricity in the IT sector and data centres. By contrast, in the same period, residential energy consumption declined by 4.5% and the industrial consumption decreased more significantly by 14.6% but this is likely due to the financial and economic crisis of 2008 and by the resulting deindustrialisation process. Since the *“cheapest and cleanest energy is the one we do not use”*,¹⁸⁹ the energy efficiency principle should therefore be a priority for the European Union to reach its climate targets.

In other words, the EU should act as the leading promoter of transformational measures. It should then 1) design an integrated industrial policy focused on strategic missions linked to decarbonisation 2) align infrastructure policies and mobility policies to this long-term vision 3) boost sustainable production and consumption and 4) design a comprehensive framework for improving natural carbon sinks.

5.2.3.1. A sustainable European industrial policy: set a dedicated agenda for decarbonisation of Energy Intensive Industry (EII)

Industrial transformation priorities should be to reduce resource and energy use, greenhouse gas emissions and air pollution as well as solid waste.

A robust industrial strategy ensuring that Europe's carbon neutrality should serve as a springboard for European industrial leadership in renewables-based, decarbonised and digital solutions.

The ICSE is proposing here to further strengthen the link between the new Industrial Strategy as proposed by the European Commission and the “Fit for 55” Package. As stated above, the EU should not solely rely on carbon pricing mechanisms to decarbonise its energy intensive industries. A climate-neutral industrial strategy and concrete sectoral decarbonisation strategies is needed to complement this cap-and-trade approach.

To achieve the transition towards climate neutrality, we need to develop sectorial decarbonisation roadmaps to ensure a just transition of the workforce while accelerating the development of low carbon infrastructures and technologies. This interdependence of policy goals must be reflected in a global approach: a true climate neutral Industrial Strategy must foster investments and strengthen employment and strategic value chains in the EU in a way that helps achieve the objectives of the European Green Deal. A new EU Industrial Strategy, together with the Circular Economy Action Plan and a comprehensive approach of Just Transition, should be the *“cornerstone of EU climate action and provide the necessary policy and financial tools for European industry to go green”*.¹⁹⁰

¹⁸⁹ ETUC resolution on “Fit for 55” package - Adopted 22.03.2021 - <https://www.etuc.org/en/document/etuc-resolution-fit-55-package>

¹⁹⁰ ETUC resolution on European Green Deal initiatives: Climate Law, EU Sustainable Investment Plan, Just Transition Fund Regulation and new EU Industrial Strategy - Adopted 09.06.2020

Provide a comprehensive framework to put the EU industry on track to reach climate neutrality by 2050

Massive investment in the development and deployment of low carbon breakthrough technologies are needed (e.g. through the development of renewable hydrogen, batteries or other clean technologies that allow low carbon industrial production processes). It would equally essential to create lead markets for low-carbon products through appropriate measures (e.g. public procurements, carbon contracts for differences to promote the uptake of low-carbon steel, cement, chemicals). Such framework, accompanied by adequate reforms of State Aid guidelines, will be crucial to keep a strong industrial value chain in Europe and to maintain employment in the long term.

Set a comprehensive renewable strategy

Increasing the renewable energy target could help secure and develop an industrial value chain in the EU for renewable technologies and therefore create new quality jobs. Any increase in targets should be supported by a sound industrial policy as well as by substantial public investments to compensate the shortcomings of private actors to deploy new technologies. In the same line, it is critical to encourage the better valorisation of waste streams and materials efficiency as production on basis of secondary materials is less energy-intensive than transformation of primary resources.

Support cross-sectoral technologies as pathways to decarbonise Energy Intensive Industry (EIs)

The use of sustainable renewable hydrogen to produce steel, ammonia or synthetic fuels is a prime example. Hydrogen can be produced in a sustainable manner via the electrolysis of water powered by green electricity. Renewable hydrogen is likely to play a significant role in the global energy transition since it could provide a clean source of energy for sectors that are difficult to electrify directly, such as transport and industry. Using renewable hydrogen as an energy carrier effectively widens the applications of renewable power. Its higher energy density makes it more suitable than the use of batteries in some applications. In cases where it can be more readily transported over large distance, in pipelines, it provides a relatively low-cost distribution and energy storage option. Lastly, renewable hydrogen production via electrolysis is a controllable source of electricity demand that can help provide flexibility in power systems.

Set European platforms for cooperation

such as shared infrastructure for sustainable process technologies and organisation of industrial symbiosis. This cooperation could help to promote industrial collaboration, strategic alliances as a means to support companies to move up to the value chains of the future and to share costs of R&D and investment.

Support re-adjustment programmes for SMEs

in the ELLs value chains that are specialised in conventional technologies, in order to help them to redefine their value chain positioning and to redirect their core competencies while preserving jobs.

5.2.3.2. Transforming infrastructures to meet the Paris Agreement targets and to incorporate sustainable and low-carbon technologies

EU policy should in the first place stimulate Member States to prioritise the further elaboration and improvement of national policies that enable increased local renewables deployment, amongst others through a timely transposition of the Clean Energy Package and a robust implementation of ambitious National energy and climate plans (NECPs). Actually, in order to find viable pathways to avoid dangerous climate change, current models, including the European one, begin to include more and more examples of carbon capture and storage,

a technology that could presumably remove the carbon dioxide from coal-fired power stations and then store the captured carbon deep underground indefinitely. But crucially, we cannot completely rely on the promise that temperatures will be brought down with a range of carbon dioxide removal by the end of the century, and thus producing carbon-negative technologies. How could technology possibly allow us to “transform our civilisation from one that currently pumps out 40 billion tons of carbon dioxide into the atmosphere each year, to one that produces a net removal of tens of billions”¹⁹¹ in such a short period of time?

Improve synergies between renewable energy and energy efficiency

The energy sector needs a total overhaul, with a transformation from fossil-based to zero-carbon energy production by the second half of this century. Today, 84% of energy use comes from fossil fuels, with 16% derived from renewables. A recent analysis¹⁹² show how, through accelerated uptake, 65% of energy use could come from renewables by 2050. This would be a step forward for some countries to meet the Paris Agreement climate goals. Renewable energy currently represents about 25% of global electricity generation, the remaining part being produced by fossil fuels. Around 80% of all electricity in 2050 could be generated by renewable energy. The transformation to a sustainable energy system with high shares of renewables would meet climate goals and pay for itself. It would lead to massive job creations between now and 2050, and the health, environmental and climate benefits would save up to six times more than the additional costs associated with reconfiguring the energy sector. Furthermore, to curb current trends and reduce further energy consumption in Europe, we need to revise the targets of the energy efficiency directive and to make them legally binding. Consequently, the EU should adopt more stringent Ecodesign requirements on energy related products and extend the range of products covered by the Ecodesign Directive to ICT products, data centres and other relevant non-energy related products. Accordingly, the future trans-European energy infrastructure (TEN-E) regulation must fully cater for a future- and climate-proof energy system based on the energy efficiency first principle and 100% renewable energy. It must exclude any infrastructure projects directly or indirectly supporting or depending on fossil fuels and projects that are not in line with nature protection.

¹⁹¹ Climate scientists: concept of net zero is a dangerous trap - James Dyke, Robert Watson and Wolfgang Knorr - 27th April 2021. <https://www.social-europe.eu/climate-scientists-concept-of-net-zero-is-a-dangerous-trap>

¹⁹² IRENA (2019), Climate Change and Renewable Energy: National policies and the role of communities, cities and regions (Report to the G20 Climate Sustainability Working Group (CSWG)), International Renewable Energy Agency

Build new infrastructures to support new technologies and processes

For example, the use of renewable hydrogen and e-fuels at scale will require large amounts of renewable power, a large number of electrolyzers, hydrogen storage, conversion technologies, distribution systems such as pipelines or shipping, and changes and new designs among the end-use technologies. The difficulty is that investment in this infrastructure needs to come ahead of the demand if early progress is not to be stifled. Carefully co-ordinated planning coupled with targeted incentives will be needed to ensure that the right infrastructure is built at the right time. Renewable hydrogen will require a strategic and quick upgrade of both production and distribution of renewable electricity and will have to be dealt with in the framework of the Energy Union governance. This shall include a clear roadmap on the deployment of renewable hydrogen facilities and variable renewables energy capacities, and the adaptation of targeted demand sectors. Exploit cross-sectoral synergies should be considered as a priority to make substantial investments available in this respect.

Address with a serious focus the limitations of Carbon Capture and Storage technologies

To date, it is widely believed that direct air capture, because of its exorbitant costs and energy demand,¹⁹³ if it ever becomes feasible to be deployed at scale, will not be the magic bullet that would somehow rid us of the GHG emissions in a short period of time.¹⁹⁴ Yet, current European pathways that aim for limiting warming to 1.5°C rely on large-scale deployment of carbon dioxide removal (CDR) measures,¹⁹⁵ which are to date uncertain and entail clear risks. It should be made clear here that the first-order priority should always be to reduce emissions as quickly as possible, instead placing undue reliance on the possibility to remove them afterwards. Every effort must be made to decarbonise our economy and societies, and carbon removal must eventually complement, not substitute for, emission reductions.

The ICSE is therefore recommending that the EU adopt a 2030 emission reduction target supplemented by a separate target for removals to ensure both advance at the necessary scale independent of each other, while avoiding confusion and counter-productive incentives. Mixing emissions and removals in a single target would allow other countries to do the same and undermine the transparency and trust that is needed to accelerate the transition towards climate neutrality.¹⁹⁶

Re-design mobility systems around accessibility

Instead of physical movement, is key to invert the current growth in car ownership and use, and related GHG emissions from transport (now accounting for approximately 23% of global CO₂ emissions). Accessibility is a combination of mobility and proximity, i.e. ensuring that people are able to easily reach jobs, opportunities, goods, services and amenities. Enhancing accessibility by giving priority to sustainable modes and creating proximity between people and places can importantly contribute (along with the improvement of vehicle technologies and fuels) to enlarging mitigation potential, while also improving life quality through delivering better equity, health, economic, road safety, and wider environmental outcomes.

¹⁹³ Fundamentally, Direct Air Capture (DAC) is expensive because even though the concentration of carbon dioxide in the air is increasing, it is still very dilute and requires lots of energy to separate out. DAC is also expensive because there are not many companies involved or available projects yet. Another reason is that markets for CO₂ are limited and cannot provide enough revenue to offset the cost of capture. In *Direct Air Capture: Resource Considerations and Costs for Carbon Removal* - Katie Lebling, Noah McQueen, Max Pesciotta and Jennifer Wilcox - World Resources Institute - January 6, 2021. *Direct Air Capture: Definition, Cost, & Considerations* | World Resources Institute (wri.org)

¹⁹⁴ Recent publications in the US pretend that direct air capture could plausibly remove nearly one and a half billion tons of carbon dioxide per year by 2050---equivalent to taking around 300 million cars off the road for a year---if the technology can deploy as quickly as solar photovoltaics has and if we start in the next few years. *CarbonShot: Federal Policy Options for Carbon Removal in the United States* - Jamey Mulligan, Alex Rudee, Katie Lebling, Kelly Levin, James Anderson and Ben Christensen - World resources Institute - January 31, 2020

¹⁹⁵ When the European Commission announced it would raise the EU 2030 target to at least -55%, it also introduced the idea of a Net target (instead of an absolute one) for 2030 in the Impact Assessment accompanying the Commission's proposal. This amounts to state that the 2030 target now combines both emission cuts and carbon removals.

¹⁹⁶ *Now is the time for an honest conversation about carbon dioxide removal*- Mark Preston - Bellona Europa (NGO) - 6 oct. 2020

5.2.3.3. Sustainable consumption and production: boost circular economy

The reduction in the consumption of natural resources taking into account the global material footprint of the European Union would contribute to the overall objective of GHG reduction.¹⁹⁷

Recycling should be the last resort in a circular economy: funds would be better used investigating material-free options. The setting of an EU-wide material and consumption footprint reduction target should be considered as part of a more compelling circular economy monitoring framework to be deployed from EU and national levels to business and products level.

» Recycling should be the last resort in a circular economy: funds would be better used investigating material-free options.«

Promote and extend the Ecodesign framework

In order to make sustainable products the norm, support an extension of the scope of products covered by ecodesign-type minimum performance requirements, including material and chemical contents, durability, reparability and recyclability, carbon and environmental footprinting and sustainable sourcing (recycled contents notably). Establishing the standardisation of certain components to reduce the diversity of spare parts and simplify repair (e.g. chargers and connectors) by setting minimum requirements on design for disassembly and public access to spare parts and repair manuals, for all electrical and electronic products. An extension to legal guarantees could be given to product groups with significantly longer lifetime than 2 years (e.g. for a washing machine). If so, an extended period of burden of proof should also be placed on the manufacturer.

¹⁹⁷ Current consumption levels are straining planetary boundaries: according to the WWF, the resources of 2.8 planets would be absorbed if EU levels applied globally.

Establish effective economic incentives for resource-saving strategies

Establishing incentives to create a vibrant market for repair would reduce costs and encourage users to repair (e.g. a reduced VAT on repair services, tax reduction for people have repaired products). National tax systems and financial incentives should promote reuse activities, e.g. by reduced VAT on repair activities and second-hand products and levies on single-use packaging, to stimulates households to produce less waste. Make circular sustainable public procurement the default option and consider making it also the default choice for private companies with a reporting obligation as part of their non-financial reporting activities. Introducing legislation to create a European 'buy sustainable act' to use the lever of public procurement would allow to promote socially and environmentally sustainable forms of production, e.g., as regards the use of collectively organised and fairly remunerated labour, sustainable forms of agriculture and land use, and the use of recycled materials. Accelerate the setting up of digital product passports that will encompass all the aforementioned information and enhance consumer empowerment, market surveillance and policy definition.

Develop new eco-design requirements for digital and electronic products

(e.g. so that electric car batteries are affordable durable, repairable and recyclable). Implementation of an EU Extended Producer Responsibility (EPR), whereby the manufacturer would be responsible for the entire life-cycle of products. In the technological field, it could be extended to the setting of a minimum compatibility period of new software with existing hardware. In the same line, extending the lifespan of smartphones and other electronics by just one year would save the EU as much carbon emissions as taking 2 million cars off the roads annually.¹⁹⁸

Address growing waste management issues

All packaging must be designed for reuse and recycling, provide transparency on the chemical composition, be separately collected and materials must be sustainably sourced. Reusable packaging should have a share of at least 30% of the market by 2030 for all primary packaging, and of at least 70% for beverage packaging). Control and limit global shipment of waste: waste should not be shipped to non-EU countries with less stringent regulations and inadequate recycling infrastructure. Instead, Europe should reuse and recycle its own waste as close to the source as possible, creating local employment. Strict enforcement of the new amendments to the Basel Convention is crucial.

¹⁹⁸ The climate cost of 'disposable smartphones- European environmental Bureau - 2019. <https://eeb.org/library/coolproducts-briefing/>

5.2.3.4. The crucial contribution of natural carbon sinks to GHG emission reduction

The Intergovernmental Panel on Climate Change's (IPCC) climate scenarios bank on carbon removal outcomes to secure the globally agreed 1.5°C climate target, and Article 4 of the Paris Agreement explicitly recognises “removals by sinks of greenhouse gases” as a means to balance out continued emissions.

Nature-based solutions

[nei.tʃər-beɪst sə'lu:ʃən] **noun**

methods that rely on enhancing the carbon uptake capacity of forests and soils. Reforestation and afforestation are the most commonly known practices.

The European Commission is currently reviewing the rules set in the regulation on the accounting of greenhouse gas emissions and removals from Land Use, Land Use Change and Forestry (LULUCF) to ensure the achievement of the new ambitious EU climate targets. LULUCF plays a key role in reaching the 2050 climate neutrality target, since the goals of the Paris Agreement cannot be met without significant contributions from the land sector, including supply-side measures in forestry and agriculture, and demand-side measures related to healthier diets and reduced food waste.

Nature-based solutions are methods that rely on enhancing the carbon uptake capacity of forests and soils. Reforestation and afforestation are the most commonly known practices. Other strategies include regenerative agricultural practices or land and crop management techniques that retain or increase carbon uptake by soil, the restoration of coastal wetlands such as mangroves, and ocean-based practices to restore seagrass or grow kelp.

Such strategies essentially seek to enhance our planet's natural capacity to capture carbon. They should solve multiple challenges simultaneously, due to the benefits in terms of biodiversity and recreating productive ecosystems.¹⁹⁹

Oceans are one of the main natural carbon sinks. According to the World Economic Forum, they are able to absorb around one-third of global CO₂ emissions. The main mechanism of absorbing CO₂ is called the “physical carbon pump”. 90% of atmospheric CO₂ is transferred to the surface seawater by diffusion. The dissolved CO₂ will then be transported by ocean currents to the deep layers of the ocean. Seagrass plays a key role, as it accounts for 10% of the ocean's capacity to store CO₂, capturing it up to 35 times faster than forests. However, seagrass meadow area has been decreasing by 7% per year since 1990, due to coastal development and dredging, and reduced water quality. Besides, the threats of marine microplastics to ocean carbon sequestration are increasingly known: the impact of marine plastics on ecosystem responsible for the gas exchange and circulation of marine CO₂ may cause more greenhouse gas emissions.²⁰⁰



Seagrass plays a key role, as it accounts for **10% of the ocean's capacity to store CO₂**, capturing it up to **35 times faster than forests**.

In forests, carbon sequestration is done through photosynthesis. Under normal conditions, there is a net absorption of CO₂ and a net release of oxygen in plants. According to the Global Forest Resources Assessment 2020, 99% of the forest carbon is found in living biomass and soil organic matter, with the remainder in dead wood and litter.

¹⁹⁹ Carbon removal: Complementing or clouding climate action? - European Environmental Bureau - Coralie Boulard - February 2021

²⁰⁰ Marine microplastics 1) affect phytoplankton photosynthesis and growth; 2) have toxic effects on zooplankton and affect their development and reproduction; 3) affect marine biological pump; and 4) affect ocean carbon stock. Phytoplankton and zooplankton are the most important producer and consumer of the ocean.

99%

99% of the forest carbon is found in living biomass and soil organic matter, with the remainder in dead wood and litter.

Despite their theoretical potential, CO₂ removal strategies hold some uncertainties. For instance, natural sinks are neither stable nor permanent. Forests are not protected against natural and human disturbances and the carbon captured by sinks may be vulnerable to future leakage. The case of the 2019 Australian wildfires is a striking example of the vulnerability of forests' carbon sink functions, and *"the augmented effects of climate change will only exacerbate this fragility"*.²⁰¹

Indeed, natural carbon sinks are precluded from performing at their best. Deforestation's rise in recent decades has decreased the total forest carbon stock from 668 billion tonnes in 1990 to 662 billion tonnes in 2020.²⁰² These projections have further worsened in the meantime for the European stock: by 2025, European forests are likely to hold 18% less carbon than in the early 2000s, according to the information published in 2020 by the European Commission.²⁰³ To date, Europe's terrestrial biosphere absorbs 7 to 12% of European anthropogenic CO₂ emissions.

Furthermore, there might not be enough available land across the EU to engage in large-scale tree planting without seriously compromising biodiversity²⁰⁴ and food security.²⁰⁵ Promoting nature-based removal solutions is therefore hindered by the reality that the EU's sinks have come under pressure from increased economic exploitation and the adverse effects of climate change.

This is where a proactive and well-calibrated policy is needed. While the limitations and uncertainties associated with carbon removal must be fully factored into and accounted for in our climate policies, their contribution remains absolutely essential to ambitious climate objectives.

Land plays an important role in the climate system and provides the principal basis for human livelihoods and well-being including the supply of food, freshwater and multiple other ecosystem services, as well as biodiversity. What is at stake is that the *"deferral of GHG emissions reductions from all sectors implies trade-offs including irreversible loss in land ecosystem functions and services required for food, health, habitable settlements and production, leading to increasingly significant economic impacts on many countries in many regions of the world,"* concluded the IPCC special report on climate change and land.²⁰⁶

Human use directly affects more than 70% of the global, ice-free land surface. This trend can and must be reversed to restore the positive effect of natural carbon sink. Given the inter-connected nature of these biodiversity, climate, land and food-related challenges, co-ordination and coherence between different policies affecting the land-use nexus is crucial. Since wide deployment of bioenergy is constrained by cost and availability of biomass, a particular attention should be paid to those techniques that combine natural carbon capture and agricultural use and, therefore, do not compete with food production or ecosystems.

7-12%

Europe's terrestrial biosphere absorbs 7 to 12% of European anthropogenic CO₂ emissions.

²⁰¹ *Op. cit.*

²⁰² Food and Agriculture Organisation of the United Nations, Global Forest Resources Assessment 2020: <http://www.fao.org/3/CA8753EN/CA8753EN.pdf>

²⁰³ Commission delegated regulation amending Annex IV to Regulation (EU) 2018/841 of the European Parliament and of the Council as regards the forest reference levels to be applied by the Member States for the period 2021-2025

²⁰⁴ *Can tree planting solve climate change?* - FERN - 1 July 2020 - <https://www.fern.org/publications-insight/can-tree-planting-solve-climate-change-2172/>

²⁰⁵ It has been estimated that Bioenergy with Carbon Capture and Storage would demand between 0.4 and 1.2 billion hectares of land. In BECCS deployment: a reality check - Grantham Institute - Imperial College - London - Briefing paper No 28/January 2019

²⁰⁶ IPCC, 2019: *Summary for Policymakers. In: Climate Change and Land: an IPCC special report on climate change, desertification, land degradation, sustainable land management, food security, and greenhouse gas fluxes in terrestrial ecosystems* <https://www.ipcc.ch/srccel/chapter/summary-for-policymakers/>

Only biomass that adheres to sustainability criteria should be considered carbon neutral in the EU's climate legislation

The greenhouse gas emissions from burning biomass that do not meet these criteria must be accounted for in the carbon pricing mechanisms. Considering these uncertainties and the potential impact on resources, biodiversity and soil health, the scale of BECCS deployment should be limited only to circumstances where it is proven to be beneficial. Good governance and financial incentives are required to stimulate high-quality BECCS at this limited scale.

The CAP must set concrete targets against conversion to cropland and fund restoration of damaged carbon sinks

Paludiculture (rewetting techniques to remedy past degradation of drained peatlands) or other agricultural practices resulting in carbon sequestration, should be financially supported with additional CAP payments via eco-schemes and rural development interventions.

Stepping up EU Action against deforestation and forest degradation

Forestry should be managed in a sustainable manner under control of certification schemes. Set up the inclusion of a safeguard to ensure that the EU's carbon sink cannot decline ("net-net" accounting).

Propose a wide-ranging restriction on microplastics in products placed on the EU/EEA market to avoid their release in the marine environment after a highly polluting life-cycle

A win-win-win policy for the climate, the environment and human health

Microplastic, once in the environment, do not biodegrade. They have been detected not just in marine but also in freshwater systems including marshes, streams, ponds, lakes, and rivers in Europe. They accumulate in animals as well as in drinking water, and are consequently consumed by humans, with variable exposures.²⁰⁷

Even more, amidst growing concern about the impacts of plastic on the oceans, ecosystems, and human health, there's another largely hidden dimension of the plastic crisis: plastic's contribution to global greenhouse gas emissions and climate change.

Plastics actually originate as fossil fuels and emit greenhouse gases from cradle to grave. Greenhouse gases are indeed emitted at each stage of its lifecycle: 1) fossil fuel extraction and transport, 2) plastic refining and manufacture, 3) managing plastic waste, and 4) plastic's ongoing impact once it reaches our oceans, waterways, and landscape. Greenhouse gas emissions from the plastic lifecycle would even threaten the ability of the global community to keep global temperature rise below 1.5°C. In 2019, the production and incineration of plastic has added more than 850 million metric tons of greenhouse gases to the atmosphere—equal to the emissions from 189 five-hundred-megawatt coal power plants.²⁰⁸ By 2050, the greenhouse gas emissions from plastic could reach over 56 gigatons—10-13 percent of the entire remaining carbon budget.²⁰⁹

Ultimately, plastic that is unmanaged ends up in the environment, where it continues to have climate impacts as it degrades. Microplastic in the oceans may actually interfere with the ocean's capacity to absorb and sequester carbon dioxide, since they can reduce the ability of phytoplankton to fix carbon through photosynthesis. This would mean that plastic pollution may interfere with the largest natural carbon sink on the planet and should be cause for immediate political response. This includes:

- ending the production and use of single-use, disposable plastic
- implementing extended producer responsibility as a critical component of circular economies
- adopting and enforcing ambitious targets to reduce greenhouse gas emissions from all sectors, including plastic production

²⁰⁷ Human contamination and accumulation of microplastics can occur via food (due to packaging, and consumption of sea food), air (inhaling contaminated air) and drinking water

²⁰⁸ Plastic & Climate: The Hidden Costs of a Plastic Planet - Center for International Environmental Law (CIEL) - 2019 - <https://www.ciel.org/wp-content/uploads/2019/05/Plastic-and-Climate-FINAL-2019.pdf>

²⁰⁹ *Op. cit.*

5.3. “One” Planetary and Human Health

In the light of the recent COVID outbreak, the chapter will put forward new synergies and trade-offs between climate change mitigation and broader goals such as health and wider environmental quality. We are called on to participate in a twofold change of paradigm: to place health at the heart of our public policies, and to place the environment at the heart of our health policies. This is the fundamental mission of the social-ecological state (establishing the link between inequalities and ecological crises and the link between ecosystem health and human health).

It’s time to move beyond the cost-benefit approach, which continues to dominate our collective actions and decision-making. This approach assigns every aspect of life a monetary value and evaluates our actions and investments in terms of their relative monetary cost vs their relative monetary benefit. A cost-benefit analysis would see the ‘costs’ of investing in climate change mitigation as outweighing the monetary ‘benefits’ of continuing business as usual. However, a co-beneficial approach recognises the “intrinsic value of the health of our people and planet and their role as the foundation for any economic activity”.²¹⁰ If we take on this perspective, we realise that mitigating climate change is not only vital for our collective health and well-being, but it also brings about considerable social savings resulting from improved health, as well as economic gains associated with the creation of an estimated 24 million new jobs by 2030. A co-beneficial approach therefore recognises the intrinsic interconnections between our social and ecological systems as the basis for a just and sustainable economy, with health as the great connector.²¹¹

To do so, we must make it clear that applying a well-being lens when designing climate mitigation policies has the potential to deliver wider well-being benefits both in the short and the long term. One example relates to the synergies between simultaneously reducing air pollution and GHG emissions. Reducing the combustion of fossil fuels would cut carbon dioxide (CO₂) emissions, but also the related particulate matter and other chemical compounds yielding climate air quality and health benefits.²¹² Air pollution is therefore closely linked to climate change - the main driver of climate change is fossil fuel combustion which is also a major contributor to air pollution, which, along with the introduction of waste materials in our environment, has negative effects to the ecosystem we rely on. Efforts to mitigate one can improve the other.

Our approach intends to integrate health into carbon-cutting policies from inception through intersectoral action. Most measures and policies to reduce greenhouse gas emissions can benefit human health, if adequately designed and implemented. Carbon-cutting policies that are known to provide health benefits include those that reduce emissions of health-damaging pollutants through changes in energy production, energy efficiency, sustainable transportation and

» While pollution is a global problem, it affects more severely the most vulnerable groups.«

²¹⁰ Five Pathways toward Health-Environment Policy in a Well-being Economy - WEAll Working group: Éloi Laurent, Fabio Battaglia, Giorgia Dalla Libera Marchiori, Alessandro Galli, Amanda Janoo, Raluca Munteanu, Claire Sommer - May 2021

²¹¹ Watts, N., et al., 2019. The Lancet Countdown on health and climate change: ensuring that the health of a child born today is not defined by a changing climate. *The Lancet*, 394(10211), pp. 1836-1878.

²¹² In addition to carbon dioxide and other greenhouse gases (GHGs), the world is currently facing the issue of local pollutants such as sulfur oxides (SOx), nitrogen oxides (NOx), particulate matter and volatile organic compounds (VOC) that are harmful to breath in.

» In other words, the low-income households are least to blame for CO₂ emissions but suffer the most—forced to live with pollutants and / or climate change direct effects that the polluters themselves pay to avoid.«

control of landfills, among others.²¹³ Ensuring that health systems are among the priority sectors is an opportunity to align action on climate change with goals for improving health and well-being.

The core effects of pollution are widely known. The immediate effects of breathing polluted air puts Human at a higher risk for asthma and other respiratory diseases. Air pollutants are mostly carcinogens and damages the immune, endocrine and reproductive systems while high levels of particle pollution have been associated with higher incidents of heart problems. Longer-term studies shows that the toxic chemicals released into the air settle into plants and water sources. When the animals eat the contaminated plants and drink the water, then pollutants molecules travels up the food chain – to Human.

While pollution is a global problem, it affects more severely the most vulnerable groups. Many studies showed that some pollutants have detrimental effects on prenatal growth, while the ageing process makes older adults more vulnerable to the detrimental health effects of environmental contaminants. Even more so, they indicate that the effects of pollution levels tend to be more serious for specific

subgroups based upon territorial disparities and wealth,²¹⁴ thereby causing some communities to experience more negative environmental consequences than others. Other studies suggest that, even in cases of relatively low levels of pollution, and in addition to the effects on physical health, exposure negatively affects individual assessments of well-being.

The combined objectives of fighting pollution and achieving sustainable well-being, including health, would require adaptation and protection measures to tackle these inequalities in pollution exposure. Building a new environmental model would then mean to mitigate drastically global pollution, to fight against its detrimental effects to Nature and Human and to offset injustices.

In light of all the benefits of living or working in a natural environment discussed so far and pollution being the cause of almost half-a-million deaths every year in the European Union alone, the European Environment Agency recently called for ‘systemic change through visionary policies’ in order to protect the environment and improve the health and well-being of European citizens.²¹⁵

²¹³ Protecting health in Europe from climate change: 2017 Update - WHO - 2017 https://www.euro.who.int/__data/assets/pdf_file/0004/355792/ProtectingHealthEuropeFromClimateChange.pdf

²¹⁴ Almost nine out of 10 individuals living in urban areas are affected by air pollution. Populations living in Africa, South-East Asia, and in low- and middle-income countries across all regions are the most exposed.

Guillerm N, Cesari G. Fighting ambient air pollution and its impact on health: from human rights to the right to a clean environment. *Int J Tuberc Lung Dis.* 2015;

²¹⁵ Laurent É, et al. (2021) Toward Health-Environment Policy in a Well-being Economy. In: Laurent É. (eds) *The Well-being Transition*. Palgrave Macmillan, Cham. https://doi.org/10.1007/978-3-030-67860-9_5

» Policies that alter the environment have impacts on the people who live there as well. And when some people have access to resources that help them relieve those impacts while others don't, it becomes a social justice issue.«

The same applies for biodiversity. On May 20, 2020 the European Commission adopted the Biodiversity Strategy and a Farm to Fork Strategy. As core parts of the European Green New Deal, the initiatives are intended to promote the reinforcement of Europe's resilience. These environmental strategies are an important step forward as they acknowledge that biodiversity protection and climate change mitigation are key to the future of Europeans and, above all, that they are mutually reinforcing.

This revalorisation of Biodiversity into the political agenda of the European Union emphasises the interactions between human activities, ecosystems and climate. Protecting biodiversity would then not only aim at preserving ecosystems as such, it would also be a way to ensure that we maintain the provision of associated ecosystem services. A preserved biodiversity, for instance, provides natural barriers between species to prevent pandemics and healthy ecosystems that clean our water, purify our air, maintain our soil, regulate the climate, recycle nutrients and provide us with food.

Yet, the continued growth of human populations and of per capita consumption have resulted in an unsustainable exploitation of Earth's biological diversity, exacerbated by climate change, ocean acidification, and other anthropogenic environmental impacts. As a consequence, biodiversity continues to decline, establishing a clear link between consumption and biodiversity loss. For a long time, human activities took only into account, at best, the market share of natural capital (agricultural and forestry resources), assuming nothing but the economic value of biodiversity.

This can explain why the depletion and degradation of many ecosystem services provided by biodiversity represents the loss of a capital asset that is however poorly reflected in conventional indicators of economic growth. Furthermore, there is a consistent body of work that implicitly considers the justices and injustices arising from biodiversity conservation interventions. Some studies²¹⁶ reported evidence for a causal connection between economic inequality and biodiversity loss. They found that, among countries the number of species or crops that are threatened or declining increases substantially with the Gini ratio of income inequality, suggesting that economic distribution has an important effect on how we interact with the broader ecosystems upon which our societies depend.

²¹⁶ Mikkelsen GM, Gonzalez A, Peterson GD (2007) Economic Inequality Predicts Biodiversity Loss. PLoS ONE. Academic Editor: Jerome Chave, CNRS, France. <https://doi.org/10.1371/journal.pone.0000444>

It has been now stated²¹⁷ that Biodiversity loss has negative effects on several aspects of human well-being, such as health, food security and vulnerability to natural disasters. Policies that alter the environment have impacts on the people who live there as well. And when some people have access to resources that help them relieve those impacts while others don't, it becomes a social justice issue.

Addressing these social and environmental injustices²¹⁸ is therefore a necessity and should be a central pillar in the visioning of socio-ecological solutions. Opportunities for enlarging the synergies between climate and well-being outcomes, including Health, can be found in all the sectors considered in the following chapter.²¹⁹

5.3.1. Provide quality health services for all through aligned policies

Just as rethinking societal goals and the definition of progress are increasingly recognised as crucial to putting sustainability at the centre of policy decisions, health should be mainstreamed in well-being policies.

Much healthcare around the world is primarily focused on acute care. World Health Organization studies have examined the aggregate disease burden attributed to key environmental risks globally and regionally, quantifying the amount of deaths and diseases caused by factors such as unsafe drinking-water and sanitation, and indoor and outdoor air pollution. These reports confirm that approximately one-quarter of the global disease burden, and more than one-third of the burden among children, is due to modifiable environmental factors. This 'environmentally-mediated' disease burden is much higher in the developing world than in developed countries - although in the case of certain non-communicable diseases, such as cardiovascular diseases and cancers, the per capita disease burden is larger in developed countries.²²⁰

Building from that experience, it would be crucial to examine how specific diseases and injuries are impacted by environmental risks in Europe, and which regions and populations are most vulnerable to environmentally-mediated diseases and injuries. "Preventive care" means any measure that aims to avoid or reduce the number or the severity of injuries and diseases, their sequelae and complications. It includes interventions for both individual and collective consumption.

When diseases are non-communicable and arise from a high impact of environmental factors alongside other biological factors (such as stress, poor diet, lack of exercise) an increase in both personal well-being and resilience, as well as reduced costs to health services can arise from a more preventive approach to care, before symptoms become apparent, or at their early onset.²²¹

While the vast majority of chronic diseases are preventable,²²² only 3% of health budgets are invested in prevention.²²³

This development has significant consequences on overall society and is strongly related to inequalities between different groups in society based on level of wealth or education, or the type of region people live in. There is also now direct evidence that poverty and inequality are linked (through for example increased stress, and decreased ability to access nutritious or adequate food), which has negative impacts on people's health, contributing to the development of both mental and physical health problems such as depression, cardiovascular disease, cancer etc. It has also been clear that the experience and severity of COVID has been worse for people with low incomes, or from disadvantaged groups. These inequalities, which result in varying levels of life expectancy or burdens of chronic diseases between groups in society, are persistent and mutually reinforcing.

²¹⁷ Ecosystem Conditions and Human Well-being - Current State & Trends Assessment - Condition and Trends Working Group Volume 1. Approximately 60% (15 out of 24) of the ecosystem services it examined are being degraded or used unsustainably, including fresh water, capture fisheries, air and water purification, and the regulation of regional and local climate, natural hazards, and pests.

²¹⁸ In high-income countries, 29 per cent of cities fall short of meeting the World Health Organization guidelines. But in those countries, poorer communities are often those most exposed—power plants, factories, incinerators and busy roads are often located in or near poor suburban communities. Source : WHO

²¹⁹ Accelerating Climate Action : Refocusing Policies through a Well-being Lens - OECD - 2019

²²⁰ Preventing Disease Through Healthy Environments - Towards an estimate of the environmental burden of disease - A. Prüss-Ustün and C. Corvalán - WHO - 2006

²²¹ Countries around the world are experimenting with adopting a more holistic approach to well-being, which focuses on these preventive aspects of health. For example, in Wales, and linked to the Well-being of Future Generations (Wales) Act, they are starting to set up well-being or community hubs to help people adopt healthier lifestyles, decrease loneliness etc;

²²² At least 60% of all heart disease, stroke and diabetes could be prevented by applying the right prevention procedures. <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20210118-1?redirect=%2Feurostat%2Fnews%2Fwhats-new>

²²³ According to the latest figures published by Eurostat, EU member states on average only spend 2,8 % of their healthcare budget on preventive care, which translates into an expenditure of 82 EUR per inhabitant on average. With 4,4 % of its healthcare budget spend on preventive care, Italy and Finland spend the most of any EU member state.

In addition to the effect of economic policy on health and social policy and their direct health consequences, economic policies mediate the impact of the social determinants of health inequalities—the conditions in which people are born, grow, live, work, and age. These determinants form a complex and interlocking web of upstream factors that affect population health and health inequalities. Furthermore, sizeable differences in health continue to exist within countries. Self-reported health, non-communicable diseases, and individual-level risk factors all follow a social gradient, with individuals of higher socioeconomic background often faring better than those with lower social standing. Over the past decade, health at an aggregate European-level has improved, as measured by life expectancy at birth.

However, such gains are unevenly distributed across countries, exacerbating between-country health inequalities.²²⁴

Thus, if health inequalities in the EU are to be reduced, concerted action that takes due care of the complex web of determinants of health inequalities as well as the individuals in vulnerable situations is required. Coordinated investments can promote more cost-effective development strategies with multiple social and economic co-benefits, in addition to global health gains, both immediate and long term. Repositioning the health sector to act more effectively on preventive health policies, while enhancing inter-sectoral partnerships, is thus critical to addressing the environmental causes of disease and injury.

Mainstream the ‘One Health’ approach²²⁵ in Europe

to build pandemic preparedness, enhance pandemic prevention programs, and to investigate and control outbreaks across sectors. In addition, health inequalities should be addressed by adopting aggregate health indicators for the prevention and control of zoonotic diseases and to tackle wide challenges such as antimicrobial resistance, food security and nutrition, and community and health issues arising from relationships with land and the environment in the face of environmental degradation and climate change.

Prevention can have a significant impact on the achievement of sustainable well-being goals

and the sustainability of healthcare systems, particularly in relation to the growing burden of chronic diseases linked to environmental causes. Welfare systems need to better target populations in vulnerable situations. Providing universal healthcare coverage should be a key element in such efforts, levelling the playing field in terms of access and utilisation of health services.

²²⁴ Health Inequalities in Europe: Setting the Stage for Progressive Policy Action. Timon Forster, Alexander Kentikelenis and Clare Bamba - FEPS - 2019 <https://www.feps-europe.eu/attachments/publications/1845-6%20health%20inequalities%20inner-hr.pdf>

²²⁵ One Health' is an approach promoted by the United Nations to design and implement programmes, policies, legislation and research in which multiple sectors communicate and work together to achieve better public health outcomes.

Include a strengthened chapter in the European Pillar of Social Rights

which would underline the right to a healthy environment as essential to ensure adequate living and working conditions and promote well-being. The human right to a healthy environment would bring together the environmental dimensions of civil, cultural, economic, political, and social rights, and protects the core elements of the natural environment that enable a healthy life. It would explicitly stipulates that diverse ecosystems and clean water, air, and soils are indispensable for human health. Moreover, in contrast to some national laws, there is no recognition at European and international level of the individual right to a healthy environment. Article 37 of the EU Charter of Fundamental Rights only reflects the general principle of environmental protection in EU legislation but does not declare it a substantive right. The Commission should strive to fill this gap at European level and also promote international recognition of this human right.

Stress-test the capacity of Member states Health Systems to manage in socially equitable ways existing diseases and forthcoming climate change-related shocks and stresses

Measures for health protection would involve:

- enhancing disease surveillance, especially for climate-sensitive vector-borne diseases;
 - monitoring and modelling changes in environmental exposures such as air pollution;
 - ensuring essential medical supplies and health service provision during disasters;
 - improving preparedness, planning and response for heat-waves and other extreme events;
 - facilitating coordination between health and other sectors to deal with changes in the incidence and geographical range of diseases.
 - collecting a European stockpile of strategic medical products and equipment to be deployed when and where needed
-

Align policies that aim to reduce the effects of climate change on human health

for example, by strengthening health services – **with the objectives of reducing poverty and inequalities**. Universal access to health services is needed to protect poor strata of populations. Expanding the right to health would mean to include appropriate environmental conditions for the realisation of most other essential rights (such as to food, housing isolation and work conditions). It would lead to systematically collect data on exposure to environmental hazards by socio-professional or income group and on cumulative vulnerability and health risks across social groups due to the distribution of the burden of environmental inequality.

5.3.2. A protective biodiversity

A policy agenda aimed at sustainable well-being for all requires the mainstream conception of natural capital to be reviewed. Far from the blind transformation of nature into natural resources, the preservation of natural capital according to the perspective of sustainable well-being would have a view to social justice,²²⁶ since biodiversity is providing associated ecosystem services for the many.

While European leaders have acknowledged the importance of a “green recovery”, the focus has been predominantly on climate change. Yet biodiversity loss and climate change are challenges of a similar magnitude and urgency, and are fundamentally interlinked. They must be addressed together as part of a broader green and inclusive recovery.

There is a compelling case for the integration of health perspectives in biodiversity policy and practice, and an equally strong case for ensuring that biodiversity considerations are fully integrated into health policy and practice. It is essential to integrate a health perspective into biodiversity policy and practice, and for health perspectives to be clearly articulated in a post-2020 global biodiversity framework.

Instead of incentivising activities that harm biodiversity, governments and the EU should redirect subsidies to activities that deliver socio-economic outcomes and have a positive impact on biodiversity (e.g.: governments could provide targeted fundings to promote biodiversity and other environmental public goods in agricultural systems). Agri-environmental payments, for instance, have the potential to deliver “win-win” outcomes for both environmental and health performance.

²²⁶ Éloi Laurent et Jacques Le Cacheux, 2012, *Économie de l'Environnement et Économie Écologique*, Paris, Armand Colin. One could “assess” the social value of the environment, by applying economic values (a price, for the most part) to the non-economic, for exam-ple, to the value of existence. The author then proposes that consumption be replaced by the more heritage concept of “natural capital” whose future growth rate is not guaranteed, unlike consumption

Secure the recognition of biodiversity as a global public good

and as a central policy agenda at all levels of government, in addition to the recently proposed Biodiversity Strategy for 2030. An attribute of biodiversity that qualifies as a global public good is its inherent potential for provision of benefits – recognised or otherwise – to society at large (i.e., through ecosystem services). Activities that threaten biodiversity also threaten this capacity. The concept of public good-type ecosystem services can give more insight into use and non-use values, since human land use essentially influences and determines the extent of biodiversity and size of ecosystem services.

- Extend the scope of the precautionary principle, by enshrining the principle of ecological non-regression and by establishing the primacy of the protection of biodiversity over economic imperatives.
- Redefine the designation of “protected areas” as a major instrument to secure the supply of public goods of biodiversity while incorporating concerns for social justice

Establish a Biodiversity Law

This would imply setting a legally binding biodiversity framework, similar to the Climate Law, which steers a path through a set of binding objectives for 2030, 2040 and 2050, and the commitments made at COP15. The Commission should make a legislative proposal to that effect without delay.

Biodiversity proofing should be mainstreamed across all EU spending and programmes on the basis of the EU Taxonomy

with the precautionary and ‘polluter pays’ principles taking precedence in EU actions, taxation systems reoriented towards an increased use of environmental taxation and subsidies harmful to the environment eliminated by 2030 at the latest.

Scale up investment in biodiversity conservation, sustainable use and restoration

and put a price on biodiversity loss by setting biodiversity spending targets for COVID-19 stimulus measures and recovery plans and reform subsidies harmful to biodiversity.

Develop and incorporate pandemic and emerging disease risk health impact assessments

in major development and land-use projects, while reforming financial aid for land-use so that benefits and risks to biodiversity and health are recognised and explicitly targeted.

5.3.3. Address growing challenges to the sustainability of the food system

Agriculture has achieved major success in fighting hunger, feeding the world and contributing to economic development, including by providing employment to 28% of workers worldwide. However, this success has come at a heavy price. The agriculture sector, together with forestry and other land uses, contributes to nearly a quarter of all anthropogenic greenhouse gas emissions (GHGs).²²⁷ Half of this share comes from direct agricultural emissions, mainly from livestock, with most of the rest from deforestation of which agriculture is the main driver.

If unchecked, climate change impacts such as heatwaves, droughts and floods will threaten food security and the viability of current agricultural production patterns. Besides, due to the constant use of insecticides and pesticides, the soil may become infertile. At the same time, actors of food-production system suffer from low incomes and are more

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The agriculture sector, together with forestry and other land uses, contributes to nearly a quarter of **all anthropogenic greenhouse gas emissions (GHGs)**

exposed than others to harmful substances. Sectors such as the health system or the water system pay for the damage wrought by agriculture on food and the environment. Specifically, the food provided by the current system may have unwanted health outcomes that are costly for the population and are not accounted for.²²⁸

A shift in perspective is therefore needed to better integrate growing challenges to the sustainability of

²²⁷ IPCC - Agriculture, Forestry and Other Land Use (AFOLU) in Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Edenhofer, O., R. Pichs-Madruga, Y. Sokona, E. Farahani, S. Kadner, K. Seyboth, A. Adler, I. Baum, S. Brunner, P. Eickemeier, B. Kriemann, J. Savolainen, S. Schlömer, C. von Stechow, T. Zwickel and J.C. Minx (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA.

²²⁸ Globally, an estimated 820 million people suffered from malnutrition in 2018, up from 811 million in the previous year, which is the third year of increase in a row. At the same time, overweight and obesity continue to increase in all regions, particularly among school-age children and adults. The State of Food Security and Nutrition in the World - WHO - 2019 report. <http://www.fao.org/3/ca5162en/ca5162en.pdf>

» Building a new environmental model would then require to address the sustainability of the food sector and re-examine the whole food value chain, including the demand side.«

the food system. The Common Agricultural Policy (CAP) should create a healthier society, safeguard our environment, and secure the future viability of EU farming and food businesses.

Thus, it must ensure full policy coherence covering agricultural, food, environment, and climate policies. Moreover, budgetary support and stock regulation policies for wider enabling environment for biodiversity could also play an important role in making agro-food systems more sustainable and healthy, helping to reduce pressure on ecosystems.

Building a new environmental model would then require to address the sustainability of the food sector and re-examine the whole food value chain, including the demand side. A truly sustainable food system then requires a broader perspective on policymaking. A comprehensive, multi-criteria approach would emphasise broader priorities, such as providing access to a healthy diet, ensuring a healthy and safe environment, mitigating the risks of climate change and sustainably managing natural and human resources.

Align the CAP with the European Green Deal objectives

by dedicating sufficient and qualitative CAP funding to incentivise and reward farmers to deliver on the objectives of the European Green Deal. This would include : reducing pesticides, fertilisers and antimicrobials use, increasing organic farming, agro-ecology and agroforestry, deploying high-biodiversity landscape features, cutting greenhouse gas emissions, preventing food loss and waste, improving the circularity of the agriculture sector, a.o. through better nutrients cycling, protecting and restoring ecosystems (especially in Natura 2000 and protected areas), and by promoting sustainable and healthy diets.

Enforce the precautionary, the “non-regression” and the “do no harm” principles

in all aspects of food and farming policy.

Fill the legislative gap on soil protection

by proposing a legally binding framework to address soil degradation at the EU level, including reducing soil erosion, increase soil health and biodiversity, and tackling soil contaminants.

Strengthen the management of agricultural market crises in the CAP

via a sufficient dedicated budgetary reserve and genuine national and European sectoral regulators, akin to the energy sector. The aim would be to put in place regulatory levers and involve the private sector in the strengthening of European food security. The set up a stockpiling policy for food security like the ones existing in all EU countries for oil, should contribute to the implementation of the “contingency Plan for food security” in the Farm to Fork policy package.

Promote the mainstreaming of agro-ecological farming in EU agriculture

Overall, due to their impact on ecosystems and biodiversity, some agricultural practices and eating habits contribute to the risk of chronic diseases and, as it has now become evident, to the emergence of new infectious agents. It is now essential to organise the transition towards production and consumption models that are, in the long run, generators of health. European agricultural policy can and must serve the objectives of the sustainable well being in all its components. To do this, we must propose ambitious political lines to guide the agricultural production of tomorrow by:

- Reaching 50% of agro-ecological farming by 2040 (support maintaining and transition, with a special focus on the setting up of young farmers in agro-ecology). This would require a transformation of the
-

aid per hectare system (which creates rent effects on the land market) into aid per agricultural worker (more equitable for the purpose of employment support)

- Ring-fencing a specific financial support mechanism inside the pillar 1 of the CAP for smallholder farmers, breeders and fishermen respecting the principles of agro-ecology,
- Encouraging the cultivation of plant proteins and supporting the conversion of livestock farming and the maintenance of permanent grasslands useful for biodiversity
- Banning GMO seeds by 2025, as well as the most damaging pesticides for the environment in 2035 and reducing nitrogen fertilisers.
- Supporting small organic and local school canteens to help them absorb the additional costs generated by the transition

5.3.4. Zero Pollution

Air, water and soil pollution, as well as the use of hazardous chemicals, can undermine the health of all citizens.

Air pollution is considered the single largest environmental risk in Europe. According to the latest estimates, exposure to fine particles (the pollutant with most serious impacts on human health) caused more than 400 000 preventable deaths in Europe in 2018. Those deaths were mainly due to cardiovascular and respiratory diseases and cancer. But apart from these very serious diseases, there is growing evidence that exposure to air pollution is associated with other impacts on health. Among them, we can mention new-onset type 2 diabetes, systemic inflammation or mental disorders such as Alzheimer's disease and

» Air pollution is considered the single largest environmental risk in Europe.«

dementia. Air pollution also affects the environment, for instance reducing biodiversity in certain ecosystems and affecting the growth of vegetation and crops.

According to the latest report from the European Environment Agency (EEA) on water quality in Europe, only 40 percent of rivers, lakes, estuaries and coastal waters reach the ecologically acceptable standard outlined in the European directive on water.²²⁹ The main pollutants present in surface waters are mercury, as well as residues from pesticides and wastewater treatment facilities. The main source of pollution for groundwaters are nitrates and pesticides used in agriculture, as well as liquid discharges not connected to the sewer system, and abandoned industrial sites. Water of good quality for human consumption and recreation is intrinsically linked with water that is good for the environment, and all are affected by similar pressures.

Healthy soils are critical not only for the sustainable production, but also to address climate change and the biodiversity loss. It is also in this space that nutrients are turned into forms that plants can take up, allowing biomass to form and store carbon. It is also here that our prospective drinking water starts its natural purification journey towards groundwater. The way we use land often introduces additional substances to these unique ecosystems in order to protect selected crops or add nutrients. Pollutants released from industry, transport and other economic activ-

²²⁹ European Environmental Agency - European waters - Assessment of status and pressures - 2018

ities can also travel long distances and reach soils, where they become diluted and are temporarily stored. Soil, a component of land, is considered polluted when contaminants adversely affect human health or the environment. Prevention remains the most effective and cheapest way to ensure healthy soils — and cleaner water and air — in the long term. Any initiative aimed at preventing and reducing pollution — from product design, better recycling, waste management, crop rotation, precision farming and reduced pesticide and fertiliser use to cleaner transport and industry — and at supporting authorities to implement effective measures will contribute to alleviating pressures on these vital ecosystems.

In May 2021, the European Commission published its much-awaited Zero Pollution Action Plan – one

40%

Only 40 percent of rivers, lakes, estuaries and coastal waters **reach the ecologically acceptable standard outlined in the European directive on water.**

of the last missing pieces of the European Green Deal. However, the proposal falls short on ramping up action to prevent pollution at source and instead mainly lists existing legal obligations and ongoing reviews of EU laws.

There is currently no overarching framework at EU level that can address the complex inter-linkages across policy domains relevant to environment and health

Therefore, we call for the adoption of a comprehensive Environmental Health Strategy, to streamline health requirements across relevant EU policy proposals. The strategy should provide a coherent framework for environment-related public health threats, including air, water and soil pollution. In this respect, the aim of a Zero Pollution Ambition Action Plan by the European Commission should be to urgently and drastically reduce the exposure of the entire population to products harmful to their environment and health. EU must focus on the most at-risk populations affected by one or multiple forms of biological or social vulnerability, for instance people living with serious health conditions, children, older people, and people living in poverty. It should as well address social imbalances in exposure to air pollution which are often much higher in deprived neighbourhoods, in particular local pollutants such as sulphur oxides (SOx), nitrogen oxides (NOx), particulate matter and volatile organic compounds (VOC).

Focus on co-benefits between the Zero-Pollution Action Plan

and the Europe's Beating Cancer Plan, the Farm to Fork strategy, the EU's 2030 Biodiversity Strategy.

Initiate a European strategy to propose concrete measure to reduce exposure to endocrine disruptor chemicals

(EDCs) such as pesticides in complement to *the chemicals strategy for sustainability published by European Commission, as part of the EU's zero pollution ambition. This should be done by considering precautionary action in all relevant EU legislation.*

Systematically evaluate the life-cycle of hazardous substances

and their impact on air, soil and water resources, upstream and downstream, to carry out a holistic, evidence-based well-being impact assessment of legislative proposals, and to consider the social, environmental and economic benefits of such an approach.

Develop digital solutions to help reduce pollution

(air quality and emissions live monitoring and reporting, set-up of a harmonised alert system on pollution levels; centralisation of all available pollution related data to improve its traceability along the whole life-cycle, from production (integrating resource consumption), to use, to emissions and releases phases.)

THERE IS NO

PLANET

B





CHAPTER 6

Living a safe life in a fair, equal, and diverse society

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Already at the end of 2019, 21% of the EU population, more than 90 million citizens, were considered to be at risk of poverty and exclusion. The COVID-19 pandemic has added to this further, with first projections estimating that especially low-income earners are bearing the brunt of the crisis' economic fallout.

Summary

Already at the end of 2019, 21% of the EU population, more than 90 million citizens, were considered to be at risk of poverty and exclusion. The COVID-19 pandemic has added to this further, with first projections estimating that especially low-income earners are bearing the brunt of the crisis' economic fallout. At the same time, 1% of households in Europe hold an approximate 25% of the continent's net wealth, without paying any tax on such assets in all but a single EU country. Such precarity and inequalities drive European societies apart and undermine their ability to cope with the testing effects of change that is inevitable in light of the climate crisis, demographic change, and digitalisation. Rebuilding European societies in line with the principles underlying the notion of sustainable well-being for all is thus a matter of urgency.

Related work must commence by developing effective backstops against poverty. Despite the magnitude of the European poverty crisis, EU policy action to date has failed to address it with sufficient determination. To rectify this, a European anti-poverty law should be adopted that defines the full eradication of poverty in Europe by 2050 as a legally binding target for EU policy in the same way as the EU climate law does in the field of climate action.

21% 

More than 90 million citizens, almost 21% of the EU population, are considered to be at risk of poverty and social exclusion

» Next to poverty, inequalities in terms of incomes and wealth represent key dimensions of the European social crisis.«

Eradicating poverty requires that its drivers are being choked. Bolstering social security systems and re-regulating labour markets, which, at present, are rife with precarious and atypical forms of low-wage and insecure employment, is key in this regard. Solving the current housing crisis that forces families to overstretch their budgets due to a lack of affordable homes constitutes another necessity, as does action to bolster care infrastructure and capacity across the Union to stop workers, especially women, from being excluded from labour markets. Defining common policy strategies and supporting them with EU investment to bring these emergencies under control would amount to a forceful manifestation of the EU's commitment to the well-being of its citizens.

Next to poverty, inequalities in terms of incomes and wealth represent key dimensions of the European social crisis. As is becoming increasingly clear, tax and wage setting systems in Europe have evidently

lost their effectiveness in view of increasingly fierce global competition and footloose capital. Rebuilding collective bargaining systems, adapting them to new labour market realities, and fostering wage transparency are crucial steps that must be taken. Likewise, ensuring a fairer and effective taxation of private wealth and corporate income, through coordinated action at the EU and global levels, are necessary elements of an effective strategy to close the growing gap between the rich and the rest. However, relying on a more egalitarian distribution of wealth and income among the individual members of society has its limits, especially given the need to ensure a more efficient use of resources that stems from the ecological crisis. Building common wealth for the collective use of resources through the expansion of public services and support for citizen-led initiatives to build common wealth must therefore be central elements of social policy going forward.

The COVID-19 pandemic has highlighted how our societies critically rely on the contributions of social groups that are in many respects left standing at the margins of our economic and social model. While women, ethnic minorities, migrants, the young, and others have had to deal with exceptional hardship to keep society running, their access to social, economic, and political opportunities remains unequal. The post-COVID-era must therefore be an era of a concerted push of equality of opportunity for all members of society to turn sustainable well-being for all into an inclusive and non-discriminatory project. This will require both targeted strategies, for instance to address the specific situation of women, youth, and migrants, as well as horizontal action to strengthen fundamental rights and the rule of law.

6.1. Introduction

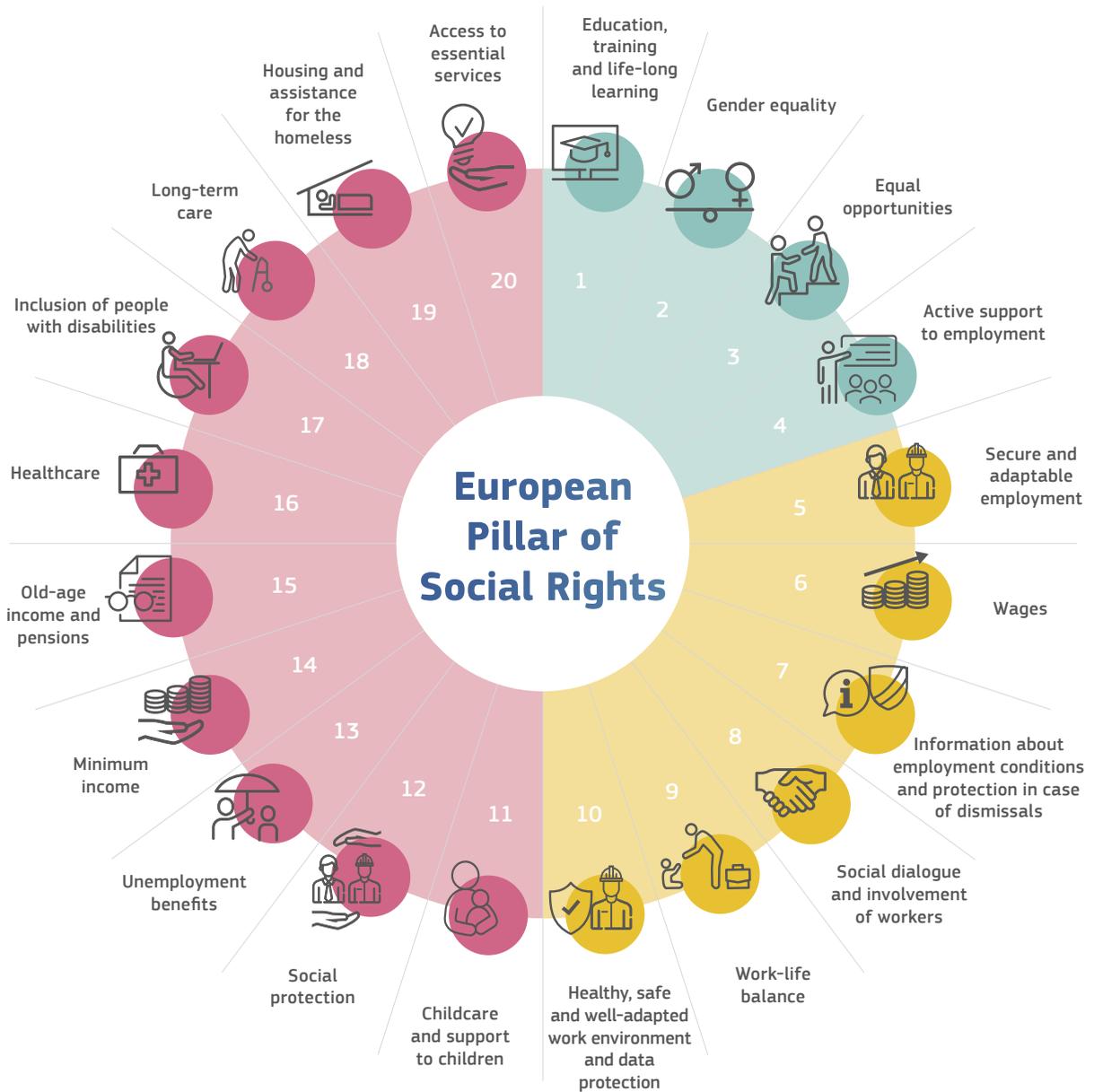
After more than a year of living through the COVID-19 pandemic, the European public has developed a clear sense of how the virus caused more than a public health crisis. In fact, evidence of how the pandemic and its impact on economic and social life amplified poverty and deprivation across the continent was quick to emerge. Reports of the sharp increases in the reliance of parts of the population on foodbanks to meet basic needs for nutrition, in some countries temporarily leading to almost a doubling of demand for such services, were noticed with shock and dismay across the continent already shortly after the emergence of the virus.²³⁰ And also the plight of frontline workers, risking their lives to keep society running by staffing supermarkets and caring for the ill under arduous working and low-pay conditions, is by now common knowledge.

Such instances of social crisis are not caused by the pandemic but the logical consequence of the comprehensive dismantling of the European social model through market-driven reforms during the past four decades. Especially since the creation of the European single market in the early 1990s, capital in Europe is almost perfectly free to migrate to where its use promises the highest profits. Consequently, governments across the continent are faced with pressures to limit the ‘burden’ they impose on footloose investors and have either chosen or seen themselves forced to lower corporate taxes, deregulate labour markets, and unwind social security systems.

As a result, workers and society at large are left to the mercy of the markets. What this leads to was demonstrated brutally by the global financial crisis and the ensuing great recession. When growth slows down or even turns negative, gages of social emergency begin to skyrocket.

²³⁰ <https://lp.eurofoodbank.org/social-emergency-fund/>

The 20 principles of the European Pillar of Social Rights²³¹



²³¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-action-plan_en

In 2012, at the height of the last economic crisis in Europe, more than a fifth of the EU population was recorded to suffer from severe material deprivation,²³² with the rate exceeding 60% in individual countries.²³³ Given that social security and social protection systems in most European countries have seen little change since this last episode of near social meltdown, fears that EU citizens might be faced with a repeat of such hardship as the full economic and social impact of the pandemic unfolds are hard to do away with unless sweeping policy change is happening soon.

60%

In 2012, at the height of the last economic crisis in Europe, more than a fifth of the EU population was recorded to **suffer from severe material deprivation**, with the rate exceeding 60% in **individual countries**.

Yet even when the economy is not stuck in crisis mode, workers and citizens have little benefits to expect from it. According to the OECD, Western economies have experienced an effective decoupling of productivity from wage growth since the turn of the new millennium at the latest. What this means is that even when the economy grows, those producing such greater wealth through their labour hardly participate in it and instead see their wages stagnate.²³⁴ This trend not only affects workers at the bottom of the income distribution but the entire wage spectrum, especially since the global financial crisis. Accordingly, the middle class, typically thought to represent the backbone of advanced economies, has been squeezed significantly in all but four EU Member States since financial turmoil hit the world more than a decade ago.²³⁵

As has been noted before in this report (see chapter 1 in particular), such social decline and fragility is increasingly proving to be a self-defeating strategy for the European Union – especially in light of the mas-

sive transformation of Europe's social and economic foundations that climate change and environmental degradation make inevitable. Because such erosions of the social fabric and the proliferation of hardship foster anxiety among the population at large, not only among the most deprived, society becomes increasingly unable to deal with adversity and develop a sense of common purpose.²³⁶ The oft-quoted example of the 'gilets jaunes' in France, where climate action policies that did not consider the social and economic strain those bearing their cost were already under sparked violent mass protests, provides a telling example of how impossible the transition to a more environmentally sustainable economic model will unless it is flanked with social policies that radically break away from the orthodoxy of the recent European past.

What is more is that societies marked by friction and inequalities are constantly found to perform badly along a wide variety of dimensions, including in terms of economic efficiency. Countries in which workers are adequately protected and thus seen as a valuable component of the economy and not as disposable inputs, and where social investment in quality (health) care, work-life balance, and good living conditions are prioritised, generally also boast higher levels of employment, productivity, and stronger economic resilience than countries lagging behind on these accounts.²³⁷

Given that demographic change adds to the pressure weighing down on the European Social Model, the European Union urgently needs to wake up and act on these insights.

» Workers and society at large are left to the mercy of the markets.«

²³² In EU statistics, severe material deprivation is defined as citizens' inability to afford at least three of the following nine items: to pay their rent, mortgage or utility bills; to keep their home adequately warm; to cope with unexpected expenses; to eat meat or proteins regularly; to go on holiday; a television set; a washing machine; a car; a telephone.

²³³ Figures retrieved from Eurostat

²³⁴ OECD (2018), *OECD Economic Outlook, Volume 2018 Issue 2*, OECD Publishing, Paris, https://doi.org/10.1787/eeco_outlook-v2018-2-en

²³⁵ Eurofound (2017): Europe's shrinking middle class, available at: <https://www.eurofound.europa.eu/de/publications/blog/europes-shrinking-middle-class>

²³⁶ See, in particular, Azmanova, A. (2020): *Capitalism on Edge*, Columbia University Press

²³⁷ For a good recent overview, see Andor, L. and Huguénot-Noël, R. (2021): The Janus' face of Europe's new social rulebook, available at: <https://voxeu.org/article/janus-face-europe-s-new-social-rulebook>

As the European Commission's recently published ageing report finds, Europe's working age population is set to decline by more than 15% by 2070, even if the expected benefits of migration from third countries into the EU are taken into account. At the same time, the level of expenditure made necessary by an ageing population is set to reach almost 26% of GDP.²³⁸ Given that this estimate already factors in cost savings generated through significant pension cuts, which are neither socially sustainable nor politically tenable given their contribution to rising inequalities and poverty, it appears reasonable to assume that even this baffling figure underestimates the real magnitude of the challenge at hand.

Against this backdrop, a general reset of social policy in Europe should not only count as an imperative of fairness but also as a matter of enlightened political rationality. Building a fair, cohesive, inclusive, and productive society, in which diversity and mutual respect are values that allow people of all ages and backgrounds to contribute to and experience the well-being of all under the conditions of sustainability must therefore be the key objective of European social policy going forward.

To date, the European Union is failing to deliver action on the scale needed. While finally acknowledging the need for a strong 'social Europe' with the adoption of the European Pillar of Social Rights in 2017 to assure citizens of the EU's²³⁹ commitment to principles of equal opportunities, fair working conditions, and social protection and inclusion for all, the Pillar is yet to prove its value. As illustrated by a recent Eurobarometer survey, there can, however, be little doubt that delivering on this ambition clearly is a firm expectation citizens have vis-à-vis the European Union.

15%

Europe's working age population is set to decline by more than 15% by 2070.

Nearly nine in ten Europeans (88%) say that a social Europe is important to them personally, with more than two thirds of citizens in every Member State holding this view. Almost three quarters of those being polled state that the EU should have more decision-making competence in the area of employment and working conditions, while significantly more than half of respondents think that social objectives, such as quality jobs and gender equality, are entirely unattainable unless supported by purpose-driven EU policy.²⁴⁰

Against this backdrop, the commitment to translate the Social Pillar from paper into action demonstrated at the informal Social Summit of the European Council on 7-8 May 2021 can be read as Member States' tentative first step to respond to citizens' call for a strong social Europe. Moreover, by acknowledging the need to adopt the Social Pillar as a compass to guide the post-COVID recovery and the implementation of the European Green Deal, EU leaders seem to understand that progress in Europe going forward needs to be defined in social-ecological terms. Nevertheless, serious doubts as to the real strength of the boost for social Europe the summit delivered remain. By fixing targets of low ambition for key social challenges, such as limiting action to fight poverty to the headline goal of pulling 15 of the 90 million Europeans currently considered to live at risk of poverty and social exclusion above the poverty line by 2030, EU action, once more, risks falling short of the mark.

» Social decline and fragility is increasingly proving to be a self-defeating strategy for the European Union.«

²³⁸ European Commission (2021): The 2021 Ageing Report Economic & Budgetary Projections for the EU Member States (2019-2070), Institutional Paper 148, available at: https://ec.europa.eu/info/sites/default/files/economy-finance/ip148_en_0.pdf

²³⁹ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en#documents

²⁴⁰ Special Eurobarometer 509, summary report available at: <https://www.caleauropeana.ro/wp-content/uploads/2021/03/Special-Eurobarometer-509-Social-Issues.pdf>

» A general reset of social policy in Europe should not only count as an imperative of fairness but also as a matter of enlightened political rationality.«

Also, as numerous Member State governments appear to remain fiercely opposed to effective EU social and employment policy competence, national egoisms might lead to more beggar-thy-neighbour instead of real solidarity and coordinated action to achieve sustainable well-being for all.

The ICSE therefore calls on the European Union and its Member States to create real momentum for social Europe and to fill the mandate received from citizens to vigorously translate the Social Pillar's principles into concrete EU action with life. Rebuilding Europe's economy after the pandemic and leading it onto an environmentally sustainable path without flanking such deeply transformative policy action with a social agenda of equal ambition not only risks aggravating poverty and inequality in Europe but will pit this endeavour at risk altogether. To avoid this, building a European social super-state, as feared by some, is not the only option. Yet cooperation and mutual support will be indispensable to ensure the imperative of fundamental change that is forced upon Europe by climate change and an unsustainable global economic model can be combined with a strong social dimension. Considering that European nations convened in the EU to build a community based on the values of democracy and universal human rights and given that high levels of social protection and welfare are necessary to give citizens the opportunity to exercise such rights and freedoms, there can be no doubt that the EU possesses the mandate and indeed the obligation to deliver on this objective.

The following is intended to provide a guide to the social dimension of this transformation and that identifies action on three levels as necessary to achieve sustainable well-being for all in Europe. As a first step on this journey, determined action to fight poverty, deprivation, and social insecurity will be necessary to fight the climate of anxiety and precarity that weighs down on the cohesiveness of today's societies. To this end, targeted reforms of social security systems, labour markets, and a social investment offensive are indispensable to ensure no one in Europe is left behind. Secondly, building on the insight that equal societies deliver better outcomes for everyone, not only for those acutely suffering from deprivation, promises strong gains in terms of sustainable well-being for all and can also cover part of the cost of the transformational policies advocated by this report. As developed in more detail below, this should lead to reinforced collective bargaining in the labour market and to a fairer and more taxation of corporate income and wealth. Finally, as sustainable well-being without equal opportunities for all would be neither sustainable nor inclusive, the discussion will go on to make proposals as to the empowerment of women and minorities who have, not only but especially in times of COVID, proven their critical importance for society.

6.2. Secure livelihoods for all in Europe

Even before the pandemic struck, large parts of Europe were fraught with social misery at a scale clearly at odds with the EU's promise of improving lives and nurturing cohesive societies. For the past decade, key variables of societal well-being, such as the incidence of monetary poverty and social exclusion (affecting 20.9% of the population in 2019), in-work poverty (affecting 9.4% of the EU workforce in 2020), or financial vulnerability (31% of Europeans are unable to deal with unexpected expenses, e.g., having to replace a washing machine) either increased or stubbornly persisted at worryingly high levels.²⁴¹

Since the global financial crisis, EU policy not only proved inadequate in view of this social emergency but often acted as its driver. By adhering to the teachings of neo-liberal economics and enforcing comprehensive austerity packages and labour market deregulations on ailing Member States, EU economic governance served to hollow out the European social model from within, at the same time as an increasingly competitive and volatile world economy added to the pressure from without.

Sadly, but unsurprisingly, Europe thus exhibits increasing tendencies of what chapter 1 of this report has described as precarity. As citizens are more and more exposed to the pressures of the globalised economy and increasingly threatened by the spectre of impoverishment, anxiety and fearful perceptions of the future abound. In this climate, extremist views and support for anti-system parties grow exponentially, as the past decade of European politics at EU and national levels has sadly proved too often.²⁴²

Reversing such worrying trends and building the foundations on which a Europe that caters for the sustainable well-being for all can be built requires effective solutions that come in two guises. First, fighting poverty and social insecurity, the drivers of precarity, depends on social backstops that ensure all citizens can trust in their ability to make ends meet. Rebuilding social security systems and ensuring they are both inclusive and poverty-proof will therefore have to be a key task for policymaking in the EU going forward. Ensuring that labour markets are fair and reliably create quality jobs that cater for workers' well-being and economic security likewise constitutes a challenge that can no longer be dodged.

Secondly, ending the age of precarity will require targeted social investments to eliminate poverty traps. Next to investment in education (see chapter 4 of this report), such policies should particularly target the areas of housing as well as long-term and childcare. If housing costs continue to eat up substantial parts of families' monthly budgets, and as long as care duties prevent parts of the population, especially women, from joining the workforce, the fight against poverty will remain an uphill battle that can hardly be won. However, as has been proven time and again,²⁴³ such capacitating investment not only tends to pay for itself by decreasing spending on fighting social emergencies and increasing the productivity of the workforce, it also pays multiple dividends in terms of social and ecological progress that will be explored in more detail below.

²⁴¹ Eurostat

²⁴² Azmanova, A. (2020): *Capitalism on Edge*, Columbia University Press. For a case study of how economic and social insecurity fosters extremist views and political populism, see Hilmer, R. et al. (2017): *Einstellung und soziale Lebenslage – Eine Spurensuche nach Gründen für rechtspopulistische Orientierung, auch unter Gewerkschaftsmitgliedern*, available at: https://www.boeckler.de/pdf/p_fofoe_WP_044_2017.pdf

²⁴³ Hemerijck, A. et al. (2020): *Social Investment Now! Advancing Social Europe Through the EU Budget*, available at: https://www.feps-europe.eu/attachments/publications/editing%20of%20a%20study-%20public%20investment%20now_12%20-%20pp%20%20links.pdf

6.2.1. A comprehensive EU anti-poverty plan

As it affects more than 90 million citizens, almost 21% of the EU population, there can be no doubt that fighting poverty and social exclusion, next to the fight against climate change and environmental degradation, constitutes a key challenge that needs addressing if the much-praised European social model is to survive. Currently, however, a real sense of urgency seems suspiciously absent. While the EU is, thankfully, committed to the achievement of ambitious goals regarding the reduction of green-

31%

31% of Europeans are **unable to deal with unexpected expenses.**

house gas emissions, and has spent the best part of the past decade defining detailed target values for nearly all aspects of public finances and spending, objectives and indicators relating to poverty and deprivation remain at the margins of the policy-making process to date.

According to the United Nations' Special Rapporteur on Poverty, this large-scale and persistent failure to resolve the European poverty crisis represents a clear sign of how the European Union, its current institutional framework, and policy orientation is 'not fit for purpose'.²⁴⁴ As the UN notice, the Sustainable Development Goals commit the global community to work towards the reduction of poverty by 50% by 2030. Despite this, EU Member States could only agree to aim at lifting 15 million Europeans out of poverty against the same horizon, not even 30% of the population currently affected by such hardship.²⁴⁵ If one of the world's most affluent regions decides to undercut global goals for the reduction of poverty, there can be no doubt that insufficient political ambition lies at the heart of the problem.

What is more is that current official statistics may not even give an adequate representation of the social conditions experienced by the EU population. This is due to the fact that such statistics assume that poverty within a given country is experienced by those who earn less than 60% of the national median wage. However, it is becoming increasingly clear that such a simplistic and unspecific assumption fails to take into consideration the actual cost of living experienced by citizens in their daily lives. Recent research indicates that in particular in Southern and Eastern European countries, the 60% median income threshold may significantly underestimate the actual state of poverty. Accordingly, a couple with two children living in rented accommodation in Budapest would require income 50% higher than the 60% threshold not to live at the risk of poverty. Living in Athens, the same couple would need an income roughly twice as high as the median income threshold.²⁴⁶

Going forward, these twin problems of lacking political ambition and inadequate definitions must be overcome to prevent Europe from slipping deeper into social crisis. Reforming and bolstering social security systems will be of key importance in this respect, driven by determined and well-funded policies policymaking at the EU and national levels.

Against this background, the ICSE issues the following **recommendations:**

-50%

The Sustainable Development Goals **commit the global community to work towards the reduction of poverty by 50% by 2030.**

²⁴⁴ <https://www.theguardian.com/world/2021/jan/29/eu-not-fit-for-purpose-to-reduce-poverty-in-europe-says-un-envoy>

²⁴⁵ United Nations (2021): Report of the Special Rapporteur on extreme poverty and human rights on his visit to the European Union, available at: <https://undocs.org/fr/A/HRC/47/36/Add.1>

²⁴⁶ Goedemé, T. et al. (2017), What does it mean to live on the poverty threshold?, Lessons from reference budget research, CSB Working Paper series

Adopt an EU anti-poverty law

To deliver a powerful manifestation of political will, to fill the European Pillar of Social Rights and the shared competence of the EU and Member States in the social field based on Art. 151 TFEU with life, and to match Europe's climate ambition with social ambition of equal magnitude, the European Commission should prepare a proposal for an EU anti-poverty law. The act should be introduced in the form of a regulation that commits the EU institutions and Member States to eliminate poverty in Europe by 2050. To form the basis of a consistent EU anti-poverty strategy that is adequately taken into account across all stages and levels of EU policymaking, the anti-poverty law should also contain sufficiently ambitious intermediary goals. To this end and as called for by the UN Special Rapporteur for Poverty, the law should stipulate that poverty in Europe must be reduced by 50% by 2030 and include a provision to ensure the EU and Member States set another intermediary target for the reduction of poverty by 2040 no later than in 2030 and not lower than 50% of the remaining incidence of poverty in 2030.

Use adequate definitions and indicators: the case for reference budgets

The EU anti-poverty law should be based on a definition of poverty and underlying indicators that adequately reflect the location and context-specific nature of poverty, which go unnoticed in the numeric poverty indicator used in EU statistics at present. To this end, definitions and indicators must focus on the ability of citizens to satisfy their well-being-related needs and to participate in society, which depends on strongly varying levels of income depending on citizens locality of residence. Moreover, as individual well-being is not only a matter of the satisfaction of immediate, material needs, such as access to housing, healthy nutrition, and healthcare, but also of immaterial and psycho-social factors,²⁴⁷ such as leisure time and access to a stimulating cultural sphere and societal discourses, the definition and measurement of poverty needs to cover these dimensions, too.

To enable the EU anti-poverty law to capture the location-specific and multidimensional nature of poverty, its definition and measurement should be operationalised by means of 'reference baskets'. Such reference baskets should contain the essential goods and services required to satisfy well-being-related needs and to participate in society and be used to determine the income necessary to access them.²⁴⁸ Such measurements should be carried out on a yearly basis and be sufficiently location-specific, hence at least cover the NUTS-3 level of EU statistics.²⁴⁹ Additionally, the composition of reference baskets should be revised in regular intervals, at least every five years and under the involvement of scientific experts and focus groups of affected individuals, to account for changes in the goods and services that may be required to live a life free of poverty. For instance, as more and more cultural and civic activities are becoming embedded in the digital sphere, access to higher quality broadband connections and digital devices may become necessary to prevent forms of 'digital poverty'.

In fact, a sophisticated reference basket methodology and a network of national scientific experts to provide guidance with the approach's application in all EU Member States have already been developed as part of an EU-funded research project.²⁵⁰ As most questions regarding design as well as initial development costs therefore seem to be settled, the European Commission appears to be in a position to implement this new approach to the definition and measurement of poverty relatively swiftly, considering also that numerous relevant datasets are already covered by the Eurostat database.

²⁴⁷ See for instance: Gough, I. (2017) *Heat, Greed and Human Need – Climate Change, Capitalism and Sustainable Well-being*, Elgar, Cheltenham, chapter 2.

²⁴⁸ For a quick overview, see: <https://www.uantwerpen.be/en/research-groups/csb/data/featured-datasets/reference-budgets/>, a more detailed discussion is provided in Goedemé, T et al. (2017),

What does it mean to live on the poverty threshold?, Lessons from reference budget research, CSB Working Paper series

²⁴⁹ In the European statistical framework, NUTS-3 stands for 'small regions', see <https://ec.europa.eu/eurostat/web/nuts/background>

²⁵⁰ <https://ec.europa.eu/social/main.jsp?catId=1092&intPageId=2312&langId=en>

Set common standards for minimum income schemes

Given the paramount importance of social security systems for preventing and tackling poverty, bolstering them must be considered key for the success of the EU anti-poverty law, especially as regards their ability to provide poverty-proof minimum incomes. While all EU Member States possess different systems of minimum income guarantees, their structure and effectiveness vary starkly.²⁵¹ This calls for coordinated action at the EU level, where the European Commission should propose a framework directive to set related minimum standards. Such standards should stipulate that all citizens – whether employed or unemployed, being part of the working age population or being pensioners or students – have an enforceable right to minimum incomes, that these be set at a poverty-proof level using the aforementioned reference basket methodology, and that access modalities, for instance in terms of administrative burden, do not dissuade citizens from seeking access to them. The concrete design of such social security mechanisms should remain within the purview of national governments to avoid unnecessary resistance from Member States seeking to uphold the traditional structure of their social security systems.

Embed the anti-poverty law and its targets in the European Sustainable Well-being Pact and well-being budgeting procedure

To ensure the objectives of the EU anti-poverty law are adequately taken into consideration across all relevant fields of EU policymaking, its binding targets and intermediary goals should be integrated into the updated EU policy objectives laid out in section 3.2. of this report. Related surveillance, policy coordination, and governance measures should be embedded centrally in the EU well-being budgeting procedure described in section 3.2. As part of this, the European Commission should ensure Member States implement sufficiently ambitious reforms in their social security systems, for instance in the form of adequate minimum or universal income schemes, and in the provision of public services. Additionally, to address the situation of vulnerable groups, the Commission should guide Member States towards the definition of targeted anti-poverty strategies for specific social groups exposing particularly high incidences of poverty, such as single-parent households, immigrants, and the disabled. Such targeted interventions could be modelled on the approach pioneered by the EU child guarantee, a scheme by which targeted budget support is made available to Member States to guarantee access to a set of essential goods and services, such as healthy school meals, adequate housing, and health services available to minors.²⁵²

²⁵¹ European Commission (2016): Minimum Income Schemes in Europe A study of national policies, available at: <https://ec.europa.eu/social/main.jsp?catId=7388&langId=en&pubId=7882&furtherPubs=yes>

²⁵² Based on pressure by the S&D Group in the European Parliament, the current European Commission committed to the introduction of the of a European Child Guarantee scheme during its term of office. In February 2021, the Commission submitted a draft for European Council guidelines that would recommend the introduction of related measures to Member States. Related discussions in the European Council will also touch on the question of how the level of funding that should be earmarked in the current EU long-term budget to support the implementation of related measures at national level through EU co-financing provisions.

Provide co-financing under the EU Social and Investment Funds

By defining an EU-level obligation to eliminate poverty across the Union by 2050, related measures are becoming a matter of common concern to the EU and Member States and should therefore benefit from generous co-financing provisions under the EU social and Investment funds. To mobilise sufficient financial resources to finance related action, the European Commission should propose the introduction of an EU net wealth tax (see section 6.3.2.) that should, at least in part, be established as an EU own resource to finance the EU budget and its investment programmes. As estimated by a recent study, such a scheme for the progressive taxation of wealthy individuals, could generate as much as 4.3% of GDP in annual tax income and thus provide for ample fiscal space to invest in the elimination of poverty in Europe.²⁵³

Establish an EU re-insurance fund for minimum income schemes

To protect and maintain the sustainability of national minimum income schemes in times of economic crisis, an EU-level re-insurance fund to provide interest-free loans to social security providers at the national level should be established. To this end, the fund should possess a reserve filled by revenue generated from the EU net-wealth tax and be equipped with borrowing capacity to withstand large symmetric shocks where several Member States seek access to it simultaneously. Access to the fund should be temporary and automatic, based on pre-defined criteria. By invoking Art. 122 TFEU, the re-insurance scheme could be established without the need of treaty change and build on the experience gained by the European Commission as part of the establishment of SURE, a temporary re-insurance fund for short-time work or furlough schemes in reaction to the COVID-19 pandemic.²⁵⁴

Establish an independent commission on the future of social security systems

To support cooperation between EU Member States in the future development and adjustment of their social security systems, especially in light of demographic and climate change, the European Commission should establish a permanent, independent commission on the future of European social security. The independent commission should comprise representatives of social security providers, social partners, civil society, scientific experts, as well as governments and parliaments representing all competent levels of policymaking. Its task should be to monitor economic and social trends with a potential impact on the adequacy and sustainability of social security systems and explore potentials for cooperation between Member States in addressing them, including through the development of common minimum standards for social security mechanisms and flanking measures, for instance in child and social care.

²⁵³ Kapeller, J. et al. (2021): A European Wealth Tax for a Fair and Green Recovery, available at: https://www.feps-europe.eu/attachments/publications/a%20european%20wealth%20tax_policy%20study.pdf

²⁵⁴ For a similar proposal, see Guttenberg, L. and Hemker, J (2020): Corona: A European Safety Net for the Fiscal Response, Jacques Delors Centre Policy Brief, available at: https://hertieschool-f4e6.kxcdn.com/fileadmin/20200313_Policy_Brief_Corona_Guttenberg.pdf

6.2.2. Secure and poverty-proof jobs for all

Since the turn of the millennium, employment and labour market policy in Europe have become tough adversaries of working people. Based on the assumption that comprehensively liberalised labour markets would lead the EU economy to become more competitive in global markets, many of the EU's Member States since the 1990s have been busy reviewing their labour codes with a view to fighting 'labour market rigidities' that, allegedly, stem from provisions protecting workers against low wages and job insecurity. Since the global financial crisis and the subsequent European sovereign debt

» Since the global financial crisis and the subsequent European sovereign debt crisis, the team of the labour market deregulators was joined by the European Commission.«

9.4%

In-work poverty affected **9.4% of the EU workforce** in 2019 and has hovered at this level for the past decade.

crisis, the team of the labour market deregulators was joined by the European Commission, which, by working through the European Semester, took aim at the 'over-protection' of employees in its attempts to 'revive sclerotic labour markets'.²⁵⁵ Admittedly, even many progressives bought into this promise, trusting that the more economic growth would automatically translate into more, better, and higher paid jobs.

Today, it is clear that the picture European workers are presented with is a different one. While economic growth has picked up and stabilised during the last decade, European workers, on average, remain worse off than in previous decades.²⁵⁶ Although average unemployment has gradually declined since the global financial crisis, and, in parts of Europe, even to lower levels than recorded during the first decade of the 21st century, several EU Member States continue to hover around the 10% line, with Greece and Spain continuing to post much higher figures, 16.3% and 15.5% respectively. Where the liberalisation of labour markets has led to employment growth, such growth has led to disproportionate increases in the incidence of atypical forms of employment that expose affected workers to one or several dimensions of employment precariousness, such as low pay, low job security, or low levels of work-life balance. Especially part-time work, substantial parts of which are involuntary and thus represent a form of underemployment, fixed-term contracts, and solo self-employment, i.e., own-account work without employees, are mass phenomena in EU labour markets.²⁵⁷ As a result, in-work poverty affected 9.4% of the EU workforce in 2019 and has hovered at this level for the past decade.²⁵⁸

²⁵⁵ The European Trade Union Institute has assembled a comprehensive overview of the European Commission's Country-specific Recommendations in the fields of employment and social policy that compiles a large number of concrete examples illustrating the deregulation-biased policy orientation applied in the European Semester since its establishment, which is available at: <https://www.etui.org/publications/background-analysis/the-country-specific-recommendations-csr-in-the-social-field>

²⁵⁶ See Myant, M. and Piasna, A. (2021) for a detailed account, available at: <https://www.etui.org/sites/default/files/17%20Piasna%20Myant%20Employment%20deregulation%20WEB.pdf>

²⁵⁷ European Trade Union Institute (2020): Benchmarking Working Europe, p. 26

²⁵⁸ Eurostat

» By adhering to the teachings of neo-liberal economics and enforcing comprehensive austerity packages and labour market deregulations on ailing Member States, EU economic governance served to hollow out the European social model from within.«

Especially employment in services is affected by such trends, hence, in sectors whose importance for employment creation is likely to increase further as Europe makes progress towards decarbonising its economy. What is more is that new frontiers of labour market precariousness are constantly emerging. This is particularly the case with work and employment developing as part of the digital economy, where new forms of insecure and often low paid jobs abound. While it remains to be seen whether these sectors will be able to create enough jobs to

compensate for the losses expected in other parts of the economy as part of the climate transition, it seems safe to assume that the current approach to employment policy in Europe is not up to the task. If unemployment, underemployment, and precarious working conditions are not to become the new normal, nothing but a drastic re-orientation of labour market governance in Europe will do.

Against this backdrop, the ICSE issues the following **recommendations:**

Establish a European sustainable jobs guarantee scheme

To fight the spectre of unemployment, which is not only exposing citizens to high levels of poverty but also is known to be associated by serious social anxieties, the EU and its Member States should establish a European sustainable jobs guarantee. This scheme should incorporate the experience gained as part of the European Youth Guarantee and offer publicly funded education, re-skilling and upskilling, and job placement opportunities to all long-term unemployed members of the EU workforce.

The scheme should be introduced by means of an EU directive to ensure its availability in all Member States but leave sufficient room for governments to adapt it according to the structure of national labour market and industrial relations systems. Participation should be based on the principle of voluntariness and fair remuneration, considering participants' prior experience in the labour market and account for their family situation and care obligations. To this end, it should be closely integrated with national social security systems to ensure that participants and their families are not at risk of poverty and social exclusion. Additionally, such national schemes should be co-financed under the EU budget, notably through the European Social and Just Transition Funds.

Its implementation should be governed as much as possible at the local level. In this respect, it could draw inspiration from the 'zero long-term unemployed territories' model developed in France (see further insight box, next page), where job placement services collaborate with local communities to launch projects under the responsibility of local 'employment creation enterprises' catering for location-specific needs that would otherwise remain unmet, for instance in social care and environmental management. By fulfilling such local needs, participants of the sustainable jobs guarantee could thus carry out socially useful work, receive the training and experience needed, and thereby create local labour markets that are aligned with local needs and can, over time, potentially be transformed into regular labour markets and businesses. As experience in France indicates, such projects can be financed at minimally higher cost than would be necessary to finance benefits and administrative expenses of traditional social security or active labour market policies for the long-term unemployed.

As a separate strand, the scheme should also comprise a pillar allowing participants to engage in full-time education and training, including in tertiary education. This would allow workers having lost the prospect of employment in their previous occupation to rest their careers and gain access to sectors with a positive long-term outlook in light of Europe's transition to carbon-neutral and well-being-oriented economy.

FURTHER INSIGHT: TERRITOIRES ZÉRO CHÔMEUR DE LONGUE DURÉE

The association "Territoires zéro chômeur de longue durée" (TZCLD) - Zero Long-Term Unemployed Territories - was created to demonstrate that it is possible at the levels of small territories, without significant extra cost to the community, to offer sustainable jobs to all private persons.

This experiment is based on three hypotheses that suggest that it is humanly and economically possible to eliminate long-term unemployment at the territorial level: No one is unemployable when the job is tailored to people's abilities and skills; It is not the work that is missing because a large number of useful works, of great diversity, remain to be carried out; It is not the money that is missing because job deprivation costs more than job production. This is an innovative approach because typically job seekers position themselves on job offers from companies. In this project, the mechanism is reversed. First, the companies contracted identify the skills and desires of each individual wishing to integrate the approach. Then, depending on this supply of skills, they look for useful work in the territory that can match it.

In November 2016, 10 territories in urban and rural areas with a population of 5,000-10,000 citizens each were selected by the French Ministry of Labour to participate in a pilot project running for five years. Since the beginning of the experiment, 1,025 jobs have been created. In 2021, the 2nd phase of the experiment opens with an extension to at least 50 new territories

One of the main missions of the TZCLD association is to learn from experimentation and stimulate the production of external scientific assessment and to promote the dissemination of this project by accompanying the territories that wish to implement the project and supporting the selected territories.

Adopt the EU directive on adequate minimum wages

As a result of relentless and forceful campaigning by trade unions and progressive political forces, the European Commission has tabled a legislative proposal aiming to ensure a statutory minimum wage is established in all EU Member States.²⁵⁹ Its adoption would amount to a sea change in EU employment policy and make sure labour markets are bound by binding wage floors applying to all workers in the economy and protect them against downward wage competition. The ICSE calls on the European Parliament and Council to engage in constructive discussions on the Commission proposal and to devise viable solutions for addressing their potential concerns. It trusts that, based on a spirit of cooperation and determination, the twin aim of ensuring that all workers in the EU economy are covered by adequate minimum wages and the protection of national industrial relations and collective bargaining practices can be achieved. Moreover, it calls on the co-legislators to consider the definition of the level of adequacy of the national minimum wages based on the reference basket methodology introduced in section 6.2.1. of this report to ensure minimum wages under the directive qualify as living wages, hence ensure income at a level that reflects the actual cost of living faced by workers. If agreement is only possible on the basis of numeric threshold values, progressives in the European Parliament and Council should consider the introduction of a review clause that allows the co-legislators to reconsider the definition of adequacy in the future.

²⁵⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020PC0682&from=EN>

Develop a European zero-precarious employment strategy

To ensure labour markets in Europe create fair and poverty-proof forms of employment, an objective whose importance is further heightened in view of the large labour market shifts that must be expected to occur in the context of the transition to a carbon-neutral economy (see chapter 4 of this report), the European Commission should table a comprehensive strategy to fight and eliminate all forms of precarious employment in the EU. The strategy should be based on a legal commitment to the achievement of a 0% incidence of the most gregarious forms of precarious employment by 2030, including bogus self-employment and involuntary part-time, and, as recently called for by the European Parliament,²⁶⁰ should work to ensure that 80% of job creation in the EU leads to growth in medium and high-income jobs. The ICSE proposes to include both legislative and non-legislative elements under the strategy, including:

- Measures to ensure the swift implementation of the ‘written statement directive’²⁶¹ setting EU-wide minimum standards for
 - ▷ essential elements to be covered by employment contracts,
 - ▷ information to be provided by employers to workers regarding working conditions and pay arrangements, including overtime pay,
 - ▷ workers’ right to request more working time in case of part-time employment,
 - ▷ minimum rights to paid training for workers on atypical employment contracts, such as fixed-term or part-time contracts.
- Proposals to introduce enabling provisions at the disposal of part-time workers to facilitate the transition to full-time employment. Such proposals should include provisions to ensure workers have a right to return to full-time employment after a temporary reduction of working time to avoid them being locked part-time work. Other policy options should be explored, for instance as part of the EU sustainable jobs guarantee (see above), which could also be opened to part-time workers seeking to top up their working time. Additionally, the European Commission should engage Member States in exchanges of best practice to draw on experience gained in national labour markets.
- A uniform, EU-wide prohibition of zero-hour contracts and bogus self-employment arrangements. Additionally, the European Commission should ensure its Employment and Social Affairs possesses adequate monitoring capacity, for instance under the involvement of Eurofound, to screen EU labour markets for the emergence of new employment arrangements constituting high risks of precariousness and to take remedial action, either through guidance provided to Member States or EU legislation.
- The establishment of general joint and several liability provisions to ensure that lead firms, as an ultima ratio, are liable for worker rights and employment protection legislation infringements by upstream companies in their supply chains.
- Measures to ensure a stricter penalisation of late payments of fees of self-employed workers, potentially flanked by codes of practice to be adopted by businesses procuring external services from self-employed contractors.

²⁶⁰ European Parliament Report on a Strong Social Europe for Just Transitions (2020/2084(INI))

²⁶¹ [https://www.europarl.europa.eu/legislative-train/theme-deeper-and-fairer-internal-market-with-a-strengthened-industrial-base-labour/file-more-transparent-and-predictable-working-conditions-\(written-statement\)](https://www.europarl.europa.eu/legislative-train/theme-deeper-and-fairer-internal-market-with-a-strengthened-industrial-base-labour/file-more-transparent-and-predictable-working-conditions-(written-statement))

- A revision of the EU Temporary Work Agency Directive with a view to including
 - ▷ a requirement that all temporary work agencies operating in the internal market are listed in a European register and are in possession of the necessary certification to operate in the single market,
 - ▷ the possibility of imposing bans to operate in the single market on temporary work agencies not complying with applicable EU legislation,
 - ▷ a requirement for temporary work agencies to guarantee a minimum number of hours per week/month,
 - ▷ guarantees to ensure equal treatment of temporary agency workers and workers in the same company (or sector in case working conditions are defined at the sectoral level)

Strengthen the labour market position of the self-employed

Already today, almost 10% of the EU workforce is made up of self-employed workers without employees, i.e., solo self-employed workers. As new digital forms of employment and work mediation proliferate in the EU labour market, the share of solo self-employment is widely expected to rise. Although many workers seem to appreciate the flexibility and freedom self-employment offers, this employment status exposes workers to several vulnerabilities. Depending on the Member State of residence and the sector of activity, this may include lacking unemployment and public pension insurance cover, exclusion from working time regulations, and high burdens for access to justice in case of disputes with contractors and clients. Accordingly, approximately one quarter of the European solo self-employed workforce must be considered to suffer from low levels of income and high levels of financial vulnerability.²⁶²

Against this backdrop and in addition to its forthcoming engagement with questions of collective bargaining for self-employed workers (see section 6.3.1.), the European Commission should commence work, under close involvement of Member States and social partners, on devising an EU strategy for quality self-employment, addressing the main challenges for fair pay, social protection, and quality working conditions affecting this employment status. As part of this, the Commission should ensure to cover the following:

- the possibility of opening existing social protection schemes, such as unemployment and accident insurance and pensions system, to (parts of) the self-employed workforce or the creation of dedicated systems for self-employed workers.
- the development of education and training offers for self-employed workers, who, unlike standard employees, do not enjoy the right to employer-paid training.
- the establishment of support services for solo self-employed workers, for instance as regards legal advice in cases of dispute with clients or as regards participation in public tenders.
- support for the collective organisation of self-employed workers, for instance in the form of trade unions that pool resources to provide affordable office space, back-office capacity, and marketing services to the self-employed. Such support should also be provided to the creation of cooperatives among self-employed workers so that self-employment can be transferred into regular employment while preserving many of the characteristics of self-employed work.

²⁶² Eurofound (2017), Exploring self-employment in the European Union, Publications Office of the European Union, Luxembourg.

Given that individual Member States have already experimented with some of these proposals and developed significant experience, the benefits of cooperation in this regard are clear. The European Commission should therefore encourage Member States to draw on this body of knowledge and actively foster the identification of best practices and their exchange.

Continue to efforts to ensure fair cross-border labour mobility

While important improvements for ensuring fairness and avoiding social dumping through cross-border labour mobility in the European single market could be achieved during the last European parliamentary mandate, especially with the revision of the posting of workers directive and the establishment of the European Labour Authority, further work remains necessary. Unblocking negotiations on the revision of the EU regulation on the coordination of national social security systems to ensure transparency, non-discrimination, and the portability of social security rights of citizens in the single market should constitute a priority for the Commission and the European co-legislators. Also, the Commission should finally make good on its promise issued in 2018 and deliver a proposal for an EU social security number and flanking measures to allow both workers and labour inspectorates to determine whether employers are making social security payments for cross-border workers in accordance with the applicable regulations.

Ensure fairness in the platform economy

The last decade has seen rapid growth of the provision of services mediated through digital platforms, for instance in the transport sector, food delivery, and the outsourcing of programming and design work. Especially during the pandemic, many citizens have relied on platforms to gain access to services which were otherwise disrupted due to lockdown measures. Consequently, their significance as employers is growing: According to the European Commission, roughly 11% of the EU workforce have already provided services through a platform.²⁶³

Although the digital mediation between service providers and recipients may be innovative, most tasks carried out as part of such arrangements are not and have traditionally been carried out by operators applying traditional business models. Unlike in such traditional business models, online platforms seldom provide formal employment to their workforce but operate under the assumption that such workers are self-employed. As a consequence, workers are not guaranteed a minimum amount of paid working hours, enjoy no protection against dismissal, do not possess entitlements to leave and sick pay, are not covered by public social security systems and bound by minimum wages and collective agreements. Additionally, some services that do not require the presence of providers and recipients in the same location, such as coding tasks, are easily outsourced across borders under the assistance of online platforms. This leads to a situation in which regulated employment in traditional businesses is at risk of displacement through labour carried out under radically different, less secure, and less costly working conditions, which amounts to an instance of social dumping.

²⁶³ https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_656

Laudably, the European Commission has announced the preparation of a legislative proposal to ensure fair competition between online and traditional services in terms of working and pay conditions, which is expected by the end of 2021. The Commission proposal should contain a rebuttable legal presumption of employment, hence should stipulate that, in principle, the mediation of work through an online platform constitutes an employment relationship between the operator of the platform and workers that leads to the applicability of standard employment regulations, including collective agreements. The employment assumption may be challenged by the operator of the platform but should prevail if the functioning of the platform includes activities that are typically performed by employers, such as setting the level of the fee to be paid by the service recipients, the processing of payments between providers and recipients, the execution of quality controls etc. Such criteria could be designed in a cumulative manner, hence be designed so that the employment assumption can be rebutted as long as no more than a given amount of an overall number of criteria are met. By building on this approach of a rebuttable assumption of employment, the Commission would also align with the rulings of courts in a number of Member States issued in recent months.²⁶⁴

Additionally, the Commission's proposal should take adequate account of the cross-border dimension of such platform work. If a worker provides services to a recipient in another EU Member State, the standard rules for the cross-border provision of services, i.e., the posting of workers and services directive, should apply. By including these provisions, the Commission would also work to ensure that platform work does not lead to a new dimension of social dumping in the European single market.

Propose an EU fair telework package

According to Eurofound, close to 40% of the EU workforce adopted telework, hence remote work through digital appliances, as full-time work arrangement as a result of the COVID-19 pandemic.²⁶⁵ Despite at times difficult adaptation processes, 78% of those being able to telework to perform their jobs would welcome the opportunity to continue to do so after the pandemic ends, at least occasionally. By adopting a comprehensive set of quality standards for such work arrangements, the EU could demonstrate its responsiveness to labour market development and manifest its commitment to seizing opportunities for increasing the well-being at work of the EU workforce. To this end and as quickly as possible, the Commission should develop a proposal for an EU directive on minimum standards and conditions for fair telework. Such standards should serve to empower workers by creating a right to request telework, stipulate viable conditions for employers to engage with such requests, while at the same time ensuring that telework must not be required by employers to sustain its voluntary nature. Additionally, the directive should include provisions to ensure the respect for occupational health and safety standards, especially by way of an enforceable right to disconnect to avoid that telework leads to the delimitation of working time. Moreover, it should ban the use of automated working time tracking tools.

²⁶⁴ See for instance: <https://www.socialeurope.eu/old-rules-and-protections-for-the-new-world-of-work>

²⁶⁵ Eurofound (2020), Living, working and COVID-19, COVID-19 series, Publications Office of the European Union, Luxembourg.

6.2.3. A European Deal for Affordable and Sustainable Housing

Although comprehensive and reliable data is lacking, civil society organisations estimate that approximately 700,000 people in Europe must be considered to be homeless every given day. As homelessness is an emergency that frequently affects people temporarily, FEANTSA, the European Federation of National Organisations Working with the Homeless, estimates that as many as 4.1 million Europeans might be affected by homelessness every year.²⁶⁶

10%

Almost 10% of the EU population are **currently suffering from housing cost overburden.**

According to Eurostat data, almost 10% of the EU population are currently suffering from housing cost overburden, hence, are obliged to spend more than 40% of monthly disposable income to pay for accommodation. More than 17% of the population live in overcrowded accommodation, i.e., in accommodation where, for instance, couples do not have their own bedroom, or more than two children are forced share one room, with high levels of variation between and within Member States.²⁶⁷ European housing markets can therefore be assumed to be key drivers of the deprivation experienced by large parts of the population: Income spent on accommodation that is overly expensive relative to families' revenues is unavailable to satisfy other well-being-related needs, for instance for healthy nutrition, education, or participation in cultural activities. To break this vicious circle, bold policy action is needed to close the investment gap in affordable housing, which is at present estimated to amount to €57 billion annually.²⁶⁸

With its proposal for a 'Renovation Wave for Europe', the European Commission has made valuable proposals for accelerating the modernisation of the EU building stock in line with the objective of achieving climate-neutrality by 2050.²⁶⁹ As buildings account for 40% of EU energy consumption and 36% of EU greenhouse gas emissions, the success of the renovation wave is crucial to achieve the objectives set by the European Green Deal and the EU climate law. The ICSE also welcomes the attention paid by the Commission to the social dimension of the renovation wave by committing it to contribute to the fight against energy poverty and making affordable and energy-efficient housing available, especially for medium and low-income earners.

The Commission's proposal is thus clearly informed by the objective of generating what chapter 1 of this report has identified as social-ecological progress and already integrates a number of proposals advocated by progressives in recent years, including as part of the first ICSE policy report.²⁷⁰ Nevertheless, the ICSE recognises room for improvement.

» The ICSE welcomes the attention paid by the Commission to the social dimension of the renovation wave.«

²⁶⁶ FEANTSA (2020) Fifth Overview of Housing Exclusion in Europe, available at: https://www.feantsa.org/public/user/Resources/resources/Rapport_Europe_2020_GB.pdf

²⁶⁷ Eurostat, data for 2019

²⁶⁸ Fransen, L. et al. (2018): Boosting Investment in Social Infrastructure in Europe, Report of the High-Level Task Force on Investing in Social Infrastructure in Europe, p. 41, available at: https://ec.europa.eu/info/sites/default/files/economy-finance/dp074_en.pdf

²⁶⁹ COM(2020) 662 final

²⁷⁰ ICSE (2018), p. 111

29%

Current projections expect the **share of the population aged 65 or older** to increase to 29% by 2060.

This concerns for instance the temporary nature of the renovation wave as a policy strategy. By focusing its actions on the years between 2020-30, it seems to limit itself to providing a temporary boost to the expansion of sustainable and affordable housing in the EU, which fails to reflect the structural importance of housing policy to fight poverty and to achieve sustainable well-being for all in Europe.

Additionally, by limiting its ambition to doubling the annual renovation rate of the EU building stock, which currently remains at approximately 1%,²⁷¹ it follows a rather modest ambition. As recent estimates suggest, by expanding renovation and building activity to 3% of the existing EU building stock, Europe could not only reach its social and ecological objectives relating to the housing sector sooner, but also create up to two million new jobs in the buildings sector, thus creating even stronger social-ecological co-benefits.²⁷²

While recognising the solid basis the EU renovation wave is constituting for veritable social-ecological progress in Europe, the ICSE calls on the European Commission to bolster its proposals and turn them into an ambitious and permanent European Deal for Sustainable and Affordable Housing.

To this end, the ICSE issues the following recommendations:

Integrate bolstered and binding housing indicators in the European Sustainable Well-being Pact and well-being budgeting process

As part of the current European Semester, the Commission has begun to monitor social conditions in the European housing market, especially as regards the rate of housing overburden, hence citizens and families forced to dedicate more than 40% of their disposable income to housing costs. However, this threshold is widely believed to be set too high and should therefore be lowered to 25% of income, as proposed by the European Parliament.²⁷³ Additionally, while data relating to housing over-crowdedness and housing deprivation are sourced by Eurostat and partly considered in the surveillance of Member State policies, related Country-specific Recommendations are rarely issued - and even less frequently followed-up on. To match the pivotal role adequate housing plays for citizens' well-being, the European Commission should include binding objectives and related indicators in its proposals for re-orienting its policy orientation and governance approach towards sustainable well-being for all (see section 3.2.). To this end, and in line with the EU anti-poverty law, it should fix target values of 0% regarding the incidence of housing deprivation, over-crowdedness, and overburden by 2050 and act resolutely through the European well-being budgeting procedure to achieve this.

²⁷¹ COM(2020) 662 final, p. 2

²⁷² Üрге-Vorsatz, D., Tirado-Herrero, S., Fegyverneky, S., Arena, D., Butcher, A. and Telegdy, A. (2010) Employment Impacts of a Large-Scale Deep Building Energy Retrofit Programme in Hungary; Janssen, R. and Staniaszek, D. (2012) How Many Jobs? A Survey of the Employment Effects of Investment in Energy Efficiency of Buildings The Energy Efficiency Industrial Forum.

²⁷³ European Parliament resolution of 21 January 2021 on access to decent and affordable housing for all (2019/2187(INI))

Establish an EU housing guarantee

To establish an effective obligation on the EU and its Member States to take effective action in view of the European housing crisis, progressive forces in civil society and parliaments should work towards the establishment of an EU Housing Guarantee. The guarantee would grant all EU citizens an enforceable right to gain access to decent and affordable accommodation, hence, be granted an individual right to housing which tenants do not suffer from overcrowding (see above) and housing overburden (see next proposal). While national governments should be responsible for ensuring that this obligation is met, the EU budget should make financial support available to this end through earmarked funds under the EU investment programmes.

Develop real governance capacity in relation to housing

Given the pivotal importance of housing policy to achieve the objectives of both the EU-anti poverty law and the European Green Deal, the European Commission should develop greater and permanent capacity for the formulation of related policy strategies. To this end, the Commission should establish a specialised service among its Directorate Generals to drive policy design and coordination on housing matters. Additionally, Eurostat, the European statistical authority, should be given a mandate to collect more and better data on the social and ecological dimensions of housing markets and policies, including in relation to housing deprivation, homelessness and housing exclusion, energy efficiency of buildings and housing investment. Such data should be sufficiently location-specific, hence cover at least the NUTS-3 level of EU regions.²⁷⁴

Improve public and private investment capacity

To close the €57 billion annual investment gap in affordable housing in the EU, the EU and Member States should take further decisive measures to mobilise public and private investment. To this end, complementing the EU green finance taxonomy with a social taxonomy, and taking bold steps to re-allocate capital within the financial system from 'brown' and unsustainable activities into these new investment classes, as outlined in section 3.3.1. of this report, is key. Additionally, EU fiscal rules should be reformed with a view to rewarding sustainable public investments in affordable housing and protecting such programmes from falling victim to fiscal consolidation measures.

²⁷⁴ Nasarre-Aznar, S. et al. (2021): Concrete Actions for Social and Affordable Housing in the EU, FEPS study, available at: https://www.feps-europe.eu/attachments/publications/social%20affordable%20housing_report_feps_2021.pdf, p. 138

Consider the housing needs of an ageing EU population

Given the projected rise in the share of elderly citizens among the EU population, providing adequate capacity for investment in age-friendly housing should be considered an important priority for EU housing policy going forward. EU investment under the housing deal should thus earmark funds for renovations and construction enabling elderly citizens to live independently and to make use of decentralised home care.

Stimulate exchanges of best practice in housing policy between national and local authorities

Due to the diversity of housing markets in the EU, despite their common challenges, local and regional authorities are typically best placed to ensure to ensure high quality in the design and implementation of concrete policies to expand the availability of affordable housing for all. A recent study commissioned by the Foundation of European Progressive Studies (FEPS) found a wealth of successful practices pioneered by sub-national and national governments, numerous of which lend themselves to inspiring policy action at equivalent levels of government in other EU Member States.²⁷⁵ Examples include guarantee schemes for first-time real estate buyers, points systems in the allocation of social housing, and rent freeze systems in localities affected by processes of gentrification. To foster mutual learning and cross-fertilisation, the European Commission, together with the European Committee of the Regions, should devise a strategy for the exchange of best practices among national and sub-national authorities and establish a repository of successful policies to build a European knowledge hub for housing policy in the Union.

²⁷⁵ Nasarre-Aznar, S. et al. (2021): Concrete Actions for Social and Affordable Housing in the EU, FEPS study, available at: https://www.feps-europe.eu/attachments/publications/social%20affordable%20housing_report1_feps_2021.pdf,

6.2.4. A European care deal

Despite their uneven distribution among the population, significant advances in healthcare as well as living and working conditions during the past decades are allowing Europeans to live longer lives. Accordingly, current projections expect the share of the population aged 65 or older to increase to 29% by 2060. On average, however, senior citizens are able to live only half of the remaining years past 65 without relying on assistance and care.²⁷⁶ Already today, though, Europe is facing serious shortages of care capacity, in long-term care for the elderly and disabled as much as in childcare. Currently, the annual investment gap that would need to be closed in order to keep track of society's increasing needs for care capacity is estimated to amount to €70 billion annually.²⁷⁷

Beyond raising serious doubts as to the future-preparedness of European society, this gap is, already today, being found to act as a driver of poverty and deprivation. As good quality, accessible, and affordable care capacity is lacking, citizens, especially women, withdraw from the labour market and close the gap through their own informal and unpaid work.²⁷⁸ Consequently, women in Europe are at higher risk of poverty than men, with 20% of poverty-affected women being primarily engaged in informal and unpaid care work.²⁷⁹ Yet even where care capacity is available, poverty too often remains the outcome, again mainly for women. With the professional care sector being not only one of the most feminised sectors but also being one in which low wages and arduous working conditions are the most common,²⁸⁰ care in Europe is probably best described as a poverty trap.

Since the adoption of the EU 2020 strategy in 2010, questions relating to the availability of adequate care services and the reconciliation of care and professional duties have figured prominently in EU policy debates and are recognised as being of key importance for their resilience in view of demographic ageing. Despite this, EU policy and regulation in this field remain limited. In 2002, EU Member States agreed on the 'Barcelona Objectives' to achieve a 33% participation rate of children below the age of 3 and 90% of children between 3 and the mandatory schooling age in formal childcare services by 2010. In 2016, the last year in which the Euro-

pean Commission provided a comprehensive progress report, these targets, which were considered unambitious by many experts and stakeholder at the time of their adoption, had only been partially achieved, with strong variance between EU Member States.²⁸¹

In recent years, EU action in the fields of long-term and child care have focussed primarily on matters of labour market regulation. In this regard, the work-life balance directive adopted in 2019, which establishes EU-wide minimum standards for paternity and carers' leave as well as the right of employees to request flexible working arrangements to fulfil care duties, certainly represents a first step on the way to a more care-friendly Europe.²⁸² Nevertheless, such provisions only represent part of the puzzle to effectively ensure care duties do not lead to workers', and in particular women's, withdrawal from the labour market and poverty.²⁸³

However, such policy action has so far failed to address vicious circles that evidently exist in the EU social care sector. With demand for care rising and funding for care capacity continuing to be insufficient, women and care workers continue to take the brunt of the ensuing hardship. However, with the COVID-19 pandemic bringing them to the fore, awareness of these injustices and societal dysfunctions is increasing among the general population. Policymakers therefore can ill-afford continuing to turn a blind eye to such problems, and should finally move towards decisive action that is coordinated on a European scale.

What would be required to this end is a comprehensive European care deal. Such a deal would have to set ambitious targets for the development of high quality, accessible, and affordable care infrastructures that create quality jobs for their workforce. Next to reducing the risk of poverty and bad working conditions, this deal can be expected to have tangible economic benefits, too. As it is currently estimated that women's under-involvement in the workforce is costing Europe no less than €370 billion a year, as compared to €70 billion estimated to be necessary to close the EU care gap, such a deal can be expected to pay for itself.

Against this backdrop, the ICSE issues the following **recommendations:**

²⁷⁶ Fransen, L. (2018): Boosting Investment in Social Infrastructure in Europe, Report of the High-Level Task Force on Investing in Social Infrastructure in Europe, p. 16, available at: https://ec.europa.eu/info/sites/default/files/economy-finance/dp074_en.pdf

²⁷⁷ Ibid. p. 41

²⁷⁸ Peña-Casas, R. and Ghailani, D. (2021): A European minimum wage framework: the solution to the ongoing increase in in-work poverty in Europe?, pp. 145-6, in: Vanhercke B. et al. (eds.) (2021) Social policy in the European Union: state of play 2020. Facing the pandemic, Brussels, European Trade Union Institute (ETUI) and European Social Observatory (OSE)

²⁷⁹ European Institute for Gender Equality (2016): Poverty, gender and intersecting inequalities in the EU, Publications Office of the European Union, Luxembourg, p.43

²⁸⁰ Eurofound (2020). Women and labour market equality: Has COVID-19 rolled back recent gains?, Publications Office of the European Union, Luxembourg.

²⁸¹ https://ec.europa.eu/info/sites/info/files/bcn_objectives-report2018_web_en.pdf; http://www.coface-eu.org/wp-content/uploads/2018/12/COFACE-paper_Childcare.pdf

²⁸² The directive grants working parents of children under the age of 8 an enforceable right of four months of paid paternity leave, of which two months cannot be transferred between parents, five days of carers' leave per calendar year, as well as the right to request temporary part-time work to provide care to dependents and to subsequently return to the previous employment arrangement, the exact modalities of which are to be set by Member States.

²⁸³ Helfferich, B. (2021): Towards a Fairer, Care-Focused Europe, available at: https://www.feps-europe.eu/attachments/events/policy%20study_care4care.pdf

Define EU quality standards for childcare and long-term care services

Member States, in whose area of competence the regulation and provision of childcare and long-term care services lies, should agree on a common set of quality standards for such services. These standards should entail specific provisions to ensure a high quality of the content of care services, their universal accessibility, and affordability irrespective of recipients and beneficiaries' incomes. Importantly, such standards should adopt an 'ecosystem' approach to allow for the seamless integration and cooperation between multiple forms of care provision, hence, between centrally or de-centrally administered care and informal care provided by family members.²⁸⁴

Support good working conditions in the care sector

Depending on the modes of care services provision in their Member States, governments should review their bodies of regulation with a view to identifying potential needs for care-specific labour market policies, for instance as regards enlarged opportunities for education and training, or reforms in the structure of national care systems to ensure good working and wage conditions in the sector. Moreover, governments should work with social partners to achieve full collective bargaining coverage in the professional care sectors as quickly as possible. As a rule, payments to private care operators under national long-term care insurance systems should be conditional on the application of collective agreements.²⁸⁵ Such action should be flanked by an EU-wide qualification programme, supported by structural funds and Erasmus+. The EU should also offer avenues for exchange and peer-learning in care-work training and skilling and facilitate cooperation amongst public administration, private enterprises and other relevant stakeholders in taking action to fill staff shortages in the care sector.

Privilege responsible operators in the care sector

To ensure a high quality of care services and high job quality in the care sector, the ICSE considers that increased investment in care capacity should primarily lead to increased public sector involvement, hence care provision under the direct responsibility of public authorities and under the conditions of public sector employment. Given that outsourcing in this sector has exposed care institutions and their workforce to market pressure, which has often led to problems in terms of quality and working conditions, the use of private operators should be considered second choice. Where such arrangements cannot be avoided, legislation should be in place to establish adequate safeguards. This could, for instance, take the form of requirements for operators in the care sector to adopt the benefit cooperation statute proposed in section 3.4.2. of this report that ensures companies are committed and accountable to considerations of public interest.

²⁸⁴ Spasova, S. et al. (2018): Challenges in long-term care in Europe, A study of national policies. Study commissioned by the European Commission, available at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=792>

²⁸⁵ https://www.pes.eu/export/sites/default/galleries/Documents-gallery/AFeministEconomyForEurope_FINAL-WEB.pdf_2063069299.pdf

Introduce an EU care guarantee

As part of the EU sustainable jobs guarantee, EU Member States should consider establishing care guarantee schemes. As part of the scheme, workers wishing to exit their current job to provide care for relatives could enter the care guarantee and receive poverty-proof wages. The guarantee should be combined with adequate education and training opportunities for the carer and could likewise be offered on a part-time basis to combine employment under the care guarantee with regular employment. In their preparation of such care guarantee schemes, Member States should be encouraged to draw on the experience of fellow governments, of which several have already introduced similar models on their own initiative.²⁸⁶

Support Member States through EU co-financing provisions and access to finance

National policies for the provision and improvement of care infrastructures are already eligible for investments under the European Social Fund, the European Regional Development Fund, the InvestEU programme and the European Agricultural Fund for Rural Development.²⁸⁷ Going forward, the programming of these funds should take due account of Member States' investment gaps identified as part of the European Commission's assessment of national care performance and ensure sufficient levels of funding are earmarked for care-related actions. Additionally, care services meeting the EU quality care standards should be included under the EU social sustainable finance taxonomy (cf. section 3.3.1.).

Coordinate policy action through the European Well-being Budgeting Procedure

The above-mentioned quality standards for care services should be translated into specific indicators allowing the European Commission to assess Member States' performance in meeting the EU quality care standards.²⁸⁸ Such national performance reviews should be carried out as part of the European well-being budgeting procedure, include structured assessments of the working conditions in national care systems, and trigger country-specific recommendations for Member States to take into account in their preparation of national sustainable well-being plans if needs for further action have been determined. As a standard feature, Member States' performance assessments should contain estimates of the investment gap persisting in the delivery of quality care services to enable informed public debate and targeted policy action.

²⁸⁶ Ibid.

²⁸⁷ Helfferich, B. (2021): Towards a Fairer, Care-Focused Europe, available at: https://www.fepe-europe.eu/attachments/events/policy%20study_care4care.pdf

²⁸⁸ Spasova, S. et al. (2018): Challenges in long-term care in Europe, A study of national policies. Study commissioned by the European Commission, available at: <https://ec.europa.eu/social/main.jsp?langId=en&catId=792>

6.3. Fighting inequalities in income and wealth

While alleviating poverty and fighting precarity constitutes an indispensable step on the way to sustainable well-being for all, achieving this goal requires policy action to go further. Inequalities of income and wealth, the prime examples of vertical inequalities that create social hierarchies within societies and drive social groups apart, are of particular concern in this respect (cf. chapter 1). Unfortunately, it is especially this dimension of inequalities in which recent decades have seen major setbacks, in Europe as much as worldwide. Although the EU continues to count as the most egalitarian world region, the top 10% of the EU population capture no less of 37% of annual income. Across the European Union, and especially within the Eurozone, wealth inequalities have risen in recent years, to the extent that 1% of the EU population owns 25% of private wealth assets today.²⁸⁹

37%

The top 10% of the EU population capture no less of 37% of annual income.

Unfortunately, the pandemic appears to have had further dramatic impacts on the distribution of income and wealth in Europe. As the full impact of the social crisis caused by the pandemic begins to show in official statistics, first analyses of such data suggest that low-income households in Europe

are bearing the brunt of the economic slowdown and may have lost, on average, more than 16% of their monthly incomes.²⁹⁰ According to the International Labour Organisation, only four out of 27 EU Member States have been able to contain increases in the income inequality between those at the bottom of the labour market (the 10th percentile) and those at the top (the 90th percentile) to less than 10% since the pandemic began.²⁹¹

As chapter 1 of this report has pointed out, policy action to reverse such inequalities amounts to more than a political choice rooted in the values of progressive politics but, in times of accelerating and increasingly life-threatening climate change and environmental degradation, constitutes a political necessity. As is becoming clear, inequalities, climate change, and environmental degradation are evidently interacting in the form of vicious circles, in which their detrimental impacts are mutually reinforced and aggravated. What is more is that, as the *gilets jaunes* movement in France has illustrated forcefully, climate action and environmental policies are at risk of being met with forceful resistance if they add to pre-existing inequalities. Against this backdrop, targeted action to fight inequalities must constitute a central element of action aiming to enable the sustainable well-being of planet and people.

For the ICSE, fixing these structural disparities in the interest of sustainable well-being for all on a preserved planet requires urgent action along three dimensions. First, this requires action to bolster incomes generated from labour by strengthening the mechanisms and institutions that working people rely on to gain their fair share of the pie. Secondly, it will require that tax systems, especially for wealth and corporate profits, which, at present, are either non-existent or broken, are fixed on a European and global scale to end the current redistribution of income and wealth from the bottom to the top. Thirdly, it requires a new approach to satisfying the well-being-related needs and aspirations of all members of society that works on a collective level, as opposed to individual income and wealth, and which thus report understands as common wealth. The following is intended as a guide for related policy action.

²⁸⁹ Thomas Blanchet, Lucas Chancel, Amory Gethin (2019): Forty years of inequality in Europe: Evidence from distributional national accounts, available at: <https://voxeu.org/article/forty-years-inequality-europe>

²⁹⁰ Juan C. Palomino, Juan G. Rodríguez, Raquel Sebastian (2020): Wage inequality and poverty effects of lockdown and social distancing in Europe, *European Economic Review*, Volume 129

²⁹¹ International Labour Organisation (2020): *Global Wage Report 2020–21: Wages and minimum wages in the time of COVID-19*, Geneva: ILO.

6.3.1. Good wages for all

Even if Europe can still be considered the most egalitarian world region in terms of income inequalities, the trend has certainly not to working people's favour over the past 20 years. Since the start of the millennium, the labour share of income has first declined and then remained at a subdued level in the EU, while profits from capital income increased.²⁹² At the same time, the share of labour income going to the top end of the distribution increased, especially in the Eurozone,²⁹³ thus leading to greater wage polarisation in the EU labour market. In other words, then, a shrinking pie is increasingly unequally distributed.

For the past decade, EU policy has contributed substantially to such growing disparity. Since the eruption of the European sovereign debt crisis and in an attempt to gain an edge over competitors in global markets, the European Commission's Country-specific Recommendations issued as part of the European Semester repeatedly called on Member States to ensure greater flexibility for companies in setting wages for their workforce. Calls to dismantle collective bargaining systems, for instance by limiting possibilities for collective agreements to become extended to all workers in a given sector, or to decentralise them by restricting collective wage negotiations to the level of individual companies altogether, figured prominently among the Commission's recommendations, especially during the early years of the crisis. Consequently, collective bargaining coverage has dropped from 73% in 2000 to 61% in 2018, while in 18 of 27 EU Member States 15% or more of the workforce earn less than 60% of the national median income, hence, less than the poverty threshold currently used in official statistics, despite working full-time.²⁹⁴ The COVID-19 pandemic has heightened public awareness of the injustice and hardship such growing disparities cause even for workers in sectors of essential importance for the well-being and proper functioning of society, such as healthcare, retail, and logistics. First evidence in fact suggests that low levels of pay combined with increased levels of work strain as a result of the pandemic have led swaths of frontline workers to quit their jobs, illustrating how such inequalities undermine society's ability to cope with adversity.²⁹⁵

» A shrinking pie is increasingly unequally distributed.«

Against this backdrop, EU and national wage and labour market policy must embark on a new, radically different course if sustainable well-being for all is to become a reality in Europe. As part of such a new agenda, a U-turn as regards the interaction between EU policy and collective bargaining practices is a condition *sine qua non*. Instead of dismantling and decentralising collective wage-setting systems, EU policy will have to work to reinforce and expand them. Based on the insights of recent research by the OECD, which found that a substantial mitigation of wage inequalities in the labour market requires that collective bargaining occurs at a level not lower than at least the sectoral level,²⁹⁶ building capacity for collective wage negotiations at this level of the economy should be actively supported through EU policy.

To ensure policy effectiveness, related action must go beyond the mere reversal of past EU policy. As labour markets and the structure of employment are changing, not least through new forms of digital employment, for instance on online platforms, and given an increasing prevalence of atypical forms of employment, such as self-employment, EU policy must likewise serve to ensure that collective bargaining practices and structures are modernised in a way that makes them fit for meeting the challenges at hand.

Against this background, the ICSE issues the following recommendations:

²⁹² https://ec.europa.eu/eurostat/statistics-explained/index.php/Annual_national_accounts_-_evolution_of_the_income_components_of_GDP#Changes_over_the_last_20_years

²⁹³ Eurostat: <https://ec.europa.eu/eurostat/databrowser/view/tessi180/default/table?lang=en>

²⁹⁴ European Trade Union Institute (2021): Benchmarking Working Europe 2020, p. 110-1

²⁹⁵ see for instance: <https://www.bibliomed-pflege.de/news/9000-pflegende-2020-aus-beruf-ausgeschieden>

²⁹⁶ OECD (2019), *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*, OECD Publishing, Paris, <https://doi.org/10.1787/1fd2da34-en>.

Launch a European collective bargaining offensive

As suggested by a recent European Parliament report,²⁹⁷ the EU and Member States should work towards achieving the target of covering 90% of the EU workforce in collective bargaining by 2030. To this end, the offensive should work to reinforce collective bargaining ‘from above and below’.²⁹⁸

In terms of strengthening collective bargaining ‘from below’, bolstering the role of trade unions, whose membership has declined to an EU-wide average of a mere 23% over the past decades, represents a first crucial step.²⁹⁹ To achieve this, Member States should engage with social partners to develop national strategies that set positive incentives for workers to join a union, such as the possibility of tax deductions for union dues. Additionally, the European body of EU and national company law should be revised so as to ensure that companies of all sizes must go beyond the mere acceptance of workers’ rights to trade union membership and allow trade unions to access workplaces. Similar organising approaches should be rolled out for the employers’ side, where membership in social partner organisations is often feeble, although membership in representative employers’ organisations, for instance sectoral associations, is often the most effective way to create forms of inclusive collective bargaining and social dialogue that also involve small and micro enterprises.³⁰⁰

To boost reinforce bargaining ‘from above’, the EU and Member States should create legal framework conditions that favour collective bargaining at the sectoral level. To this end, extensive provisions for the generalisation of collective agreements to ensure their binding applicability to all workers and companies within a given sector should be established. Collective bargaining at the level of companies should be constrained by non-regression clauses, hence allow lower-level negotiations to go beyond, but not to undercut sectoral agreements. Exemptions from such clauses, for instance to allow companies undergoing acute financial stress, should be carefully designed to avoid abuse. Additionally, the European Commission should issue a proposal for the revision of the EU public procurement directive to introduce a mandatory social clause that works to ensure that tenders from operators applying sectoral collective agreements are favoured.

Encourage better collective bargaining outcomes for part-time workers

Social partners should be encouraged to take specific measures to address the situation of part-time workers, who often suffer from low wages and in-work poverty both because of low hourly wages and low amounts working time. In several countries, trade unions have already begun to adapt their negotiating strategies accordingly. Next to demanding pay increases in the form of percentages of hourly or monthly wages, they are becoming increasingly successful in securing wage rises in the form of lump sums, i.e., numerically defined minimum pay rises per worker. Due to their beneficial impact on reducing the poverty risk of such atypical workers, trade unions and employers make use of such practices more consistently.

²⁹⁷ European Parliament Report on a Strong Social Europe for Just Transitions (2020/2084(INI))

²⁹⁸ Müller, T. et al. (2019): Conclusion: towards and endgame, in: Müller, T. et al. (eds.): Collective bargaining in Europe: towards and endgame, Volume III, European Trade Union Institute, Brussels

²⁹⁹ Cf. <https://www.worker-participation.eu/National-Industrial-Relations/Across-Europe/Trade-Unions2>

³⁰⁰ <https://www.eurofound.europa.eu/publications/report/2004/employers-organisations-in-europe>

Enable collective bargaining for the self-employed

Due to their status as individual economic entities, self-employed workers, even if working ‘solo self-employed’ without acting as employers of other workers fall into the scope of EU competition law. Accordingly, collective wage-setting arrangements, for instance in the form of agreements on minimum fees among groups of solo self-employed workers, are frequently identified as anti-competitive forms of market distortion by competition authorities. This leads this part of the workforce to become particularly vulnerable, especially in terms of low pay and high work strain, causing approximately one quarter of the EU solo self-employed to be subject to highly problematic working conditions, without having access to effective remedies.³⁰¹ Although some Member States have created exemptions for parts of the self-employed workforce, for instance for freelance musicians and other creative workers, the situation is uneven in Europe and suffers from legal certainty. In early 2021, the European Commission opened a public consultation to invite the views of stakeholders to prepare potential legislative action with a view to rectifying this situation. The Commission’s eventual proposals should work to ensure that solo self-employed workers are defined by a specific legal status that places them between that of dependently employed workers and incorporated businesses and exempts them from standard EU competition regulations. Additionally, the European Commission should, in close cooperation with social partners, consider issuing guidance to Member States on how to stimulate social dialogue and collective bargaining under the involvement of solo self-employed workers. To this end, it should draw on the experience of successful practices applied by OECD member countries, where different models of collective bargaining practices for the self-employed have been developed, for instance in the form of negotiations between ‘guilds’ and employers, class exemptions of self-employed workers in specific sectors from competition law, and supervised or pre-authorised negotiation processes.³⁰²

Adopt a bolstered and effective EU pay transparency directive

Responding to calls from trade unions and progressive political forces, the European Commission issued a legislative proposal for an EU pay transparency directive in March 2021.³⁰³ Under the proposed measures, job-seekers would have a right to information about the pay range of posts they apply for while employers would be prohibited from demanding information of an applicant’s pay history. Employees would also have a right to ask their employer for sex-disaggregated information on the average pay of other workers doing the same or equal work. If a company employs at least 250 workers, an obligation to report publicly on the gender pay gap within the company and to set out remedial action if the gap exceeds 5% and cannot to be justified on objective grounds would apply. Where instances of pay discrimination are identified, victims would have a right to compensation, in particular through back payments.

Binding rules for pay transparency and reporting are essential to boost the fight against wage discrimination, for instance between women and men, as well as to mitigate income inequalities more broadly by shedding light on excessive executive pay. The ICSE therefore commends the Commission’s initiative and calls on the European Parliament to make swift progress towards adoption. Nevertheless, the Commission proposal suffers from a number of shortcomings that should be rectified by Parliament and Council as part of the ongoing legislative procedure.

³⁰¹ Eurofound (2017), Exploring self-employment in the European Union, Publications Office of the European Union, Luxembourg.

³⁰² OECD (2019), Negotiating Our Way Up: Collective Bargaining in a Changing World of Work, OECD Publishing, Paris, <https://doi.org/10.1787/1fd2da34-en>, pp. 239-40

³⁰³ Draft directive 2021/0050 (COD)

Under the current proposal, the definition of criteria to determine what establishes work of equal value, hence, to establish the categories of jobs within which pay equality must be ensured, would fall entirely into the responsibility of employers. This approach constitutes a serious weakness that risks turning the proposed measures into meaningless provisions. The proposal should therefore be amended to ensure that workers representatives in the form of works councils or trade unions are involved in the definition of such criteria and that similarity criteria defined at a higher level than the company, for instance as part of sectoral collective bargaining, are applied. Moreover, public reporting on the gender pay gap should be made mandatory for companies of all sizes, not only for companies with a workforce of 250 or more as per the Commission's proposal. Reporting obligations for small and micro enterprises could potentially foresee longer reporting intervals but should nevertheless be binding. If an unjustifiable pay gap has been established, the directive should further establish an unequivocal requirement that remedial action must be negotiated with works councils or trade unions.

Crucially, the Commission's proposal lacks provisions to ensure companies are also obliged to report on the levels of pay between different categories of employees, hence, to release data as to the pay gaps between workers, managers, and executives. Such data is however crucial to determine the level of income inequality within companies and should therefore be assessed and published alongside gender-disaggregated data. Such reports should likewise contain data as regards potential instances of pay discrimination on other grounds of discrimination recognised in EU legislation, such as ethnicity, faith, and sexual orientation. Such data should be recorded based on the voluntary self-identification of members of the workforce, with related instances of discrimination being made subject to the same provisions applying to cases of gender discrimination.

6.3.2. Make tax systems contribute to sustainable well-being for all

Embarking on a transition toward a new economic and social model doubtlessly requires the mobilisation of significant resources to finance the policies required to achieve the objectives of carbon-neutrality and nurturing society's well-being. Effective tax systems that generate sufficient income and distribute the associated financial burden in a way that is consistent with the aim of mitigating inequalities and nurturing societal well-being are indispensable in this respect. At present, tax systems in the EU are clearly failing to achieve this. By placing a disproportionate burden on low- and medium-income earners through the generation of 65% of overall tax revenue from labour and consumption taxes, while yielding only 7% from corporate income and 5% from property, such systems act as drivers of inequality rather than fighting it.³⁰⁴ Far-reaching and coordinated reforms at the European and global levels therefore constitute key elements of an overall policy strategy to achieve sustainable well-being for all.

Indeed, much of what is needed in this regard can be described as fixing errors of the past. Clearly, such a reversal of past mistakes must engage with the taxation of private wealth. The current situation, in which a single EU Member State applies some form of taxation to the assets of wealthy households, i.e., Spain since 2018, constitutes a historical anomaly. Throughout much of the 20th century, similar levies formed an organic part of numerous European countries' tax systems and were only repealed recently, mostly at the turn of the new millennium.³⁰⁵ In view of the challenges Europe is faced with today, and especially regarding their enormous financial implications, this is untenable on at least two accounts.

First, today's private wealth represents the product of an economy whose unsustainable externalities have begun to threaten the livelihood and well-being of future generations. Employing private wealth in fixing the damages its accumulation has been complicit with therefore constitutes a clear case of inter-generational justice. Second, as the sustainable transformation of Europe is not a matter of choice but inevitable given the life-threatening effects inaction would have, drawing on existing capital stocks

such as private wealth to finance it likewise classifies as an inevitability. Yet, sourcing in such private wealth in the form of public debt and paying interest on its use would lead to further increases in inequality, and thus continue to undermine the social cohesion that is necessary to master the transition successfully.

» Next to the taxation of private wealth, the path towards sustainable well-being for all must include sweeping reforms in the taxation of corporate profits, in Europe and worldwide.«

Next to the taxation of private wealth, the path towards sustainable well-being for all must include sweeping reforms in the taxation of corporate profits, in Europe and worldwide. Over the past forty years, the global corporate tax system has developed into a powerful enabler of ruthless profit extraction which is skilfully played by multinational corporations to their favour.

³⁰⁴ European Commission Communication (COM (2021) 251 final) on Business Taxation for the 21st Century of 18 May 2021, available at https://ec.europa.eu/taxation_customs/system/files/2021-05/communication_on_business_taxation_for_the_21st_century.pdf

³⁰⁵ See Kapeller, J. et al. (2021): A European Wealth Tax for a Fair and Green Recovery, FEPS policy study, available at: https://www.feps-europe.eu/attachments/publications/a%20european%20wealth%20tax_policy%20study.pdf, p. 8

Governments across the world have been more than innocent bystanders in this reckless endeavour. By lowering corporate tax rates from an average of 40% in the 1980s to a mere 24% today, with many countries, including in the EU, applying lower rates and companies often enjoying generous allowances and deductions that lead to much lower effective rates of taxation than nominal rates might suggest, they have contributed actively to stripping their coffers empty.³⁰⁶ Additionally, by opening their economies to global markets and financial flows without closing loopholes that encourage aggressive tax planning and tax avoidance, they have often wilfully accepted being played by the greedy. Digital companies, which are certainly at the greatest ease to shift their profits across borders to jurisdictions in which tax rates are lowest, are paying on average no more than 9.5% in corporate income tax, compared to 23.2% for 'traditional' companies. A recent study compiled by the World Inequality Lab finds that close to 40% of multinational profits were shifted to tax havens in 2015, with EU countries being the largest losers.³⁰⁷ According to the European Commission, the corporate tax revenue losses thus enabled are likely to amount to an annual € 50-70 billion.³⁰⁸

40%

40% of multinational profits were shifted to tax havens in 2015.

Despite this dismal situation and the substantial amounts of public attention it received in recent years, government action, in Europe and worldwide, has been lagging. Given the need to reach unanimity among the governments involved, initiatives to modernise corporate taxation frameworks and to ensure a fairer taxation of the digital economy have been stalled within the European Union as much as in global negotiations. While limited progress in Europe could nevertheless be achieved through the relentless work of progressive political forces in the European Parliament, for instance as part of the

fight against tax evasion and avoidance and through the establishment of an EU Tax Observatory to create greater research and analysis capacity, structural shifts in the recalibration of EU tax systems have so far remained elusive.

» The COVID-19 pandemic has led government debt levels to surge.«

However, as the COVID-19 pandemic has led government debt levels to surge, and as new transatlantic alliances for a fairer global tax system finally seem possible, the moment for change may have arrived. As a first manifestation of such newfound political will, the European Parliament and Council could find agreement in principle to enlarge the EU tax base, including by working towards the introduction of an EU Financial Transaction Tax and an EU digital levy (see below for more information) before the next European elections. What appears particularly promising in this regard is that the agreement includes the fact that such new sources of public revenue should operate as own resources for the EU budget. Also, the European Commission's recent announcement to hold a high-level tax symposium to reflect on necessary adjustments in tax systems to achieve the EU's objective of building a climate-neutral economy by 2050 can be read as an encouraging sign.

The ICSE calls on the European Union and its Member States to seize and reinforce this momentum and, against this backdrop, issues the following recommendations:

³⁰⁶ <https://taxfoundation.org/publications/corporate-tax-rates-around-the-world/>

³⁰⁷ <https://wid.world/document/the-missing-profits-of-nations-world-inequality-lab-wp-2020-12/>

³⁰⁸ (SWD/2015/121)

Abolish the unanimity principle on matters of taxation in the European Council

To facilitate future negotiations on the harmonisation of tax systems at the level of EU, the decision-making process in the European Council needs to move away from the principle of unanimity and be made subject to decision-making by means of qualified majority voting. The current unanimity principle gives each EU Member State a veto right – a right that is vigorously used by some Member States to maintain tax systems that deliberately undercut those of fellow Member States to attract more foreign capital. Such beggar-thy-neighbour practices lock the European Union into a race to the bottom in terms of corporate taxation and therefore can no longer be tolerated. As long as Member States continue to either drag their feet or oppose changing the European Treaties to formally abolish the unanimity principle in the field of taxation, the European Commission should invoke Art. 116 TFEU, as it publicly considered already in 2019.³⁰⁹ As Art. 119 allows for the adoption of legislation to rectify market distortions by way of the ordinary legislative procedure, hence with qualified majority in the Council and simple majority in the European Parliament, and given that the high degree of dysfunctionality particularly as regards the current EU corporate taxation framework must be considered such a distortion, the Commission should no longer refrain from using this option.

Introduce an EU net wealth tax

Although research on wealth inequalities is notoriously challenging, due to the opacity of the economic and financial structures in which wealth assets are immersed, enquiries carried out over the past two decades have been able to determine a sufficiently accurate picture of the stock and distribution of wealth in Europe. Accordingly, it must be assumed that the top 1% of wealthiest individuals in Europe hold approximately 25% of combined EU private wealth. Targeting wealth taxes at this group and their net wealth assets, hence financial and physical assets, such as stocks and real estate, net of their owners' debt, would mobilise significant amounts of tax income.³¹⁰ Against this backdrop, a European net wealth tax model could combine a high threshold, which appears advisable to ensure broad support for the introduction of a wealth tax, with tax rates that progress strongly across a succession of relatively broad tax brackets.

A recent study based on household survey data sourced by the European Central Bank estimates the revenue progressive wealth taxes applying to the richest households could generate (see table next page).

³⁰⁹ cf. COM(2019) 8 final

³¹⁰ Landais, C. et al. (2020): A Progressive European Wealth Tax to Fund the European COVID Response, available at: <https://voxeu.org/article/progressive-european-wealth-tax-fund-european-covid-response>

Tax brackets	Tax rates	
	Model 1	Model 2
Below €1 million	0%	0%
From €1 million Targeting 5.4 million households (top 3% wealthiest)	1%	0%
From €2 million Targeting 1.9 million households (top 1% wealthiest)	2%	2%
From €5 million Targeting 550,000 households (top 0.3% wealthiest)	3%	3%
From €10 million Targeting 220,000 households (top 0.1% wealthiest)		5%
From €50 million Targeting 23,000 households (top 0.01% wealthiest)		7%
From €100 million Targeting 9,000 households (top 0.005% wealthiest)		8%
From €500 million Targeting 1,200 households (top 0.001% wealthiest)		10%
Estimated Revenue		
With tax avoidance	€224 billion = 1.9% of EU GDP	€357 billion = 3% of EU GDP
Without tax avoidance	€316 billion = 2.7% of GDP	€505 billion = 4.3% of GDP

Even if tax avoidance practices are factored in, such a taxation model could yield significant income. In case of model 1 quoted above, such income would amount to €224 billion a year, the equivalent of 1.9% of EU GDP and 4.1% of government revenue. Revenue from model 2 would amount to as much as €357 billion a year, the equivalent of 3% of EU GDP and 6.6% of current government revenue. If combined with strong and effective measures to limit the scope for tax avoidance, revenue would increase to €316 (model 1) or €505 billion (model 2), thus 2.7% of GDP and 5.8% of current government revenue in the case of model 1 and 4.3% of GDP and 9.3% of current government revenue if model 2 were to be applied.³¹¹

To unlock this revenue potential and put the financing of the transition towards an economic and social model fostering the well-being of people and planet on a solid foundation, EU Member States should convene and agree on the progressive taxation of private wealth. As the model outlined above illustrates clearly, massive amounts of liquidity could be mobilised without encroaching on the resources of 99% of the population. Delivering this by means of coordinated EU action would have clear benefits by constituting the opportunity to design a common taxation system to face common challenges while at the same time allowing for coordinated measures to close cross-border loopholes for tax avoidance and fraud.

³¹¹ Kapeller, J. et al. (2021): A European Wealth Tax for a Fair and Green Recovery, available at: https://www.feps-europe.eu/attachments/publications/a%20european%20wealth%20tax_policy%20study.pdf

Therefore, the ICSE calls on the European Commission to launch an initiative to engage Member States in the joint and coordinated design of a consistent framework for an EU net wealth tax as soon as possible. With the forthcoming study of the EU Tax Observatory on wealth taxation, due for publication in November 2021, the Commission will be in possession of its own evidence base which it should use to build powerful and convincing arguments in favour of a greater contribution of wealthy households to the financing of the sustainable transition of Europe. Additionally, the Commission should ensure its legislative proposals contain earmarking provisions to ensure the revenue generated by an EU net wealth tax directly benefits citizens at large, especially by dedicating sufficient amounts of revenue to the financing of the policies proposed as part of the EU anti-poverty law and accompanying initiatives described in section 6.2. of this chapter. To support the European dimension of the anti-poverty law, such earmarked amounts should be structured as own resources for the EU budget.

End the race to the bottom: global corporate taxation for the globalised economy

To ensure multinational companies taking advantage of global and European economic integration pay their fair share of tax on the profits they generate, a common minimum corporate tax rate applied in as many countries as possible and common standards for the definition of the underlying tax base would be a game changer for global income and wealth equality. After a decade of inconclusive and frequently blocked negotiations under the auspices of the OECD, international agreement on a common framework between 130 countries representing 90% of global GDP could finally be reached in early July 2021.³¹²

As part of the agreement, participating countries are required to ensure that the profits of multinational companies registered in their jurisdictions are taxed at a rate of at least 15%. This rate would apply as an effective rate, hence ensure that overall corporate income is taxed at a rate of 15%, even if parts of corporations' income is taxed at lower rates (for instance through incentive schemes) or not taxed at all (for instance as part of tax-free allowances).³¹³ If a company is found to have paid less than an effective 15% in another country, the government of the country in which the corporations' headquarters or parent company is registered would be obliged to collect additional taxes to cover the spread. Additionally, the agreement covers provisions to ensure a fairer distribution of the revenue derived from the taxation of very large multinational companies with more than \$20 billion in annual turnover. To this end, the agreement contains an 'apportionment formula' that grants governments in the countries where such profits are generated, and not only the governments of the countries in which the companies in question are registered, the right to tax a portion of such income.

The agreement on this comprehensive set of rules as part of a multilateral process represents a crucial first step to fix the grave injustices and dysfunctionalities of the global tax system. By seriously limiting corporate tax competition between participating governments, restricting the ability of multinational corporations to capitalise on profit shifting strategies, and giving more governments a stake in the taxation of global mega-corporations, the agreed provisions have truly game-changing effects.

Against this backdrop, it is highly deplorable in the view of the ICSE that especially EU governments have worked to steer agreement towards a relatively modest tax rate of 15% rather than the previously discussed 21%. While welcoming the agreement and recognising its value, progressive political forces in the EU and globally should continue to campaign for the upward revision of the minimum tax rate over time.

³¹² <https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-july-2021.pdf>

³¹³ The final agreement reached between the 130 participating countries foresees a limited number of 'carve-outs' to this rule, implying that, for instance, incentives for investments in 'tangible assets', such as machinery, are exempted from the determination of the effective rate of taxation.

Additionally, and as intended by the European Commission, the global minimum taxation framework should be transposed into national legislation in EU countries by means of an EU directive to adapt its provisions to the specific context of the European single market.³¹⁴ Yet, as three EU Member States (Estonia, Hungary, and Ireland) have refused to sign on to the multilateral, related EU legislation risks being stalled due to the unanimity requirement in the European Council.

The ICSE therefore encourages the European Commission to thoroughly assess the possibility of invoking Article 116 TFEU, which grants it competence to propose legislation to rectify distortions of the proper functioning of the European single market for adoption by way of the ordinary legislative procedure, i.e., by qualified majority in the Council and a simple majority in the European Parliament. As a last resort, the transposition of the multilateral agreement into national law by means of enhanced cooperation between EU Member States should be enabled.

Create a fully harmonised EU corporate taxation framework

The ICSE welcome the European Commission's continued commitment to the aim of creating a fully harmonised and fair EU corporate taxation system, as reiterated by its Communication on Business Taxation for the 21st century of 18 May 2021. As proposed by the Commission, such a framework, going by the acronym BEFIT,³¹⁵ should consist of a uniform set of rules applying across the EU for the determination of taxable corporate income. Next to ensuring that companies active in the EU can no longer profit from mismatches between national taxation systems that lend themselves to exploitation through tax avoidance practices, such a framework would also lower the tax compliance burden for companies active throughout the European Union and thus classifies as a win-win-opportunity.

The ICSE also welcomes the Commission's intention to introduce mechanism for the consolidation of corporate income as part of BEFIT. Such a mechanism would work to ensure that corporate profits in Europe would be taxed in the country in which they are generated, not in the country in which the company is registered. To this end, an apportionment formula will be developed to allocate taxation rights to the governments of the countries in which a given company conducts its business. The ICSE calls on the European Commission to ensure that this formula is developed in a holistic and sufficiently sophisticated way. Allocating taxation rights solely based on the geographic distribution of companies' sales should be avoided. Instead, other factors, such as the creation of value-added and, crucially, employment, should likewise be considered. Additionally, the formula should be designed in a way that accounts for the digital presence of companies to ensure governments can tax the profits generated by foreign firms from digital transactions in their national markets. The introduction of such a consolidation mechanism would thus justify the suspension of the EU digital levy (see previous recommendation).

As envisaged by the own resources roadmap agreed by the European Parliament and Council, parts of the tax income yielded as part of BEFIT should be directly allocated to the EU budget. This allocation should go significantly beyond compensation for the revenue lost by the repeal of the then obsolete EU digital levy.

³¹⁴ European Commission Communication (COM (2021) 251 final) on Business Taxation for the 21st Century of 18 May 2021, available at https://ec.europa.eu/taxation_customs/sites/default/files/communication_on_business_taxation_for_the_21st_century.pdf

³¹⁵ Business in Europe: Framework for Income Taxation (BEFIT), cf. COM (2021) 251 final

Introduce an EU FTT and digital levy: ensure adherence to the own resources roadmap

As part of the agreement on the current EU Multi-annual Financial Framework and to contribute to the financing of the jointly issued debt to roll out the EU Recovery and Resilience Facility, the European Parliament and Council agreed to a time-bound roadmap for the introduction of new EU own resources, including a Financial Transaction Tax (FTT), an EU digital levy, and a common EU corporate tax framework (see following recommendation). To ensure adherence to this timeline, progressive political forces at the EU and national levels should prepare coordinated action and build effective transnational campaigns to create strong public pressure and hold national governments accountable, who have acted as a brake on related action in the past.

As regards the introduction of an EU FTT by 2026 based on a proposal of the European Commission to be published no later than June 2024, such campaigns should be based on the experience of previous failed or stalled attempts to introduce such a tax. To this end, highlighting how governments either withdrew from related legislative negotiations or could only manage to achieve a convergence of national positions on provisions with a severely limited scope and contrasting such policy failure with concrete examples of the benefits citizens can expect from investments in sustainable well-being for all should be a key theme in related work on the part of progressives.

Relating to measures to ensure a fairer taxation of the digital economy, the ICSE recalls the urgency created by the dysfunctionality of the current taxation framework. As the digital economy operates in a way that allows companies to engage with customers without being physically present and incorporated in clients' countries of residence, digital services providers typically do not pay taxes on the profits generated through such transactions in these countries. Fixing this injustice requires the development of provisions that acknowledge that digital presence should, for tax purposes, be treated in the same way as companies' physical presence and allocate the taxation rights for profits to the government in whose territory they are generated. As the apportionment formula developed as part of the multilateral negotiations on a global minimum corporate tax rate applies only to companies with an annual turnover of more than \$20 billion (see previous recommendation), it would cover only a limited sub-set of digital companies and therefore fail to provide an adequate solution.

In view of the complexity of the problem of digital presence, the European Commission currently seems to aim at the taxation of digital companies' turnover rather than profits as part of its work on a proposal for an EU digital levy, due for publication in July 2021. While acknowledging the need for swift action, the ICSE wishes to highlight that such an approach might constitute threats to the ability to invest and indeed the viability of affected companies, as it pays no regard to companies' profitability. It is therefore recommended that such a taxation of turnover should only serve as an interim solution that should be in force only until a sounder and profits-focussed solution can be defined as part of a more comprehensive overhaul of EU business taxation (see following recommendation), the timeline for which should therefore be tightened.

Introduce a temporary excess profit tax to levy a contribution from the corporate sector to financing the cost of the COVID-19 pandemic

The COVID-19 pandemic and related lockdown measures have plunged many businesses in Europe into deep financial difficulty as their business activities were disrupted, and partly even suspended altogether. Consequently, governments across Europe as well as the EU, through its Recovery and Resilience Facility, have prepared large-scale support packages to provide stimulus and save temporarily ailing but otherwise viable businesses. Despite a number of shortcomings in the design and delivery of such stimulus packages, for instance as regards their insufficient orientation towards social and ecological policy objectives, such interventions have by and large been commendable. However, they have also led to new financial liabilities on the part of public coffers, having contributed to an increase in the amount of public debt relative to GDP by over 13% within one year.³¹⁶

At the same time, some sectors and businesses in the EU have been able to flourish and increase profits during the pandemic, partly by 'sucking up' the business lost by companies that were affected by coronavirus-induced restrictions. Businesses finding themselves in this fortunate situation should now be asked to make an exceptional and temporary contribution to financing the cost of the public health crisis. The European Commission should therefore work with Member State governments to introduce a temporary excess-profit tax for the financial years affected by the pandemic. Such a tax could be designed to apply to large companies whose profits during the pandemic exceeded the average profits earned during the four years preceding the crisis, with a tax rate of 50% applying to the excess share of profit. Such a calculation should be made on a global or European annual return to prevent any profit shifting strategy. By targeting companies posting a higher-than-average income during the pandemic, the extra revenues collected would not harm struggling companies while ensuring that companies that performed well, such as online retailers, contribute fairly to the cost of the pandemic.

Adopt measures to create transparency and accountability with regard to corporate and wealth taxation

Recent tax scandals, such as LuxLeaks and Panama Papers revelations, were only brought to light thanks to the relentless efforts of journalists and activists. In some cases, such reports brought to light how EU governments actively collaborated with tax avoiders to cover up or even to enable their wrongdoings. This calls for comprehensive transparency measures to ensure governments, corporations, and wealthy individuals are accountable against the principles of good (corporate) tax citizenship. The recently concluded negotiations on a directive establishing public country-by-country reporting requirements for multinational companies active in the European single market relating to income and compliance with tax codes constitute an important step and a significant victory for the European Parliament. Additionally, the European Commission should make a proposal for a European financial transparency register in which multinational companies and wealthy individuals declare their global financial interests by registering the assets they are holding in extra-EU jurisdictions. This would allow for enquiries into whether such foreign holdings serve purposes of tax avoidance and evasion would thus enable further progress towards achieving tax justice in Europe and worldwide.

³¹⁶ https://ec.europa.eu/eurostat/statistics-explained/index.php/Government_finance_statistics

6.3.3. Common Wealth: Expanding public services and supporting communities in achieving sustainable well-being for all

Today's unequal societies are often marked by the paradox that citizens are endowed with a set of fundamental, social, political, and cultural rights but lack the resources to exercise these rights effectively. This is the case, for instance, when citizens' right to participate in society's cultural sphere and heritage, which are increasingly shifting into the digital realm, is effectively denied to those who cannot afford a broadband connection. Another example would be where citizens in rural areas, *de jure*, enjoy the right to benefit from health care and higher education but, *de facto*, are unable to access such services because these are only provided in urban centres and metropolitan regions.

Traditionally, such problems of access and inequality of opportunity would lead to calls for the expansion of the individual income of the affected, so that, for instance, rural populations can afford the cost of individual transport, for instance in the form of car ownership, to access far-away services providers and amenities. While this strategy will remain a valid element of future policy and should therefore not be discounted, it cannot remain the only tool in the toolbox. A key reason for this is of course that climate change and environmental degradation oblige society to shift to the more efficient and less intense use of natural resources, leading strategies of enhancing the well-being of citizens through the production of ever more goods that are then owned and used individually to become untenable.

A different, more efficient, and sustainable strategy would be to build capabilities for the satisfaction of well-being-related needs and aspirations not at the individual level but at the collective level, so that the 'common wealth' embodied in such collective resources can be shared and co-used by all members of society on an equal basis. Naturally, this approach is not an innovation in itself. In fact, the well-established concept of public goods and services already reflects such considerations and has been in operation for centuries. By providing a set of goods and

services to the population, irrespective of income and social status, public services act as a kind of a social backstop that ensures citizens enjoy equal access to amenities and opportunities. According to research conducted by the OECD, the negative impact of income inequalities on citizens' individual well-being would be approximately 20% stronger in OECD countries were it not for the availability of public services.³¹⁷

After decades of neo-liberal austerity policies, however, public services in Europe frequently fail to mobilise their full potential for the mitigation of inequalities in income and in an inclusive fashion. Across much of the European Union, the tightening of public budgets has resulted in declines both in the availability of public services, especially in rural and disadvantaged locations, and in their quality, especially as a result of lacking investment that would allow public services to keep up with the changing needs of a population undergoing processes of demographic change and ageing.³¹⁸

To turn them into a veritable form of common wealth that acts in equalising and empowering ways, bolstering public services so that society possesses collective resources that allow all citizens to satisfy their well-being-related needs and aspirations should therefore be a focal point for policymaking for decades to come. Yet, such policy should not only work to reverse recent cutbacks and to rebuild traditional public services. Going forward, the development and provision of public services in Europe should be firmly embedded in the logic of sustainable well-being for all and serve to guarantee access to the resources citizens rely on to reach a minimum level of individual well-being.

The concept of Universal Basic Services (UBS), pioneered by progressives in the Anglo-American sphere, could provide useful guidance to this end.³¹⁹ The logic of UBS would oblige governments to ensure that the goods and services to necessary to fulfil the essential well-being-related needs of citizens within a safe, healthy, and cohesive society are accessible to all of its individual members. According to a proposal advanced by Gough, such needs, and the UBS they necessitate, can be summarised as in the table next page.

³¹⁷ G. Verbist, M. Förster and M. Vaalavuo, 'The Impact of Publicly Provided Services on the Distribution of Resources: Review of New Results and Methods', (2012), OECD Social, Employment and Migration Working Papers 130: 35

³¹⁸ Eurofound, the European Foundation for the Improvement of Living and Working Conditions, has compiled a series of studies on related topics that can be accessed via <https://www.eurofound.europa.eu/topic/public-services>

³¹⁹ see for instance: Gough, I. (2019): Universal Basic Services: A Theoretical and Moral Framework, available at: <https://www.etui.org/sites/default/files/2020-09/2019%20UBS%20Political%20Quarterly.pdf>

Overview of universal basic services to be provided as part of common wealth

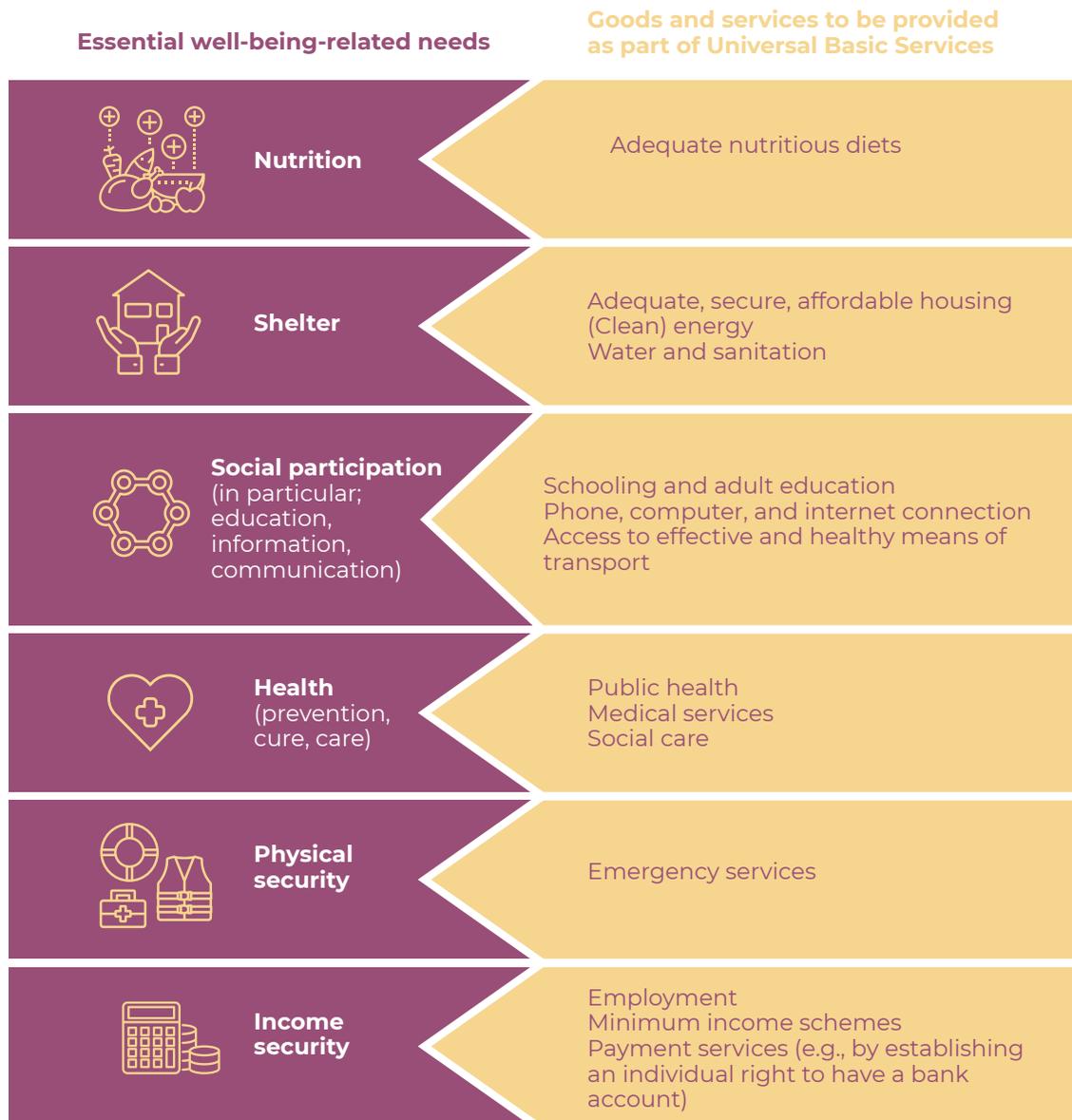


Table based on Gough, I. (2019): Universal Basic Services: A Theoretical and Moral Framework, p. 538, Political Quarterly, 90 (3). 534 - 542. p. 5

Given the heterogeneity of public services systems in Europe, which have developed according to different historical and political circumstances, defining a single, uniform approach to the delivery of UBS in the EU Member States does not appear desirable. Instead, the proponents of UBS suggest the definition of set of key features and principles that should apply in their provision:³²⁰

- Overall responsibility for meeting individuals' essential well-being-related needs is exercised through democratically elected governments.
- Related decision-making powers of public authorities are devolved to the lowest appropriate level.
- Governments ensure equality of access, set and enforce standards, raise and invests funds, and coordinate functions between services.
- There are clear rules and procedures for fair and inclusive eligibility and entitlement.
- Services can be delivered by a range of organisations with different models of ownership and control. Yet, all participating organisations must adhere to a clear set of enforceable public interest obligations, which would justify privileging social enterprises or benefit corporations (cf. chapter 3.4. of this report) in the delivery of UBS.
- They are accessible and affordable for all, irrespective of citizen's location of residence (urban or rural) and according to need not ability to pay (e.g., provision free of charge, application of regulated tariffs).
- Service users participate in the planning and delivery of services, working in close partnership with professionals and other front-line workers.

A progressive agenda to develop common wealth that serves to foster the sustainable well-being of European societies should engage with the model of Universal Basic Services. This would serve to establish a common minimum floor for citizens' well-being through the provision of collective resources that ensure equality of opportunity.

» Today's unequal societies are often marked by the paradox that citizens are endowed with a set of fundamental, social, political, and cultural rights but lack the resources to exercise these rights effectively.«

However, further steps should be considered. Indeed, a comprehensive common wealth agenda should also strive to create room for communities of all sizes, from the local and beyond, to come together and translate their sense of common purpose into concrete projects that create common wealth that yields tangible improvements for the well-being of their participants and the environment beyond the common minimum floor guaranteed by UBS.

Related initiatives on the part of governments and public authorities can be expected to fall on fertile ground. Already today, even in the absence of a systematic public policy strategy at the EU level, examples of such citizen-led initiatives are constantly multiplying and include:

³²⁰ based on Coote, A. and Percy, A., *The Case for Universal Services*, (2020), Cambridge: Polity Press

The creation of energy communities, where local communities cooperate to mobilise investment into the local production of renewable energy for their own consumption and to accelerate the decarbonisation of the local economy.³²¹ Typically, such energy communities are incorporated as cooperatives that give all their stakeholders, including non-invested users, a say in the governance of the project. Frequently, such schemes also follow explicit social aims, for instance by providing energy at discounted tariffs to low-income households, and sometimes even by allowing low-income households to purchase equity in the energy community at preferential rates to help them build up financial reserves.

Urban farming projects, where derelict urban areas, for instance abandoned factory sites, are turned into urban gardens where families can cultivate their own food and gain access to green spaces.

The establishment of local online services platforms that react to increasing reliance of citizens on such platforms to satisfy well-being needs, e.g., to buy meals when time is scarce or for mobility purposes when public transport is unavailable. By establishing such platforms under the responsibility of local communities or local public authorities, they can improve the availability of services to the local community – including ‘meals on wheels’ for elderly citizens, emergency childcare, or care for people with unpredictable needs for assistance – without

having to rely on the offers of multinational corporations and the precarious employment arrangements they typically use. In fact, if integrated into the overall framework of UBS, such platforms might even lead to cost savings in public services by providing them on a just-in-time rather than on a just-in-case basis. Their combination into the overall UBS would further mean that fees could be structured in a way that ensures their availability irrespective of recipients’ levels of income. Additionally, by involving social economy operators or local businesses in their provision, such platforms could contribute to the development of local economies.³²²

Instead of launching such projects by means of top-down state action, the role of governments in building such common wealth should be to support and enable such citizen initiatives. This could, for instance, take the form of public support services for the creation of cooperatives and social enterprises that act as the incorporated shells of the underlying common wealth projects. Likewise, governments could act as match makers between those with ideas and those with capital. To this end, community investment platforms could be set up, which could receive further public support through guarantee schemes offered by promotional banks.³²³

Based on these considerations, the ICSE issues the following recommendation:

Take a progressive initiative to adopt a Common Wealth Charter

The ICSE invites progressive governments in Europe to engage with the common wealth approach. In this vein, socialist and social democratic governments should consider drawing up a joint ‘Common Wealth Charter’ which commits them to reform national public services in line with the model of Universal Basic services and to support citizen-led initiatives for the creation of common wealth, especially through the provision of related public support measures and services as outlined above. Further avenues of action should be explored through participatory processes, involving policymakers, civil society, and academic experts. This charter could be open to other governments and thus, over time, develop into a pan-European and global network of mutual support and collaboration in implementing and further developing the common wealth approach.

³²¹ Caramizaru, A. and Uihlein, A., (2020): Energy communities: an overview of energy and social innovation, Publications Office of the European Union, Luxembourg, 2020.

³²² <https://progressivepost.eu/spotlights/turning-the-clock-forward>

³²³ Such practices are, for instance, advocated by the Greater Manchester Independent Inequalities Commission under the chairmanship of ICSE member Prof Kate Pickett. Their final report is available at: https://www.greatermanchester-ca.gov.uk/media/4337/gmca_independent-inequalities-commission_v15.pdf

6.4. Empowering women and minorities - the heroes of COVID

At the beginning of the global pandemic, the view that the virus would act as a ‘great equaliser’ that does not discriminate between men and women or people of different ethnic backgrounds was quick to emerge. In fact, many citizens found comfort in the idea that ‘we are all in this together’. However, already a few months into the global crisis, such credulous assertions were proven decisively long.

As official data is becoming available, it is revealing how the brunt of the crisis is taken by distinct social groups that suffer disproportionately. Across Europe, citizens with minority or migration backgrounds are significantly more likely to contract the virus and to die from its effects.³²⁴ And while the economy is slowing down, employment losses for women are significantly higher than for men.³²⁵ Additionally, as stress and anxiety abound, first evidence suggests that women suffer from increased levels of domestic and sexual violence.³²⁶ This unequal impact of the pandemic is another symptom of the crisis European and Western societies are going through. Yet, curing these ills will require more than vaccines and effective treatments, as the virus itself is not their cause. What was brought to fore by global movements like ‘Me Too’ or ‘Black Lives Matter’ in recent years, our societies continue to be fraught by deep divides and cleavages that cause injustices for large parts of the population that remain at the side lines of our economic and social model.

Cynically, the same citizens that are suffering from such inequalities have worked hardest to allow society to make it through the public health crisis.

The vast majority of those keeping society running by providing essential services in health care (76%), staffing supermarkets (82%), and domestic services such as cleaning (95%), are women, many of them with minority backgrounds.³²⁷ During the crisis, such frontline workers experienced an increased workload, with greater exposure to health risks and emotional demands than any other category of worker. Yet, despite such arduous working conditions, these occupations are also some of the most undervalued—including under-paid—in the EU, where the gender pay gap currently stands at 14% in terms of hourly wages.³²⁸



For minorities in Europe, discrimination appears to be an almost daily experience. As a recent report of the European Fundamental Rights Agency finds,

³²⁴ <https://ec.europa.eu/migrant-integration/news/covid-19s-impact-on-migrant-communities-20>
³²⁵ Between March 2020 and February 2021, the number of unemployed in the EU rose by around 2.4 million, of whom more than 1.3 million were women, see: https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=une_rt_m&lang=en
³²⁶ https://eige.europa.eu/sites/default/files/documents/20210224_mhna30566enn.pdf
³²⁷ <https://eige.europa.eu/covid-19-and-gender-equality/essential-workers>
³²⁸ Due to the significantly higher incidence of part-time employment among women, the gap increases to a whopping 37% if measured in terms of take home pay: https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equal-pay/gender-pay-gap-situation-eu_en

people of colour in the EU are twice as likely to work in professions for which they are over-qualified than non-minority Europeans. However, discrimination not only occurs in labour markets. Nearly half of all people of colour (45%) live in overcrowded accommodation, while this only applies to 17% of the general population, with bias on the part of landlords being known to act as a significant obstacle towards the improvement of the housing conditions of the affected.³²⁹ Despite such blatant inequalities and despite its legislative competence in the field of fundamental rights and non-discrimination, EU legislation to date mainly focusses on the enforcement of anti-discrimination principles in the labour market but not in economic and social life more broadly.

Although significant advances towards greater equality in diversity could be reached in previous decades, not least through EU policy and regulation, the achievement of further progress is currently liable to serious risks. With the rise of nationalist discourses and the concept of illiberal democracy burgeoning in Europe, recent years have seen organised attacks on the rights of women, LGBTIQ+ people, ethnic minorities, and migrants waged not by thugs at the margins of society but by governments whose democratic mandate it is to govern society in the interest of all its members. This clearly constitutes a breach of the values of human dignity, democracy, and the rule of law that lie at the heart of the European project. Yet it also constitutes a self-defeating strategy for a continent that relies on the contribution of all its citizens to successfully manage the transformation to a new model of development that respects the imperative of sustainability and nurtures the well-being of society.

Progressives in Europe should therefore work to ensure the essential importance such marginalised groups assume for our societies remains visible once the public health crisis has been resolved. If sustainable well-being *for all* is to become a reality in Europe, the post-COVID era will therefore doubtlessly have to be marked by decisive action to boost the well-being of those suffering the most today. Next to decisive action to re-regulate labour markets and bolster social security systems to fight precarious employment and generalised precarity (cf. sections 6.2.1. and 6.2.2. this chapter) as well as sectoral policy strategies to address the plight of social care and

» In Europe, recent years have seen organised attacks on the rights of women, LGBTIQ+ people, ethnic minorities, and migrants.«

healthcare workers (see sections 5.3.1. and 6.2.4.), this will require decisive action to empower marginalised social groups, defend their rights, and ensure equality of opportunity for all members of society.

To this end, the ICSE issues the following **recommendations**:

³²⁹ European Agency for Fundamental Rights (2018): Second European Union Minorities and Discrimination Survey – Being Black in the EU, see: <https://fra.europa.eu/en/publication/2018/eumidis-ii-being-black>

A European assessment of the equality impact of COVID: convene an EU Equality Summit

Under the involvement of the specialised EU agencies engaging with questions of gender equality (European Gender Equality Institute), fundamental rights and anti-discrimination policy (European Agency for Fundamental Rights), and living and working conditions (Eurofound), the European Commission should develop a comprehensive assessment of the impact of the COVID-19 pandemic on disadvantaged and vulnerable populations in the EU. The assessment should serve to determine and map, on a country-by-country basis, the causes leading disadvantaged groups, such as women, migrants, and ethnic minorities, to experience a disproportional exposure to health hazards, poverty risks, arduous working conditions, gender-based violence, and social exclusion during the pandemic. Given that different forms of inequality often interact and aggravate the hardship experienced by the affected, this mapping should pay ample attention to such inter-sectionality.

Even if the causes of such particular disadvantage seem likely to relate to pre-existing social inequalities, such a comprehensive European mapping would serve to create an important moment of political accountability at the EU level that should translate into concrete policy action to be coordinated at the EU level. To this end, the European Commission, Parliament, and Council should convene a joint equality summit as a follow up to the Social Summit held under the Portuguese Presidency of the European Council in May 2021. While the May Social Summit served to define and update the long-term social policy strategy of the EU, the equality summit, which should be held no later than in the first half of 2022, should address the need for short and medium-term action to address the equality impact of the pandemic. Deliberations should be held in an inclusive format, hence under the involvement of social partners and civil society representatives of social groups having been exposed to particular stress and challenges as part of the public health crisis. In terms of output, the summit should serve to propose a detailed roadmap committing the EU institutions and Member States to implement concrete policies across various fields, such as labour market regulation, social security reform, and social investment policies, to fight and reverse inequalities further exposed and aggravated by the pandemic.

Launch an annual EU diversity and inclusion reporting procedure

Given the key importance of effective action to fight all forms of discrimination and to actively foster equality between citizens to cater for the fairness of society and its good functioning, the EU institutions should engage with related issues in a more structured and regular fashion. To this end, the European Fundamental Rights Agency (FRA) should be tasked to prepare an 'Annual Report on Diversity and Inclusion in the EU' which delivers a detailed account of the state of play in the EU and Member States as regards the fight for equality and against discrimination. The report should cover all grounds of discrimination recognised in EU anti-discrimination legislation and help tracking developments and trends over time. Based on this analysis, the European Parliament should host an annual plenary debate, with the participation of the European Commission and

Council, to engage with the report delivered by FRA and to draw related conclusions. The procedure, the key objective of which is to create political accountability on the part of the EU institutions, should be adequately embedded in the European well-being budgeting procedure laid out in chapter 3 of this report to ensure that its conclusions are taken into account in the definition of EU policy priorities for the coming year.

Adopt a horizontal anti-discrimination directive

With the adoption of the directives on Racial and Ethnic Equality³³⁰ and Employment Equality³³¹ in 2000, EU equality and anti-discrimination legislation grew from the ground of gender to other grounds such as ethnic and racial origin and age, disability, sexual orientation, and religion the labour market. The EU is thus progressively protecting more and more citizens from discrimination, harassment, and violence in the labour market. Anti-discrimination outside the labour market, for instance as regards citizens' access to public services, discrimination through economic operators and services providers, such as in the housing market or through insurance companies, largely remains a matter of national legislation, which is uneven. At a time where the sources of inequality are multiplying, not least as a consequence of climate change and environmental degradation-related shocks, this situation must be rectified to empower citizens and create equal opportunities for sustainable well-being for all in Europe.

In fact, the European Commission tabled a proposal for a horizontal anti-discrimination directive in 2008, seeking to ensure that all forms of inequality and discrimination across all domains of economic and social life can be combatted under a strong and uniform EU legislative framework. Since then, the directive has, however, been stuck in Council, where Member States failed to find common understanding. Progressives across Europe, in government, parliaments, and civil society should work to break this deadlock in order to make equal rights and effective remedies, which constitute indispensable prerequisites for sustainable well-being for all, a reality in Europe.

To this end, progressive should champion the refinement and adoption of the European Commission's 2008 proposal. The directive should require Member States to:

- Ensure victims encountering instances of discrimination based on all grounds of discrimination recognised in EU law are able to seek legal redress against their perpetrators, irrespective of whether these are public bodies (e.g., public service providers or police) or private entities (e.g., financial services providers).
- Clarify that the initiation of legal proceedings does not necessarily require involvement of victims of discrimination to ensure civil society organisations and individual citizens, including journalists, are able to bring perpetrators to justice.
- Impose effective and dissuasive sanctions on perpetrators in the public and private sectors.
- Collect standardised public equality data, detailing all instances of discrimination identified through complaints and through pro-active equality surveys.

³³⁰ Directive 2000/43/EC

³³¹ Directive 2000/78/EC

The directive should further stipulate that Member States are obliged to formulate and implement national equality strategies under the involvement of Member State's stakeholders and equality bodies (see following proposal). Such strategies should be informed by in-depth research taking into account the intersectional nature of inequalities and define concrete and time-bound roadmaps for the rectification of systemic forms of discrimination and inequality, for instance through targeted support programmes and public services provision for marginalised social groups and frequent victims of discrimination.

Develop a uniform statute for national equality bodies

In close coordination with the horizontal anti-discrimination directive, the European Commission should issue a proposal for a uniform statute of national equality bodies with a horizontal remit that are accessible to victims of all forms of inequality and discrimination. Such bodies should be charged with the delivery of public awareness raising campaigns as regards the rights and remedies available and provide legal advice and support services for victims of discrimination. Additionally, they should be endowed with a watchdog function, hence be tasked to carry out research and investigation into potential forms, sources, and instances of discrimination and actively contribute to the formulation of anti-discrimination policies at the national and European levels.

Although equality bodies already exist in all EU Member States,³³² not least as a result of related requirements included in individual pieces of EU anti-discrimination legislation that oblige Member States to set up such bodies as a point of contact for victims of specific forms of discrimination, e.g., on the grounds of ethnic origin, their statute and remit differ across the Union. Some Member States have enabled their equality bodies to conduct work and provide assistance in relation to virtually all forms of discrimination and not only those where EU legislation requires this. Yet, most national equality bodies are still operating on a narrow mandate and are facing various challenges to their effectiveness, in particular because of inadequate resources, limited legal standing, concerns about independence, and little awareness of the equality bodies' existence. To rectify this, the European Commission should issue a legislative proposal for a uniform and robust statute for national equality bodies so that such bodies with a broad remit and adequate capacity exist in all EU Member States.

Close the gender pay and pensions gap by 2030

As part of its proposals for updated EU policy objectives and performance indicators, which are to be made legally binding by way of their inclusion in the European Sustainable Well-being Pact (see chapter 3 of this report), the European Commission should fix the target of closing the gender pay and pensions gaps by 2030. Related developments in EU labour markets and pensions systems should be closely monitored as part of the EU well-being budgeting process and lead to the issuing of Country-specific Recommendations in case of national underperformance vis-à-vis these targets.

The formulation of these objectives should go hand in hand with the adoption of a comprehensive strategy to achieve these targets, including coordinated action regarding labour market and social security reform at the

³³² Equinet, the European Network of Equality Bodies offers an overview of current national practice on its website <https://equineteurope.org/>

national level. The strategy should also comprise specific measures to ensure higher-than-average wage rises in feminised sectors of the economy, such as health services, long-term care, hospitality, and entertainment. To this end, the European Commission should propose strategic partnerships between public authorities and social partners in these sectors. The Commission should further support the development of gender-neutral job evaluation tools and classification criteria that help to evaluate and remunerate jobs better and more fairly. Moreover, guidance should be issued to Member States as regards the use of public policy measures, such as specific social clauses in public procurement, to exert upward pressure on wages in feminised sectors.

Unblock negotiations on the ‘Women on Boards Directive’

To improve the labour market situation of women, ensuring fair representation of women in decision-making roles within companies is key. While this principle has been widely accepted for long, EU Member States have so far failed to build sufficient agreement among them to adopt and transpose a related European Commission proposal tabled in 2012. To break this unacceptable deadlock in the European Council, the Commission must make good on its commitment to unblocking related negotiations. In this regard, its aim should be to mobilise support for the adoption of the draft directive as amended by the European Parliament. This would ensure that publicly listed and public companies would be obliged to ensure, after a transition period, at least 40% of women representation on supervisory boards. As proposed by Parliament, the legally binding representation threshold could be lowered to 33% if companies commit to reshuffling both supervisory and executive boards. Also as proposed by the European Parliament, companies failing to comply with these thresholds should not only receive financial penalties but should likewise be excluded from public tenders.

Adopt quotas for women representation in public decision-making bodies

In view of the multitude of economic, social, and environmental challenges public policy will have to deal with in the coming decades and given that such policies will inevitably lead to a fundamental transformation of our societies, women representation in public decision-making bodies, i.e., governments and parliament, is key to avoid that policy outcomes add to the systemic inequalities encountered by women. The European Parliament should act as a role model in this regard. Ahead of the next European elections, the EU Member States, of which only seven have introduced gender quota requirements in national provisions governing the modalities of the European elections,³³³ should therefore introduce binding quota requirements for fully gender-balanced electoral lists.

³³³ https://www.europarl.europa.eu/RegData/etudes/etudes/join/2014/509980/IPOL-FEMM_ET%282014%29509980_EN.pdf

Make broader use of gender mainstreaming and gender impact assessments

To further improve the gender-sensitivity of EU policy and spending, the European Commission should include systematic gender impact assessments in all its policy and legislative proposals, unless an impact of the initiative on the situation of women in society and the economy can be safely ruled out. The ICSE welcomes that the Interinstitutional Agreement, which was signed together with the MFF 2021-2027 foresees that gender mainstreaming, including by strengthening the assessment of gender impact in impact assessments and evaluations will become part of the Better Law-Making framework. It furthermore foresees that no later than 1 January 2023, the Commission will implement a methodology for certain centrally managed programmes to test its feasibility and at mid-term, it will be explored whether the methodology can be extended to other programmes for the remainder of the MFF 2021-2027. While the European Commission possesses tools to assess gender impacts of policy proposals, such methodologies are at present applied in a restrictive and non-consistent manner³³⁴ at the same time as every Commission proposal is being assessed as regards its impact on EU competitiveness and the administrative burden caused for small and medium-sized enterprises. Moreover, such assessments should be made available at an early stage in the policymaking process so as to allow the co-legislators to take its outcomes into account from the start of the legislative process.

Translate the Council of Europe Istanbul Convention into EU legislation

The deplorable fact that times of crisis tend to exacerbate gender-based violence, particularly sexual and domestic violence, has sadly been confirmed by the current pandemic.³³⁵ Violence against women is, however, not a fact of nature that should simply be accepted but a product of social attitudes and power relationships that can be addressed and modified. The Council of Europe Istanbul Convention therefore sets out a comprehensive agenda that seeks to ensure women are not only protected in cases of violence and that perpetrators are prosecuted. The convention also commits participating governments to develop policies to prevent violence against women and to build political and institutional capacity to improve the situation of women in society more broadly. At present, however, only 21 of 27 EU Member States have ratified the convention, while the Polish government, which is currently bound by the convention, having stated its intention to withdraw from it.

As a result, the European Union remains stuck in a situation in which it does not possess an effective and uniform framework for combatting violence against women, despite its legislative competence in fundamental rights policy. To rectify this, the Commission should issue legislative proposals that translate the provisions and objectives of the Istanbul Convention into EU legislation and thus ensure Member States are bound by them, irrespective of their formal accession to the Council of Europe framework. This should be achieved by including gender-based violence under the list of EU crimes based on Art 83 (1) TFEU with a view to establishing common rules for the definition of criminal offenses and sanctions across the EU.

³³⁴ <https://eige.europa.eu/gender-mainstreaming/toolkits/gender-impact-assessment/when-use-gender-impact-assessment>

³³⁵ European Gender Equality Institute (2021): The COVID-19 pandemic and intimate partner violence against women in the EU, Luxembourg: Publications Office of the European Union

Make sexual and reproductive rights shock-proof

The COVID-19 pandemic has had a highly detrimental effect on women's ability to exercise their sexual and reproductive health rights (SRHR), especially in terms of access to related support services. The pandemic has thus exposed the lacking crisis-preparedness of such essential services as well as of public infrastructures necessary to give these rights meaning. This has added to the ailment of many women at a time of already high distress. The European Commission, together with its competent agencies, should carefully assess the SRHR situation in light of the pandemic and issue targeted guidance to Member States to make swift improvements to avoid repeats of the current deterioration during future pandemics and periods of crisis and environmental disasters.

Ensure an effective implementation of the EU LGBTIQ Equality Strategy

With its first ever LGBTIQ Equality Strategy, the European Commission has pledged to take effective action to ensure equality and non-discrimination for LGBTIQ+ people. By identifying critical needs for policy action to foster equality and non-discrimination, for instance as regards equal parental and adoption rights for same-sex couples, the ban of conversion therapies and the involuntary administration of 'normalising' medical treatments, and to implement the principle of legal gender recognition to enable intersex people to find respect for their gender identity, the strategy indeed has the potential to unlock real progress.

To tap into this potential, ensuring the right choice of instrument to implement related action is key. While the definition of action plans, cooperation mechanisms, and exchanges of best practices may certainly be able to make important contributions to the shifting of social attitudes, e.g., by providing guidance to Member States in the fight against bullying in educational institutions or against unconscious bias in public sector decision-making, establishing a solid basis for the equality of LGBTIQ+ people will also require the use of legal instruments, which the Commission appears to be hesitant to employ. The European Commission should not be intimidated by the current attack against LGBTIQ+ rights waged by a minority EU Member State governments and prepare comprehensive proposals for legislation to ensure equal rights can become a reality for LGBTIQ+ people across all domains of public and private life.

Create the office of a European disability coordinator

Although EU legislation and international human rights commitments, such as the United Nations Convention on the Rights of Persons with Disabilities, have been able to go to considerable lengths as regards the legal clarification of the rights of citizens with disabilities, significant challenges persist as regards their effective implementation and protections against their breach. With its 'Strategy for the Rights of Persons with Disabilities 2021-2030',³³⁶ the European Commission has made important proposals for the development of related remedies. To bolster the effectiveness of related actions, the European Commission should further consider the creation of the office of an EU disability coordinator. Equipped with a mandate similar to that of the EU anti-racism coordinator, the disability coordinator's role should be to relay specific concerns to the Commission and interact with Member States, the European Parliament, civil society and academia to strengthen policy responses in the field of the rights of persons with disability. Finally, the office should join forces with other Commission services to implement the Commission's related policies, especially the 2021-30 strategy.

Establish a fair, consistent, and effective system for legal labour migration

At present, the legal framework governing labour migration in the European Union is highly fragmented, with sectoral, national, and European provisions criss-crossing in unsystematic ways. This system neither allows for a systematic and holistic management of migration to meet Europe's evident needs for skills and talent, nor does it provide the transparency and legal certainty that is needed to prevent third country nationals from opting for irregular, exploitative, and hazardous forms of migration. With the recent agreement on the revision of the EU Blue Card Directive, the European Parliament and Council have made a first step towards fairer and more consistent system that has the power to work better, both for Europe and those looking to contribute to, and participate in, the achievement of sustainable well-being for all. Yet, with the Blue Card Directive applying mainly to migration in high-skilled and high-wage occupations and sectors, more work is needed to achieve a comprehensive overhaul of the EU labour migration acquis, including in low- and medium-income sectors.

The ICSE therefore recommends fully harmonised provisions as regards application procedures, grounds for admission and refusal, procedural safeguards, equal treatment, access to the labour market, and family reunification procedures across EU labour migration legislation. Moreover, an EU talent pool should be created as a central element of a more transparent and effective labour migration, hence an online platform to match existing opportunities in all segments of the EU labour market with third country nationals possessing the required skills and talent. The introduction of such talent pool should be accompanied by efforts to ensure the swifter recognition of skills and qualifications as well as by active cooperation between EU governments and third countries to build trust and acceptance.

³³⁶ The text of the strategy is available at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8376&furtherPubs=yes>

Support local communities in integrating migrants and refugees

The reception of migrants and refugees does not occur at the level of centralised government but in the communities in which they live. It is therefore at this level that the success of integration is determined and where support is needed to ensure diversity goes hand in hand with equality and is turned into an asset for communities by enriching them with talent and a plurality of views and experiences in defining new ways of living and working together to achieve greater sustainability and well-being for people and planet. Targeted action to support local communities in accommodating and integrating migrants and refugees should therefore represent a central pillar in related policy approaches going forward.

As part of negotiations on the EU Asylum Migration and Integration Fund (AMIF), progressives in the European Parliament have been able to achieve a first important win in this regard by earmarking a share of the overall funding for actions at the level of local authorities. Moreover, adopting a partnership approach to enable greater participation of civil society, the fund incorporates important elements of a more collaborative and inclusive approach that is key to the success of reception and integration measures and migration policy more broadly. Going forward, progressives should consider ways to further strengthen such elements and to make the benefits of migration and diversity palpable for local communities. To this end, engagement with proposals for additional European funds that finance investments in regions and municipalities that go beyond their legal obligations in the reception of refugees, for instance to finance community services, infrastructures, and amenities, should be considered.³³⁷ Such reflections should also ponder the possibility of adopting similar frameworks for the financial support of local stakeholder and authorities in bringing EU migration policy to success at the local level.

Get tough on the defence of the rule of law

Despite the numerous examples in recent years of EU Member States waging infamous attacks on key pillars of the rule of law, for instance by encroaching on the independence of the judiciary or through attacks on independent media, the European Commission remains overly cautious in holding national governments to account over such blatant breaches of the values enshrined in the EU Treaties. With the procedures set out in Art. 7 TFEU and the newly established rule of law conditionality under the current EU Multi-annual Financial Framework, which allows for the suspension of EU funds if their proper use cannot be guaranteed due to rule of law deficiencies in the Member States benefitting from them, the European Commission has effective means at its disposal.

As requested by the European Parliament on numerous occasions, the Commission should cease to view the activation of such procedures as an option of last resort and move towards their offensive use. Not only would such a less passive approach better reflect the crucial importance of the rule of law for equality and justice in Europe, but also would it work to raise the pressure on Member States. The introduction of an annual rule of law reporting procedure under the responsibility of the EU Justice Commissioner is a welcome first step in this regard but needs to be complemented with the stringent use of the other available instruments in this area to deliver the necessary strengthening of the European institutions' defence of the rule of law.

³³⁷ Schwan, G. (2016): Europäische Flüchtlingsintegration als gemeinsame kommunale Entwicklung, available at: https://www.governance-platform.org/wp-content/uploads/2017/03/HVGP_Europ.-Fl%C3%BChtlingspolitik-DE_20170316.pdf

Introduce a European statute for independent civil society organisations

In view of the rise of forms of 'illiberal democracy' and the associated shrinking civic space in parts of the European Union, the European Commission should prepare a legislative proposal for the establishment of a uniform EU statute for independent civil society organisations. This legal act should serve to ensure that the creation of non-governmental organisations committed whose purpose and intended forms of civic engagement are in clear alignment with the European Fundamental Rights Charter is enabled in all EU Member States according to criteria that are not dependent on the legal system of the Member State of establishment. Moreover, the EU framework should ensure the organisations falling under the statute are recognised as public benefit organisations and are able to issue donation receipts, including to donors located in a different EU Member State. The final adjudication of whether an organisation is in breach of the European civil society organisation statute should be ultimately left to the European Human Rights Court, which should act as the court of final resort in this respect.

Establish a dedicated equality formation in the Council

Unlike the European Commission and Parliament, where specific structures for equality policy exist with the Parliamentary Committee on Women's Rights and Gender Equality and the European Commissioner for Equality, the Council lacks such specialised structure. Accordingly, policies and legislative procedures in the field of equality policy are mostly discussed in sectoral council configurations, such as the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO). This practice does not adequately reflect the truly horizontal and cross-sectoral nature of equality policy. To rectify this, the internal organisation of the European Council should be reformed so as to establish a dedicated equality configuration to mirror related structures in the European Parliament and Commission.



CHAPTER 7

Living in a world dedicated to planetary and human sustainable well-being

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At the time of publication, the world continues to struggle with a global pandemic of unprecedented scale since a century, which already killed over 4.5 million people and infected more than 100 million. Despite the on-going vaccines roll-out, the future remains uncertain as the virus continues to mutate and as vaccine production, their global accessibility and their reliability remain a challenge.

» The pandemic has hit a world already entangled in a global meta-crisis.«

Summary

A helicopter view of today's global policy landscape is not one of a well engaged and on-going global transformation, but of a transit zone in which certain areas are being re-shaped while others remain untouched, and where activity in one area is not clearly related to activity in another area. There is no clear and unifying sense about where exactly this transit zone leads towards.

In this politically unpredictable and unstable context, the pandemic has shed new light on the global ecological and social consequences of an economic system in which prosperity is equal to short-term minded economic growth, instead of long-term minded sustainable well-being; and it has made one point clearer than ever before: the billions of human destinies on our planet are more intertwined than they have ever been.

This must help us understand the real meaning of human well-being (the well-being-environment nexus), the fact that well-being policies fare better on all fronts than growth policies and finally the fact that we should take care of welfare states, in the EU and elsewhere, because it is the backbone of our societies and our shield to face ecological shocks.

The multiple economic and social damages induced by the pandemic are very far-reaching even in the richest parts of the world and are already devastating in more vulnerable countries and world regions.

At any rate, they will take many years to overcome. This is also a major set-back for the sustainable development agenda embodied by the United Nations Sustainable Development Goals (UNSDGs), as critical progress achieved since their launch in 2015 is being reversed for several goals at a critical point in time.

The pandemic has hit a world already entangled in a global meta-crisis, in which climate change, the large-scale loss of biodiversity, entrenched poverty and gaping inequalities increasingly interact. The global meta-crisis can eventually only be addressed as one. It requires a new generation of cross-sectional and multi-crisis approach policies - in particular along the social-ecological nexus - as much as it demands policies and regulations that are powerful enough to reset the prevailing economic model's underlying logic, from the discredited and unsustainable post-war growth/progress concept to a new and sustainable well-being/progress concept.

In a global strive towards sustainable well-being, EU leadership will be critical and its own (positive and negative) experiences in addressing challenges that are global as much as they are European is essential, for instance when it comes to climate change or poverty. Including through much more vigorous and targeted EU actions at global level, game-changing global policy change must address solidarity in the global pandemic, achieve a new boost for UNSDGs, re-launch the fight for the 1.5 climate change target, develop a global approach to a green deal, build a global social contract, set the activity of global corporations within a rules-based frame, achieve truly sustainable global trade, turn development aid into a sufficiently powerful lever for sustainable development, rethink global governance and open innovative pathways for human and planetary development such as through global common wealth.

7.1. What is at stake?

At the time of publication, the world continues to struggle with a global pandemic of unprecedented scale since a century, which already killed over 3 million people and infected more than 100 million. Despite the on-going vaccines roll-out, the future remains uncertain as the virus continues to mutate and as vaccine production, their global accessibility and their reliability remain a challenge. Even if, in the best-case scenario, the pandemic were to come under control by the end of this year in richer countries, many low- and middle-income countries will continue to struggle well into next year and beyond, unless a major breakthrough could be achieved in global vaccine equity.

The multiple economic and social damages induced by the pandemic are very far-reaching even in the richest parts of the world and are already devastating in more vulnerable countries and world regions. At any rate, they will take many years to overcome. This is also a major set-back for the sustainable development agenda embodied by the United Nations Sustainable Development Goals (UNSDGs), as critical progress achieved since their launch in 2015 is being reversed for several goals at a critical point in time.

The pandemic is a planetary crisis testing humanity's collective capacity to fight a common threat, and it has painstakingly revealed our current limits to do so. Pre-existing vulnerabilities have been even more revealed and have already led to an unprecedented worsening of extreme poverty in poorer parts of the world. Where health systems were already fragile, the pandemic has had catastrophic effects. But even supposedly solid health systems in richer countries have been pushed to extremes and we can see that under such pressure they are much less solid than we may think or hope.

Global solidarity in the face of a global crisis - a moral obligation as much as in everyone's self-interest - clashes with short-minded national self-preservation in rich countries, as global vaccine equity called for by the United Nations remains a struggle. This in itself must be taken as a fundamental lesson for our future resilience in the face of other, potentially more frequent and even more severe crises, in particular from climate change.

The pandemic has shed new light on the global ecological and social consequences of an economic system in which prosperity is equal to short-term minded economic growth, instead of long-term minded sustainable well-being; and it has made one point clearer than ever before: the billions of human destinies on our planet are more intertwined than they have ever been.

» The multiple economic and social damages induced by the pandemic are very far-reaching even in the richest parts of the world.«

It must help us understand the real meaning of human well-being (the well-being-environment nexus), the fact that well-being policies fare better on all fronts than growth policies and finally the fact that we should take care of welfare states, in the EU and elsewhere, because it is the backbone of our societies and our shield to face ecological shocks. We must protect and strengthen welfare states because they protect us.

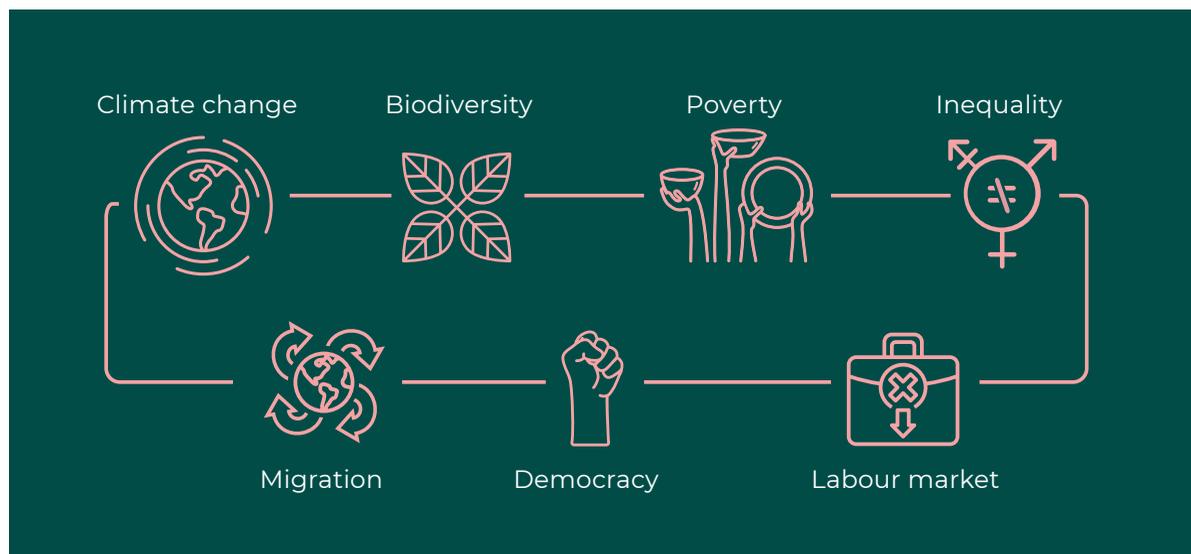
7.2. The Global Meta-Crisis

The multilateral post-war world we live in, embedded in the United Nations Charter signed in 1945, notably vowed to promote “social progress and better standards of life in larger freedom” for all human beings. The increasingly globalised economic and financial system that was developed over the subsequent decades was meant to provide the necessary prosperity to achieve this, fuelled by ever freer trade and the gradual liberalisation of capital flows.

However, and after over six decades, we did not exactly reach this “promised land”.

Indeed, despite indisputable benefits, economic globalisation has by now pushed our planet and our humanity beyond sustainable boundaries and into a global meta-crisis in permanent and intensifying activity.³³⁸ Its different components interact constantly and feed into each other.

The biggest crisis of all, **climate change**, is set to defy our common capacity to confront life-threatening dangers for decades to come. On a current path to increase to at least 3°C by the end of this century, human-induced global warming has already reached between 0.8°C and 1.2°C above pre-industrial levels,³³⁹ and its consequences are felt all over the globe. The effects of global climate change include more frequent wildfires, longer periods of drought in some regions and an increase in the number, duration and intensity of tropical storms. They all weigh heavily upon animal and human life in the areas that are affected, as we can witness increasingly around the globe. Global climate change has already had observable effects on the environment. Glaciers have shrunk, ice on rivers and lakes is breaking up earlier, plant and animal ranges have shifted and trees are flowering sooner. Effects that scientists had predicted in the past would result from global climate change are now occurring: loss of sea ice, accelerated sea level rise and longer, more intense heat waves and storms.



³³⁸ For a discussion of this concept, the reader will refer to this report's introduction

³³⁹ <https://www.ipcc.ch/sr15/>

» The pandemic has shed new light on the global ecological and social consequences of an economic system in which prosperity is equal to short-term minded economic growth, instead of long-term minded sustainable well-being.«

The pandemic demonstrates that human health depends on the health of living things, and human survival depends on the survival of our **biodiversity**.³⁴⁰ There should be no doubt that our life-support system, the world we live in, is in crisis mode.

In close interaction with climate change and under decades-long and relentless pressure from human activity at large, global biodiversity is at its worse. Available data is staggering. In Europe and Central Asia only 23% of species and 16% of its habitats are in good health. In North America, nearly 3 billion birds were lost in the past 50 years and 30% of its plant-pollination network has disappeared. In Latin America, 94% of its species population disappeared since 1974, notably driven by relentless deforestation. While being by far the worst performance among world regions, Africa ranks second-worst with a disappearance rate of 65% of its species population.³⁴¹ In addition to the constant damages generated by human activity since decades, the other major human-induced environmental disaster - climate change - feeds into the biodiversity loss in many ways, further accelerating its decline. Australian wildfires in 2019 and 2020 killed nearly 3 billion animals.³⁴² A new study³⁴³ has found that 92% of all endemic species on land and 95% of those in the ocean will decrease in numbers or even disappear under current emissions levels, which will increase global temperatures by 3 degrees Celsius by 2100.

The United Nations recently stated that the COVID-19 pandemic has confirmed that by threatening biodiversity, humanity is threatening the conditions for its own survival.

A major feature of the persistent global social crisis, humanity's biggest longstanding plague, **poverty**, remains a huge challenge in its own right despite decades of significant, while insufficient, progress in reducing it. Most people in the world still live in poverty. 85% of the world live on less than \$30 per day, two-thirds live on less than \$10 per day, and every tenth person lives on less than \$1.90 per day³⁴⁴ in extreme forms of poverty. In fact, the big success over the last generation was that the world made rapid progress against the very worst poverty. The number of people in extreme poverty has fallen from nearly 1.9 billion in 1990 to about 650 million in 2018, but the effects of the pandemic have already reversed this downward trend by adding over 100 million people to this number.

Due to lower global growth rates, which are expected to continue low compared to pre-2008 period, extreme poverty was expected to stagnate at around 500 million by 2030, according to the World Bank realised before the pandemic³⁴⁵ (which would nevertheless already fail SDG 1 aiming to end extreme poverty by 2030).

³⁴⁰ <https://news.un.org/en/story/2021/03/1088212>

³⁴¹ Living Planet Report WWF, 2020

³⁴² op.cit.

³⁴³ <https://earth.org/current-emissions-will-cause-biodiversity-collapse/>

³⁴⁴ <https://ourworldindata.org/extreme-poverty>

³⁴⁵ <https://ourworldindata.org/extreme-poverty> <https://openknowledge.worldbank.org/bitstream/handle/10986/30418/9781464813306.pdf>

The projections suggest that, even without accounting for the pandemic effects on extreme poverty, over the coming decade the stagnation at the bottom would become very clear. The majority of the world's poorest today live in economies that are not growing and half a billion face the prospect to remain stuck in extreme poverty. These projections date from before the pandemic hit our globe and they rely on prudent expectations regarding climate change. This leads to believe that an aggravation of the globe's meta-crisis, notably in the field of climate change, could result in a major new and entrenched rise of extreme poverty, moving backwards and well above the 650 million mark achieved in 2018.

These numbers are compelling in their own right, but they still mask the realities of the human despair on the ground. "Extreme poverty" means hunger, water and food insecurity, lack of access to the most essential services (health, education, shelter, energy) and lack of existential perspective for hundreds of millions of people, deprived of their basic human rights.

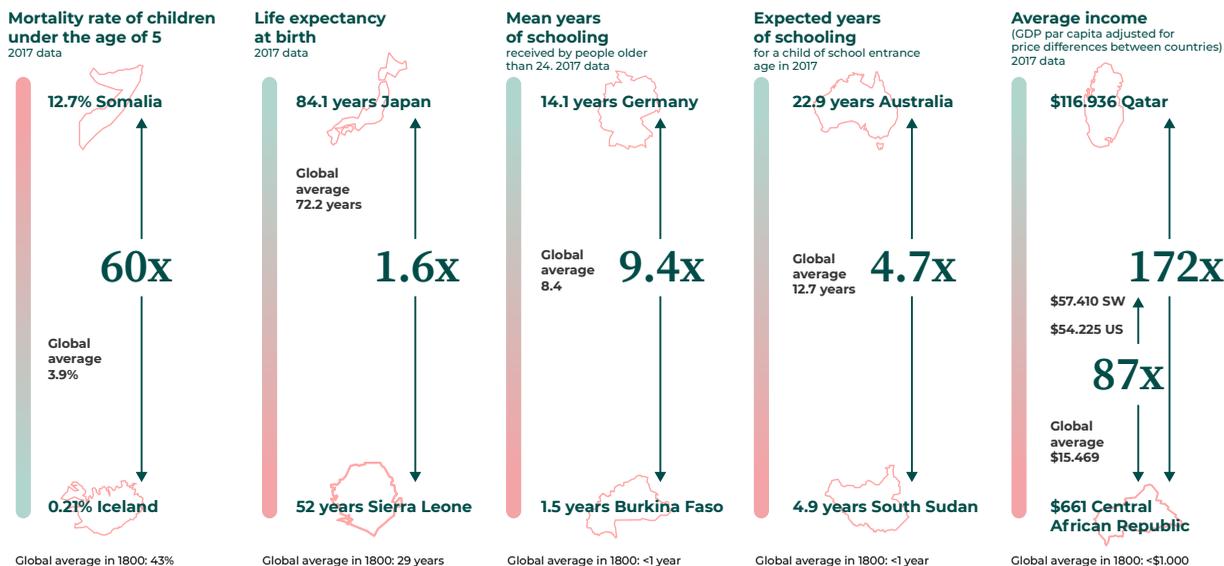
A second feature of the global social crisis are the gaping global economic **inequalities**.

They translate into breathtaking global differences in living conditions and exposure to different forms of precarity on the lower end, despite significant progress in recent decades. Place-based injustice is predominant - individual well-being on our planet remains primarily determined by where you are born and where you grow up. The average income gap based on GDP per capita between the poorest (Central African Republic) and the richest (Qatar) is 172-fold, the mortality rate of children under the age of 5 is 60-fold between Somalia and Iceland, and while you may live to the age of 84 in Japan, you can only hope to live until the age of 52 in Sierra Leone.³⁴⁶ These huge differences in living conditions go pair with high inequalities in income and wealth. Although global income inequalities decreased in recent decades, they remain high in all countries of the world.

The share of the richest 10% represents between 30% and 70% of total income depending on where you live.³⁴⁷ This share would be even higher if based in wealth instead of income. The poorest 50% own almost nothing, even in the world's most egalitarian countries, such as Sweden.³⁴⁸

Global inequality in living conditions

between the world's worst-off and best-off countries

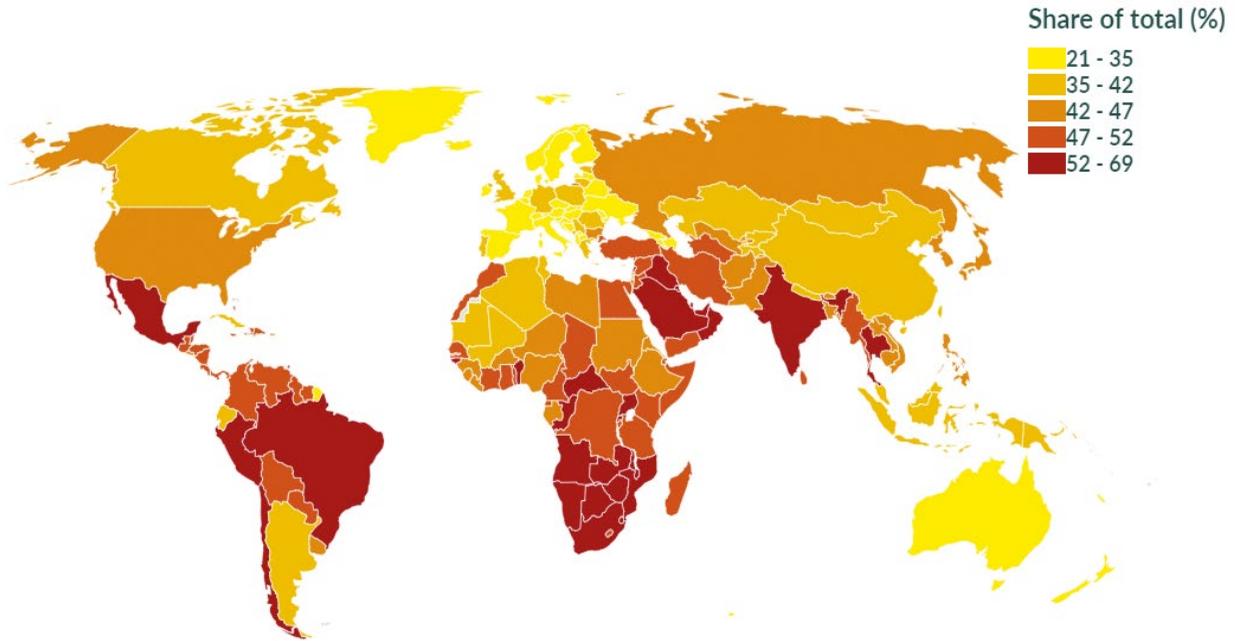


³⁴⁶ ourworldindata.org

³⁴⁷ World Inequality Database <https://wid.world>

³⁴⁸ <https://www.lemonde.fr/blog/piketty/2020/11/17/global-inequalities-where-do-we-stand/>

Top 10% national income share



Graph provided by www.wid.world

The income share of the world's poorest 50% of the world's population has clearly increased from 7% of total world income in 1980 to around 9% in 2020, thanks to the growth of emerging countries. However, this progress must be put into perspective, as the share of the world's richest 10% has remained stable at around 53%, and that of the richest 1% has risen from 17% to 20%. The losers are the middle and working classes of the North, which is fuelling the rejection of globalisation and populist/nationalist political forces.³⁴⁹

The third feature of the global social crisis lies at the heart of the global **labour market**. While many of the world's multinational corporations have seen profits and market value soar thanks to expanding global markets, more than half the global labour force is in informal markets and many more are in precarious and short term work. In global supply chains, 94% of the global workforce is a hidden workforce with no protection and no representation, which facilitates exploitation and oppression.

The ILO sees poor working conditions as the main global employment challenge. A majority of the 3.3 billion people employed globally have inadequate economic security, material well-being and equality of opportunity. What's more, progress in reducing unemployment globally is not being reflected in improvements in the quality of work.³⁵⁰ In any case, the global economy fails to provide enough jobs to people, despite a low employment rate of 60%. Nearly 200 million are unemployed, many of whom in countries in which there is no social protection. Add to this that, in the next 10 years, the world will need to create more than 600 million jobs to avoid an increase in unemployment and to absorb youth entering the labor market,³⁵¹ in particular in Africa and South Asia - a global social time bomb in the making. Yet, demands put on workers by the global economy are higher than ever, in particular due to the multiple changes that will affect labour markets in the years to come from an array of transformative technologies to decarbonisation.³⁵²

³⁴⁹ op.cit.

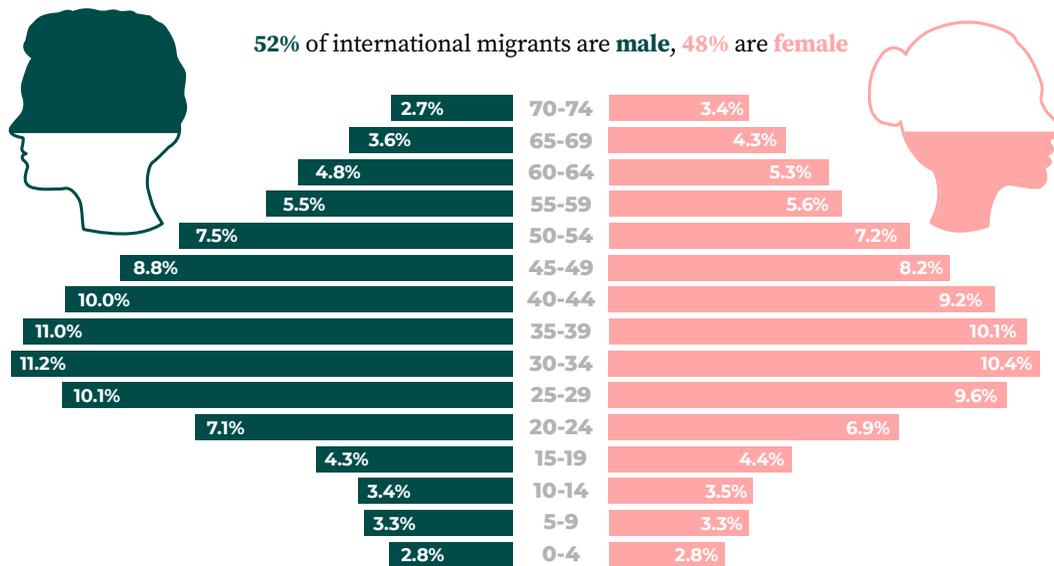
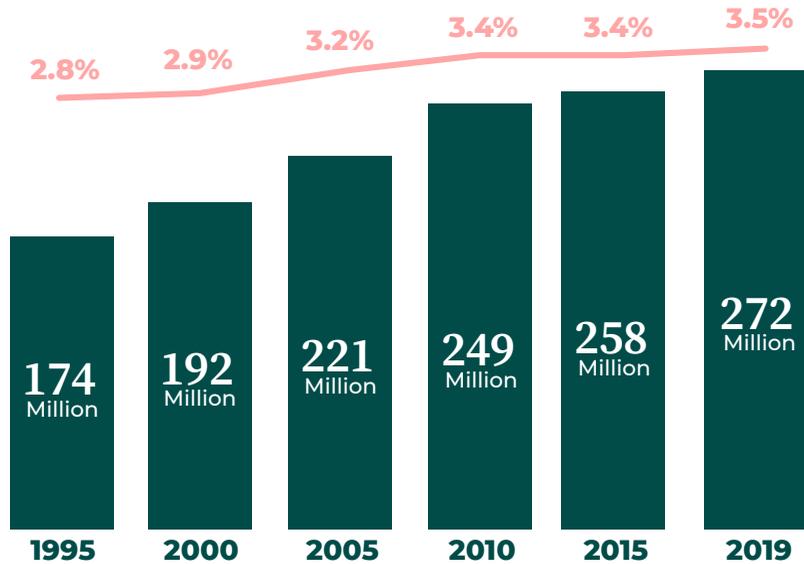
³⁵⁰ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_670171/lang-en/index.htm

³⁵¹ <https://www.worldbank.org/en/topic/labormarkets>

³⁵² In a joint statement, the Secretary General of the OECD and of the Chairman of the World Economic Forum claim that 50% of currently employed workers will need reskilling by 2025 to meet the needs of a changing labour market (<https://www.weforum.org/agenda/2021/01/shaping-a-new-labour-market-for-the-post-pandemic-economy/>)

Snapshot of international migrants

The international migrant population globally has increased in size but remained relatively stable as a proportion of the world's population



Most international migrants (74%) are of working age (20-64 years)

Regional and local armed conflicts and violence, extreme poverty, high unemployment and lack of perspective, and climate change are among the multiple causes that bring large numbers of people across the world to leave their homes in the hope for a better future.

As **migratory flows** continue to develop within inadequate policy frames, they tend to become humanitarian crises and a direct while dire consequence of the crisis-ridden world we live in. Today, international migrants come close to 300 million, nearly 4% of the world's population. About half of migrants are considered labour migrants and 10% of migrants are considered refugees. Around 70 million individuals were forcibly displaced worldwide due to persecution, conflict, generalised violence, human rights violations, or other reasons. Numbers continue to rise alongside the rise of the world's population. Since 2000, the number of migrants nearly doubled worldwide. According to the IOM,³⁵³ over 30,000 migrants lost their lives trying to reach other countries since 2013, of which more than half in the Mediterranean Sea trying to reach Europe. During that period, nearly 2,000 migrants died along the US-Mexican border.

Beyond the more traditional factors driving migration, climate change is set to push migration numbers into unprecedented territory if global warming increases beyond Paris goals. In fact, significant climate-induced migration has already begun from regions such as South East Asia and the African Sahel. If climate migration were to reach much higher levels during this century, it would amount to a vast remapping of the world's population, for which - at this stage at least - none is prepared.³⁵⁴

Beyond these crises of ecological, human and social character, the world has to cope with a twin crisis of **global governance politics and of democracy**. Unlike what citizens in democratic states may think, less than one person out of ten in the world lives in a full democracy,³⁵⁵ which the Democracy Index attributed in 2020 to only 23 countries. An additional 52 countries rank as "flawed democracies".³⁵⁶ More than half of the world's nations are ranked as either

hybrid or authoritarian regimes, representing about 40% of the world population. Even in nations qualified as full democracies, broader issues relating to the legitimacy of political representation, to citizens' involvement in policy definition and decision-making, and the role of civil society organisations are often seen as requiring significant reform towards more transparency and participation.³⁵⁷

Furthermore, the role of populist and nationalist political parties in a number of (full or flawed) democratic states across the world, including inside the EU, worsens this crisis of democracy - simultaneously as a cause and a consequence. The diversity of, and contradictions in, the type of political governance that prevail at nation state levels feed into the prevailing crisis of global governance politics. This crisis, borne out of the Cold War and also of a geopolitical nature, remains unresolved today. It is also a crisis of global governance, as the interactions of a multilateral system in longstanding need of reform with a conflictual geopolitical landscape create a very challenging policy environment to tackle whichever global crisis one may chose to address.

Why is it so difficult to address any of these global crises individually? This is not only due to, for instance, weaknesses in the multilateral system and its complex and fragile global governance, which is often pointed at, or resistance from different global pressure groups against necessary policy action in the interest of humanity as a whole (although such resistance is a major problem in its own right).

- To start with, permanent interactions between interrelated crises can severely limit the effectiveness of, still dominant, crisis-specific or silo-based global policy solutions. Prevailing policies have only started to reflect these interrelations and interactions. This is, for instance, starting to be more recognised at the level of global climate policy. The UN notably tries to move national governments towards a better integration of nature-based solutions to address the climate and biodiversity crises simultaneously. It is increasingly evident in the field of migration, the future development of

³⁵³ The International Office for Migration started to tracking the numbers of people dying on migratory routes worldwide in the wake of the death of hundreds of people when two boats sank near the Italian island of Lampedusa in 2013.

³⁵⁴ For an enlightening discussion of this matter, see <https://www.nytimes.com/interactive/2020/07/23/magazine/climate-migration.html>

³⁵⁵ Democracy Index by the Economist Intelligence Unit, <https://www.eiu.com/n/campaigns/democracy-index-2020/>

³⁵⁶ The EIU defines "flawed democracies" as nations where elections are fair and free and basic civil liberties are honoured but may have issues (e.g. media freedom infringement and minor suppression of political opposition and critics). These nations have significant faults in other democratic aspects, including underdeveloped political culture, low levels of participation in politics, and issues in the functioning of governance

³⁵⁷ We regard this to be particularly relevant in the framework of a social-ecological transformation of our societies

which will increasingly depend on place-based adaptation and resilience policies in vulnerable territories across the globe. The bi-directional interrelations between the ecological and the social crises are, in this regard, particularly important but remain marginally applied in global mainstream politics.

Sound climate policy will need to integrate social concerns much more (notably through just transition and climate justice solutions). Social policies, in particular within development policy, aimed at vulnerable groups must be tuned in with climate and biodiversity objectives, in order to support each other mutually and generate new forms of social-ecological progress worldwide.

- Beyond this factor, the global economy's intrinsic logic fosters powerful negative dynamics behind the different components of the global meta-crisis.³⁵⁸ This has multiple root causes. Among these, and at the bottom of it all, is the illusionary notion that human progress equals economic growth, cemented in the global reliance on GDP as the embodiment of prosperity and good policy. Another more prosaic cause is the influence of a hypertrophic global financial sector - even more short-termist than the real economy itself - which has succeeded (and has been let to succeed) in putting the real economy at its service, instead of serving it. These dynamics have also for decades been permitted, if not supported, by national and global regulatory environments across the planet favourable to an increasingly globalised corporate sector allowed to massively shift social and, in particular, huge ecological costs to society as a whole, while committing large scale tax abuse.

This leads to understand that the global meta-crisis can eventually only be addressed as one. It requires a new generation of cross-sectional and multi-crisis approach policies - in particular along the social-ecological nexus - as much as it demands policies and regulations that can reset the prevailing economic model's underlying logic, from the discredited and unsustainable post-war growth/progress concept to a new and sustainable well-being/progress concept.

7.3. A world on the threshold of transformation?

Ambitious global initiatives led by the United Nations and its agencies have been struggling to uncover and to address planetary challenges for many years.

The 2030 Agenda of sustainable development goals form, for the first time in human history, a broad-based and ambitious political agenda to be simultaneously addressed by the world's nations. Its Achilles heel, though, is that it continues to categorise what are essentially "outcome" goals along the traditional pillars of sustainable development without putting enough stress on their interconnections, and that it refrains from confronting the very nature of the economic model's built-in logic its ambitions to transform (which, admittedly, would not have been politically feasible at the time).

In the environmental field, the United Nations Framework Convention on Climate Change (UNFCCC) and the United Nations Biodiversity Conference aim at reaching an effective level of global governance to address planetary threats. In the field of climate action, the national commitments made in the wake of the 2015 Paris Agreement, with its core objective of keeping the global average temperature rise to below 2°C above pre-industrial levels while pursuing efforts to keep it to below 1.5°C, were insufficient to meet that goal. Hence, the Glasgow COP26 in November 2021 will determine the seriousness and relevance of global climate action, as countries are coming forward with revised and hopefully more ambitious commitments for the coming five years and beyond. If COP26 were to fail due to insufficient new commitments, it would be a nail in the coffin of the Paris Agreement, as it would thereafter become impossible to reach its objectives. This would de

³⁵⁸ This report already argued in its chapter 1 that at the heart of the global meta-crisis lies a flawed economic system, predominantly geared towards short-termism, profit and rent-seeking, and living off the externalisation to the community of the social and ecological costs it generates

facto set the world on a course of over 2°C global warming, the consequences of which, according to the IPCC's research,³⁵⁹ would be increasingly dramatic as average temperatures would move above 2°C in the course of the century, and even beyond.

The efforts at environmental level are critically important - but they also stand in contrast with the weakness in global efforts to address social and economic challenges beyond poverty alleviation. The last major global initiative in the social field dates back to 1995 - the World Summit for Social Development in Copenhagen. The Summit concentrated on four core issues - poverty alleviation, unemployment, social exclusion and an enabling environment for social development.

It pledged to make the conquest of poverty, the goal of full employment and the fostering of social integration overriding objectives of development. Subsequent initiatives were mainly rooted in intense ILO action³⁶⁰ but no major global event or initiative was reconvened to address the broad spectrum of global social dimensions head on, including global employment issues, labour rights, social protection as well as, income and wealth inequalities. Only the issue of tax evasion managed to attract major attention, led by ongoing initiatives at the level of the G8/G20 and the OECD (Global Forum on Transparency and Exchange of Information for Tax Purposes) - now overtaken by the recent US government proposal for a global minimum corporate tax of 21%.

All ongoing global efforts in taking on major global challenges take place within a complex and antagonised geopolitical context, which gradually shaped up after the fall of the Berlin Wall. This renders such global efforts particularly difficult, and can severely limit their chances of success. The tensions in today's multipolar world, not least between democratic and autocratic states, generate a global political context in which common cooperative action by a multitude of governments, and in particular involving all major economic powers, is much less likely to take place effectively. It certainly weakens the capability of the United Nations to organise global responses to global problems. In present times, this is extremely worrying because time for global action is running out, first and foremost with regard to climate action. In this respect, already dated initiatives to reform the global governance system to make it both more effective and more representative have led no where.

Consequently, a helicopter view of today's global policy landscape is not one of a well engaged and on-going global transformation, but of a transit zone in which certain areas are being re-shaped while others remain untouched, and where activity in one area is not clearly related to activity in another area. There is no clear and unifying sense about where exactly this transit zone leads towards. This is maybe deliberate, because the UNSDGs - still the most ambitious global initiative aimed at setting a new direction for humanity - had to be formulated and framed in such a way as to satisfy and engage all

» Ambitious global initiatives led by the United Nations and its agencies have been struggling to uncover and to address planetary challenges for many years.«

³⁵⁹ The latest findings are in the IPCC Special Report "Global Warming of 1.5°C", and the next full report (6th Assessment Report) is due in 2022: <https://www.ipcc.ch/sr15/>

³⁶⁰ Notably through the 1998 ILO Declaration on Fundamental Principles and Rights at Work, the launch of the Decent Work agenda in 1999 (now also a goal within the UNSDGs), or the proposals of the ILO's World Commission on the Social Dimension of Globalization: A fair globalization: Creating opportunities for all. ILO, Geneva, 2004

» The world is not on threshold yet, but coming close to it.«

kinds of different constituencies facing a variety of constraints and difficulties and conflicting interests across the globe. This was very useful for their adoption, it is less so for their implementation. Hence, the challenge remains to find the right pathway towards global transformation, to give it full and engaging meaning that can be widely supported and shared, and to ensure that all necessary actions are taking coherently and jointly. The world is not on the threshold yet, but coming close to it.

7.4. The Case for European Leadership in a global quest for well-being

With a world in transit zone, one would wish for the European Union to play a prominent geopolitical role in championing effective global governance through the United Nations and to lead on truly progressive policies capable to inspire and to lead the way for others. However, the EU's international weight remains severely hampered by its institutional architecture and by its longstanding reputation of being an economic giant but a political dwarf. But the EU cannot just follow its own path or stay in a regional niche. The preservation and, even more so, the advancement of European standards of living towards sustainable well-being will only be possible if global challenges are effectively addressed

globally and if European sustainable norms and standards of living are being shared across large parts of the world, and at least with Europe's major trading partners.

This is not exactly the pathway on which the EU is engaged at present. Europe's global weight is shrinking, and with it its ability to shape future globalisation. Thirty years ago, Europe represented a quarter of the world's wealth. It is foreseen that in 20 years, it will not represent more than 11% of world GNP, far behind China which will represent double that, below the 14% of the United States and on a par with India. Hence, there is a serious risk that, regardless about whether the EU would choose more or less openness towards the rest of the world in future years, it would gradually regress into a province of ever larger and more powerful players, whose (different) norms and standards it would have no choice but to gradually accept.

Thirty years ago, the EU was cast as "global regulatory power" exporting its standards worldwide, but this appears to be an abstract and technical vision, lacking finality and purpose. The European original purpose is peace, always and forever, but peace has changed in nature, it is not so much between nation-states anymore but within them, in the face of unequal and polarised societies, and with the Biosphere. The economic system is not a safeguard for peace anymore as it was when the first European communities were built. Instead, it is destroying the foundations for peace by increasing inequality and un-sustainability.

The major contribution of the EU as a well-being power would be to make the planet safe for well-being. The EU has the historic legitimacy to embrace this role: it is where well-being was invented as a public policy goal with the welfare state foundation at the end of the 19th century (Europeans invented

well-being while Americans invented GDP in the 1930s). The EU was the place in contemporary history where well-being was rediscovered, well before the UNSDGs in 2015, with the Beyond GDP conference in 2007.³⁶¹

The EU has a direct interest in promoting well-being, because well-being is a vector of peace worldwide. Its *very* identity is about well-being, in contrast with the US (economic wealth) and China (political control).

This European well-being identity remains visible in comparison when simple indicators are used to characterise the world's three major economic regions (see infographic). The EU is only slightly less developed than the US based on the new HDI index (and much more than China) but in comparison it remains more equal, more democratic and more sustainable.

The Nobel Peace Prize 2012 was awarded to European Union "for over six decades contributed to the advancement of peace and reconciliation, democracy and human rights in Europe." What about the next 50 years ? They should be about promoting well-being worldwide.

Well-being diplomacy should be at the heart of EU's global policy, especially regarding sustainability. Therefore, the EU needs to learn how to affirm a sufficient degree of strategic autonomy³⁶² at international level, but it also needs to become more effective in promoting a global agenda centred on sustainable development and sustainable well-being for all. This alone could also protect its own model of development in the course of this century by simultaneously addressing global problems effectively and by spreading global standards and norms compatible with its own values and aspirations.

The stronger political commitment that occurred since 2019 in the environmental field with the pinch of the European Green Deal, and which has now been reinforced in the social field thanks to the Porto Summit, provide the EU with a level of credibility on the global stage that it should fully use to promote a global transformation in line with its own.

» With a world in transit zone, one would wish for the European Union to play a prominent geopolitical role in championing effective global governance through the United Nations.«

In particular, the European Green Deal (EGD) is, despite its shortcomings, a unique agenda in this regard, which at a geopolitical scale combines ambitious and transformative climate policy with a wider range of environmental and industrial sustainability policies, as well as with a concrete commitment towards a just transition. The EGD still needs to move further into a resolute social-ecological approach, which it has so far underexploited. The initial integration of UNSDGs into the EU's European Semester process in 2020 - which came to a halt in the midst of the Resilience and Recovery Fund's launch - would further strengthen this global credibility, provided this will now be relaunched and reinforced.

³⁶¹ The spirit of which has now been recaptured in the recent conclusions of the Porto summit and the Porto Declaration, May 2020

³⁶² For a discussion on the concept of European strategic autonomy by Josep Borrell, see here <https://eudebates.tv/debates/special-debates/future-of-europe/josep-borrell-eudebates-european-strategic-autonomy/>

As an important part of this approach towards global well-being, the EU must engage much more with its neighbourhood, and especially so with **North Africa**, aimed at enriching existing initiatives and framing them within a sustainable well-being regional cooperation strategy. The relationship between the European Union and the countries of North Africa has a long history, starting with the Barcelona Process almost a quarter century ago. Initiatives such as the Euro-Mediterranean Partnership, the European Neighbourhood Policy, and the Union for the Mediterranean have not, however, proved adequate to stabilise the EU's southern neighbourhood. The results of these cooperation frameworks have not been as successful as anticipated, and they need to reflect a new vision embedded in sustainable development.

	Human development (income, education, health) HDI index, on a scale from 0 to 1, 2019)	Equality (bottom 50% share of national income, share in %)	Democracy (From 0 (least free) to 100 (most free) 2019 Freedom House Index)	Sustainability (OECD material consumption, Tonnes/capita, 2019)
EU	0,90	20	91	14,2
US	0,93	13	83	18,6
China	0,76	14	9	24,7

Sources: United Nations, WID, Freedom House, OECD

EU initiatives for global leadership towards sustainable well-being

Several global policy initiatives by the EU could be taken so as to mark its clear commitment towards sustainable well-being on the world stage:

- The EU should be the key player in global climate justice moving toward COP 26: the US climate summit has shown that climate justice is the key to solving the climate crisis. China will not concede new efforts without the OECD countries (especially the US) recognising its historical responsibility,³⁶³ and the summit has seen multiple calls for serious commitment in climate financing to which the US has responded by “technology is the answer”.
- The EU should actively support the COVID-19 vaccines waiver, and promote and support a global strategy towards the fastest possible safe vaccination of the world population (see section 7.5.1).
- The EU should convene an international summit on sustainable development and global well-being, as detailed below in section 7.5.2.
- The EU should be the key player in the 30 by 30 conservation movement, giving priority to justice toward indigenous communities that are critical in preserving ecosystems and biodiversity.³⁶⁴
- The EU should adopt its first well-being budget in 2022, leading by example and by experiment on well-being policies, as detailed in chapter 3.
- As a significant symbolic move, the EU should change its “infrastructure” banknotes (which is an image the EU projects worldwide) and adopt instead images or scenes representing dimensions of well-being (health, education, culture, environment) with European figures (Pasteur, ...).
- The EU should actively promote global governance reforms to strengthen the world’s collective capacity to prevent and to address global crises

³⁶³ See China’s President Xi Jinping statement: http://www.xinhuanet.com/english/2021-04/22/c_139899289.htm

³⁶⁴ See new Report here: <http://www.fao.org/news/story/en/item/1391139/icode/>

7.5. Global Recommendations

As and when humanity will eventually emerge from the COVID-19 pandemic, the world's common core policy focus may shift back primarily to the fight against climate change and to making a success out of the forthcoming COP26 in Glasgow in November 2021.

While stepping up the fight against climate change is indeed a vital concern, we strongly argue for the world's common core policy focus to become much broader. Humanity must now address the full width and depth of the global meta-crisis including the systemic causes of our multiple and intertwined global problems.³⁶⁵ We believe that there can be no way back to the pre-COVID-19 world, because that world is discredited and has, in that sense, already ceased to exist.

This broader focus would, as a start, pay a tribute to the millions of lives lost to the pandemic. These are lives that were not lost because of a virus, but because of the kind of world we so far chose to build.

More than anything else, it is the pre-condition for a transformed world in which each and everyone has access to sustainable well-being on a healthy planet. This should now become humanity's common endeavour for the 21st century.

In the preceding policy chapters of this report, recommendations concentrated essentially on what the EU and its member states should now do amongst each other. However, many of these recommendations only make sense if they can be undertaken in a world that would choose to follow a similar path. This is, of course, far from clear today because despite huge efforts by the UN system of governance, including through the UNSDGs, the world will emerge from the pandemic potentially more fragile and more divided than ever since the immediate post-war. A crisis in itself never leads to a better future by itself, it only reveals our vulnerabilities or strengths. It is what we will make of it, in particular in the few years to come, that will influence our common future.

The magnitude of global challenges is, however, only set to increase further and the complexity of the issues at stake is such that the full range of global policy needs cannot possibly be addressed in all of its scope and detail in the frame and mandate given to this report.

Beyond our first recommendations, we therefore see the need for a truly comprehensive and fully articulated global progressive policy agenda to be defined.

» Humanity must now address the full width and depth of the global meta-crisis including the systemic causes of our multiple and intertwined global problems.«

³⁶⁵ For a discussion of these interconnections see Chapter 1, section 3

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This should happen through an inclusive, open and intense process of global dialogue among progressives from different sectors across the globe on the full set of global challenges. Such a process should achieve the necessary diversity, inspiration, quality and global traction to a policy agenda that should provide progressives worldwide with a new global roadmap for change.³⁶⁶

We sketch out a first set of concrete global policy recommendations aiming at critically needed global solidarity in COVID times, the necessary achievement of the UNSDGs as the only available global solution to keep moving the world in a better direction, a new global regulatory approach towards global corporations, a 1.5 degree global climate policy, a global green deal, a global social contract, a rules-based framework for global corporations, fair and sustainable world trade, global development and solidarity for sustainable well-being, global governance fit for the 21st century, and the opening of new policy pathways to well-being, notably through a global common wealth charter.



The Global Fund has estimated that a **global vaccination plan would amount to \$20 billion**

7.5.1. Global solidarity in COVID times

The ICSE fully supports the call for a patent waiver for coronavirus vaccines made recently by more than 100 former world leaders and Nobel Prize winners and sponsored by the People's Vaccines Alliance,³⁶⁷ and subsequently also claimed for by the European Parliament³⁶⁸ in June, in order to **give the fastest possible access to COVID-19 vaccines for every human**

being on the planet. Such a waiver on patents, which remains fiercely opposed by the pharmaceutical giants, will boost vaccine manufacturing and will speed up the global response to the pandemic, especially in poorer countries - but needs to be accompanied by initiatives to boost manufacturing and distribution capacity globally. It also echoes the earlier call by the UN Secretary General to declare COVID-19 vaccines as a "global public good".³⁶⁹

For instance, by mid-April 2021, only 70,000 people in Africa – which has a population of 1.2 billion – had been fully vaccinated. In the absence of decisive action, many poorer countries could only hope for widespread vaccination campaigns to develop by 2024. Such a global gap in access to vaccines would not only put at risk humanity as a whole, as it would notably allow continuing virus mutations at a very large scale. It would also wipe out years, if not decades, of often slow and fragile economic and social development in large parts of the developing world. This would push back many millions of people into extreme poverty.

The waiver on vaccine intellectual property rights should be accompanied by global coordination in the establishment of new manufacturing sites. This should include international investment instruments, the monitoring of supply bottle necks and transfer of stockpiles to where they are most needed, and cooperation between manufacturers to rapidly organise technology transfers. Crucially, this would presume lifting the current export restrictions in place for vaccines and intermediary products. This should be flanked by a **global multi-year burden-sharing plan to finance vaccines for the poorest countries**, which otherwise will have to wait several years before massive vaccination could be performed in those countries - putting their own populations and the rest of the world at prolonged and new risk. The size of such a plan has been estimated to be in the range of €30 billion a year and it could rapidly be set up among G7 countries.³⁷⁰ The Global Fund has estimated that a global vaccination plan would amount to \$20 billion.³⁷¹ These measures would make way for a much faster and decisive progress in the global fight against the pandemic, and should be coordinated with the already on-going COVAX initiative.^{372, 373}

³⁶⁶ In this regard, the S&D Group has launched a cycle of policy dialogues involving multiple global stakeholders in the framework of its Global Progressive Forum initiative <https://www.globalprogressiveforum.org>, including a major event on 18-19 November 2021 in Brussels

³⁶⁷ <https://peoplesvaccine.org>

³⁶⁸ https://www.europarl.europa.eu/doceo/document/TA-9-2021-0283_EN.html

³⁶⁹ <https://www.un.org/press/en/2020/sgsm20108.doc.htm>

³⁷⁰ <https://www.theguardian.com/politics/2021/apr/12/gordon-brown-calls-for-g7-to-act-on-covid-vaccine-apartheid>

³⁷¹ <https://theglobalfund.org>

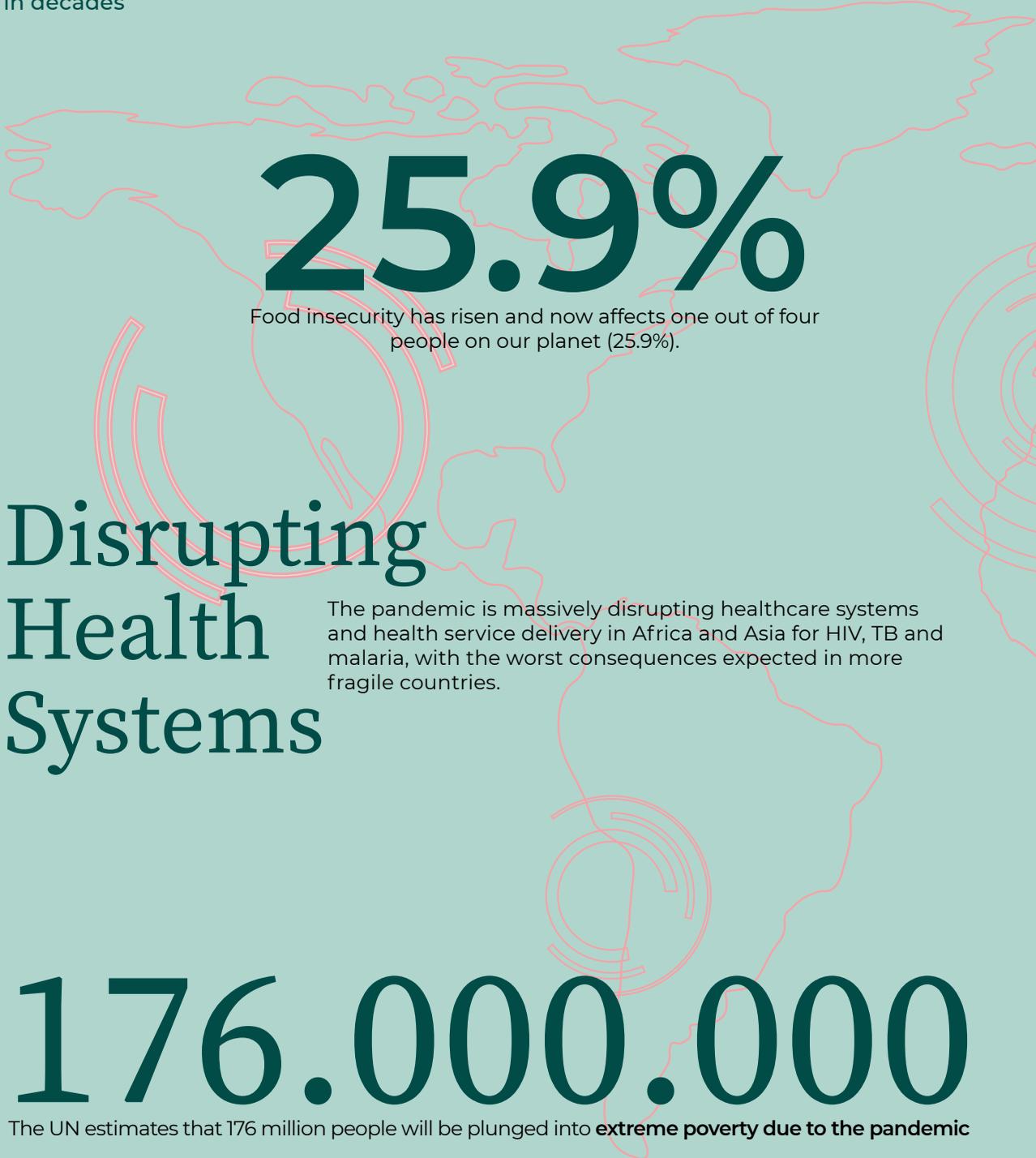
³⁷² <https://www.who.int/initiatives/act-accelerator/covax>

³⁷³ COVAX aims to distribute at least 330 million COVID-19 vaccine doses in low- and middle-income countries – including nearly 90 million doses for countries in Africa – in the first half of 2021 to cover, on average, 3.3% of the total population of the 145 participating countries receiving doses. By the end of 2021, COVAX aims to provide up to 600 million doses to countries in Africa. To complement COVAX efforts, the African Union has secured 670 million vaccine doses for the continent which will be distributed in 2021 and 2022 as countries secure adequate financing.



Impact of COVID-19 Pandemic

The COVID-19 pandemic has caused the first increase in global poverty recorded in decades



25.9%

Food insecurity has risen and now affects one out of four people on our planet (25.9%).

Disrupting Health Systems

The pandemic is massively disrupting healthcare systems and health service delivery in Africa and Asia for HIV, TB and malaria, with the worst consequences expected in more fragile countries.

176.000.000

The UN estimates that 176 million people will be plunged into **extreme poverty due to the pandemic**

The world has seen a 7% increase in extreme poverty, while boosting billionaires' wealth by 27.5% at the peak of the crisis, between April and July 2020 alone.

Widening Wealth Gap

Two-thirds of the planet's nations remain off track in developing national biodiversity plans.

2/3

Malaria +100%

A doubling of malaria deaths in sub-Saharan Africa in just one year.

Increased Child Mortality

Hundreds of thousands additional deaths of children under five years old.

1.5°C

The pandemic has had a limiting effect on greenhouse gas emissions; the total drop still falls short of what would be required to meet the 1.5°C target of the Paris Agreement.

7.5.2. The 2030 Sustainable Development Goals

While the world approaches the mid-point of the UNSDGs in 2023, progress towards their realisation is put in jeopardy as the global fight against the pandemic occupies centre-stage and its consequences directly undermine several goals. Many nations also remain insufficiently engaged in the process, whether out of political choice, lack of financial resources or fragile governance. The latest United Nation's report on progress towards the SDGs warns of the devastating impacts of COVID-19 on a range of goals and targets,³⁷⁴ as the world faces the worst economic recession since the Great Depression. It shows that on many goals and targets, the world is off track and the challenges remain huge while we have less than a decade left to implement the changes the UNSDGs call for.

These negative developments (cf. box, next page) are alarming because the UNSDGs are the only broad-based available global agenda that can right now move the world in a better direction. They offer a historic opportunity to improve the lives of billions of people by opening the necessary perspective towards a lasting new focus on sustainable human and planetary well-being in the 21st century. New global political impetus in favour of the UNSDG is needed at all levels - which the United Nations alone are not in a capacity to generate - as the world will gradually emerge from the immediate health challenges posed by the pandemic.

In this field, the European Union is perhaps uniquely placed to make a difference and to provide global leadership.

In order to do so, **the European Union should take the initiative to host**, together with like-minded global partners and in close partnership with the United Nations, during the second half of 2022 (ahead of the UNSDG's mid-point in 2023) **an International Summit on Sustainable Development and Global Well-Being** based on a multi-level and multi-stakeholder approach, with countries, regions, cities and non-state actors (including trade unions, civil society organisations and engaged multinational corporations) committed to the UNSDGs.

A backbone for the summit could be the UN's Climate Ambition Alliance: Net Zero 2050³⁷⁵ which already brings together an array of state and non-state actors most engaged in decarbonisation efforts.

These European initiatives with their global outreach, in order to be fully credible, must rapidly build on a renewed engagement by the EU itself towards successfully achieving the UNSDGs across its Member States by relaunching the transformation of its own economic governance process as only initiated in 2020 (the "European Semester") into an explicit and effective UNSDG policy process as called for in detail in chapter 3, and by developing a well-being budgetary approach for the European and national budgets within this reformed governance framework.

In view of this International Summit, the European Union should take an initiative to propose a global blueprint for "beyond GDP" well-being indicators in the framework of the United Nation's system of national accounts and a new governance approach promoting "Well-Being Budgeting" from national to local governance levels across the globe. Such a proposal could rely on an array of work already carried out by different public and private institutions and organisations on indicators and measurement, as well as already existing national and regional initiatives in this area.³⁷⁶ It should reflect the need for new critical indicators and data necessary to measure, understand and shape human and planetary well-being policies across the economic, social and environmental fields (such as inequality and income/wealth distributional indicators, economic welfare indicators including in terms of health, environmental sustainability or natural capital, human capital, social and decent work indicators...). Well-being budgeting initiatives should be seen as closely connected to the measurement of well-being, because they can make the necessary connection between measurement and policies focussing on well-being.³⁷⁷

³⁷⁴ <https://unstats.un.org/sdgs/report/2020/overview/>

³⁷⁵ https://climateinitiativesplatform.org/index.php/Climate_Ambition_Alliance:_Net_Zero_2050

³⁷⁶ including at the level of the United Nations (notably the new System of Environmental-Economic Accounting—Ecosystem Accounting (SEEA EA) recently adopted by the UN Statistical Commission), the World Bank, the IMF, the OECD (Report on Measuring what counts) and the European Commission (Beyond GDP initiative). Also see: the Canadian well-being index (<https://uwaterloo.ca/canadian-index-wellbeing/>), the Welsh government's approach (<https://gov.wales/wellbeing-wales-2020.html>), and recent work in different international institutions: <https://www.oecd.org/publications/beyond-gdp-9789264307292-en.htm>, https://ec.europa.eu/environment/beyond_gdp/background_en.html, IMF Measuring economic welfare, May 2020, <https://www.un.org/en/desa/un-adopts-landmark-framework-integrate-natural-capital-economic-reporting>

³⁷⁷ <https://budget.govt.nz/budget/pdfs/well-being-budget/b20-wellbeing-budget.pdf>

The pandemic's impact on the Sustainable Development Goals

To provide a rapid picture relative to several key goals,³⁷⁸ we would highlight that the pandemic has caused the first increase in global poverty recorded in decades. The UN estimates that 176 million people will be plunged into extreme poverty due to the pandemic. Inequality has risen sharply, with reports suggesting the pandemic has led to a 7% increase in extreme poverty, while boosting billionaires' wealth by 27.5% at the peak of the crisis, between April and July 2020. Food insecurity has also risen and now affects one out of four people on our planet (25.9%). The pandemic is massively disrupting healthcare systems and health service delivery in Africa and Asia³⁷⁹ for HIV, TB and malaria, with the worst consequences expected in more fragile countries, leading for instance to a doubling of malaria deaths in sub-Saharan Africa in just one year. Hundreds of thousands additional deaths of children under five are another dramatic consequence of the healthcare disruptions in the developing world. Cases of domestic violence against women and girls are estimated to have increased by 30% since the start of the pandemic, while women are on the frontlines of fighting the virus. Global unemployment is set to explode, as several hundred million workers globally are losing their jobs in a context in which half of the world's population still lacks any form of social security.

Global resource flows for development³⁸⁰ may continue to suffer from the world's recession and from immense pressure on developed' countries budgets, following a downward trend since a decade.

Within this flow of resources, official development aid provided by public institutions represents an ever-lower share compared to private flows (less than half of total flows in 2019). However, part of private flows in the form of remittances - an economic lifeline to many million poor households in the developing world - are also expected to decrease in the short to medium term due to the economic effects of the pandemic in richer countries. With respect to environmental goals, the global materials footprint continues to rise, alongside fossil fuel direct and indirect subsidies - which even increased by 30% in 2019 in OECD countries.³⁸¹ While the pandemic has had a limiting effect on greenhouse gas emissions, the total drop still falls short of what would be required to meet the 1.5°C target of the Paris Agreement. Instead, at current trends (which the forthcoming COP26 in Glasgow must imperatively and significantly change), the world remains set for a haunting global temperature rise projected at up to 3.2°C by 2100. Two-thirds of the planet's nations also remain off track in developing national biodiversity plans.

» The European Union is perhaps uniquely placed to make a difference and to provide global leadership for SDGs.«

³⁷⁸ <https://unstats.un.org/sdgs/report/2020/overview/>

³⁷⁹ <https://www.theglobalfund.org/en/news/2021-04-13-new-global-fund-report-shows-massive-disruption-to-health-care-caused-by-covid-19-in-africa-and-asia/>

³⁸⁰ The sum of official development assistance, other official flows and private flows (<https://data.oecd.org/drft/total-official-and-private-flows.htm#indicator-chart>)

³⁸¹ <https://www.oecd.org/fossil-fuels/>

7.5.3. Global Climate Policy 1.5

The cumulative effect of greenhouse gas emissions threaten to derail our climate and, with it, our very livelihood as we know it. Public responses remain insufficient, despite the ambitious 2015 Paris Agreement. Much has been written and debated about the possible or likely consequences of climate change, nourished by ever more elaborate scientific research, in particular through the IPCC's global scientific network. Our planet could see a greater temperature increase in the next 50 years than it did in the last 6,000 years combined. By 2070, the kind of extremely hot zones, like in the Sahara, that now cover less than 1% of the earth's land surface could cover nearly a fifth of the land, potentially placing one of every three people alive outside the climate niche where humans have thrived for thousands of years.³⁸² Many will dig in, suffering through heat, hunger and political chaos, but others will be forced to move on. By 2100, temperatures could rise to the point that just going outside for a few hours in some places, including parts of India and Eastern China, "will result in death even for the fittest of humans."³⁸³

Global recognition that climate change is happening and that something very serious had to be done about

it took the United Nations, the scientific community, and in particular the IPCC, as well as many NGOs and climate activists, many years, if not decades, of efforts. However, nearly six years after the ground-breaking Paris Agreement in 2015,³⁸⁴ the world remains in practice still on course for a temperature rise around 3°C (which would have well beyond catastrophic consequences). And we now know the Paris targets did not go far enough to begin with. Today, the science is unequivocal: We need to keep the Earth's warming to no more than 1.5°C to avoid catastrophe.³⁸⁵ The recently leaked IPCC draft report (which is formally due in February 2022) should alarm humanity further,³⁸⁶ stating that: *Life on Earth can recover from a drastic climate shift by evolving into new species and creating new ecosystems...humans cannot.*

National commitments made alongside the Paris Agreement were well below the proclaimed goals and require a three- to sixfold increase at COP26 depending on the level of ambition within the Paris Agreement goals of 1.5 to 2°C.

In the run-up to the 26th Conference of the Parties (COP26) to the United Nations Framework Convention on Climate Change in Glasgow in November 2021, countries are gradually committing themselves to

Climate pledges in the run-up to COP26

The European Union just agreed an ambitious Climate Law that paves the way towards EU's carbon neutrality by 2050 and considerably steps up European efforts in the meantime. Through its Green Deal, the EU intends to raise a whole range of legal commitments applying to countries and the private sector across the board. It is also preparing a revision of its Emissions Trading Scheme to raise the price of carbon. In order to limit carbon imports, it also intends to set up a carbon border adjustment mechanism. Alongside its climate summit held on 22 April, the new US administration has pledged a new US emissions reduction target of between 50-52% cut by 2030, including a zero-emissions electric grid by 2035, and a carbon-neutral nation by 2050. China, now the world's largest emitter (28% of global emissions) will aim to peak emissions by 2030 and to reach carbon neutrality by 2060.³⁸⁷ Ahead of the Earth Day Climate summit, the US and China agreed on climate cooperation in a joint statement.³⁸⁸ Among the leading industrial nations, Japan also committed to a 2050 carbon neutrality goal although its current implementing plans have already been criticised. The UK, host country for COP26, has committed itself to a reduction of 68% by 2030 and to carbon neutrality by 2050. Overall, more than a hundred countries already pledged to achieve carbon neutrality by 2050.

³⁸² C. Xu e.a.l., Future of the human climate niche, May 2020, US National Academy of Sciences, <https://www.pnas.org/content/117/21/11350>

³⁸³ E.S. Im e.a.l., Deadly heat waves projected in the densely populated agricultural regions of South Asia, 2017, Science Advances, <https://advances.sciencemag.org/content/3/8/e1603322>

³⁸⁴ At which 196 countries agreed a core objective of keeping the global average temperature rise to below 2°C above pre-industrial levels while pursuing efforts to keep it to below 1.5°C.

³⁸⁵ <https://www.ipcc.ch/sr15/>

³⁸⁶ This leaked draft report has been commented on extensively in the media. For main take-aways from his draft see <https://earth.org/ipcc-draft-report-warns-of-accelerating-climate-tipping-points/>

³⁸⁷ From 1990 to 2020, China increased its emissions from 2.4 billion tonnes to over 10 billion tonnes, making it the country with the largest absolute greenhouse emissions and also surpassing the EU in regard to per capita emissions in 2016, despite a GDP per capita of about 40% of the EU, source: <https://green-bri.org/chinas-14th-five-year-plans-climate-ambitions-can-green-finance-help-for-a-much-required-overachievement-of-the-targets/>

³⁸⁸ <https://www.state.gov/u-s-china-joint-statement-addressing-the-climate-crisis/>

**HALF A DEGREE OF WARMING
MAKES A BIG DIFFERENCE**

		1.5°C	2°C	2°C IMPACTS
	EXTREME HEAT Global population exposed to severe heat at least once every five years	14%	37%	→ 2.6x WORSE
	SEA-ICE-FREE ARCTIC Number of ice-free summers	AT LEAST 1 EVERY 100 YEARS	AT LEAST 1 EVERY 10 YEARS	→ 10x WORSE
	SEA LEVEL RISE Amount of sea level rise by 2100	0.40 METERS	0.46 METERS	→ 0.06 MORE
	SPECIES LOSS: VERTEBRATES Vertebrates that lose at least half of their range	4%	8%	→ 2x WORSE
	SPECIES LOSS: PLANTS Plants that lose at least half of their range	8%	16%	→ 2x WORSE
	SPECIES LOSS: INSECTS Insects that lose at least half of their range	6%	18%	→ 3x WORSE
	ECOSYSTEMS Amount of Earth's land area where ecosystems will shift to a new biome	7%	13%	→ 1.86x WORSE
	PERMAFROST Amount of Arctic permafrost that will thaw	4.8 MILLION KM ²	6.6 MILLION KM ²	→ 38% WORSE
	CROP YIELDS Reduction in maize harvests in tropics	3%	7%	→ 2.3x WORSE
	CORAL REEFS Further decline in coral reefs	70-90%	99%	→ 29x ^{UP TO} WORSE
	FISHERIES Decline in marine fisheries	1.5 MILLION TONNES	3 MILLION TONNES	→ 2% WORSE



European Union

The European Union just agreed an ambitious Climate Law that paves the way towards EU's carbon neutrality by 2050 and considerably steps up European efforts in the meantime. Through its Green Deal, the EU intends to raise a whole range of legal commitments applying to countries and the private sector across the board. It is also revising its Emissions Trading Scheme to raise the price of carbon. In order to limit carbon imports, it also intends to set up a carbon border adjustment mechanism.



Japan

Japan also committed to a 2050 carbon neutrality goal although its current implementing plans have already been criticised



United States

Alongside its climate summit held on 22 April, the new US administration has pledged a new US emissions reduction target of between 50-52% cut by 2030, including a zero-emissions electric grid by 2035, and a carbon-neutral nation by 2050.



China

China, now the world's largest emitter (28% of global emissions) will aim to peak emissions by 2030 and to reach carbon neutrality by 2060.348 Ahead of the Earth Day Climate summit, the US and China agreed on climate cooperation in a joint statement.



United Kingdom

The UK, host country for COP26, has committed itself to a reduction of 68% by 2030 and to carbon neutrality by 2050.



Global

Overall, more than a hundred countries already pledged to achieve carbon neutrality by 2050.

more ambitious greenhouse gas emission reductions than what they were prepared to do in Paris. However, as long as these far-away pledges are not backed up by credible implementing plans and legal engagements, they may raise hope but need to be considered with great caution (see box); for instance, recent developments in the US linked to the new infrastructure package, following the administration's initial climate pledges, raise new concerns about the actual reality of those pledges on the ground.

Today, it is widely recognised that climate change is not only about environmental concerns. About every other global problem we face will be made worse by climate change: the destruction of our biodiversity, migration, inequalities and poverty, food security, insecurity and conflicts, threats to health, unemployment, and we could go on. Even at 1.5°C warming, this will happen, albeit less so than if expected global decarbonisation efforts were just good enough to stay a slice below 2°C. The IPCC estimates that countries would need to commit broadly to halving global emissions from current levels by 2030 to put the world on track for 1.5°C and reach global carbon neutrality between 2045-2055. In order to reach 2°C, they would have to be cut by a quarter by 2030 and reach carbon neutrality by 2075.

Despite its indisputable merit, the Paris Agreement created an in-built dilemma or temptation for countries when defining their decarbonisation commitments in its aftermath. Is the agreement respected if warming reaches somewhere below 1.5°C (considering warming has already reached an estimated average 1°C) or also if it reaches up to 1.99°C? It can be argued that it would be respected in both cases. For many countries the temptation is to chose the road that is less steep.

However, there is a huge difference between the two "poles" of the Paris Agreement. Holding warming to 1.5°C could mean 11 million fewer people exposed to extreme heat, 61 million fewer people exposed to drought, and 10 million fewer people exposed to the impacts of sea level rise.

In addition to these human benefits, it could also half the number of vertebrate and plant species facing severe range loss by the end of the century. With studies showing that the value of services provided by a functioning biosphere averages approximately \$125

» Today, the science is unequivocal: We need to keep the Earth's warming to no more than 1.5°C to avoid catastrophe.«

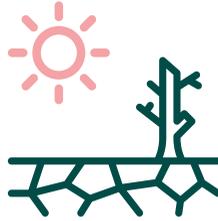
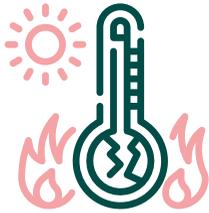
trillion a year, it is clear that restricting warming to 1.5°C could also shield us from severe global economic losses.³⁸⁹

Climate change impacts amplify rapidly between 1.5°C and 2°C.³⁹⁰ The effects are exponential, instead of proportional, to varying extents depending on what is affected, in response to the difference in temperature rise.

In the fight against climate change, every decimal, every fraction of a degree will matter. Policy efforts are significantly more intense if global warming is to stay within 1.5°C, then if they are to allow several decimals more, given that emission reduction requirements are twice as important in the first case. However, these greater policy efforts are counterbalanced by more limited adaptation policy efforts than would be required to survive in a close to 2°C climate. Plus, much of what humanity stands to lose for each additional decimal or even fraction of global warming beyond 1.5°C in terms of biodiversity, land, living conditions or even political stability, will be lost for a long time, if not forever.

³⁸⁹ Data assembled from different reliable sources at <https://sciencebasedtargets.org/blog/1-5-c-vs-2-c-a-world-of-difference>

³⁹⁰ <https://www.climatecouncil.org.au/resources/infographic-the-difference-between-1-5-and-2-degrees-warming/> AND <https://www.wri.org/insights/half-degree-and-world-apart-difference-climate-impacts-between-1-5c-and-2c-warming>



Our planet could see a **greater temperature increase** in the next 50 years **than it did in the last 6,000 years combined.**

By 2070, the kind of **extremely hot zones, like in the Sahara**, that now cover less than 1% of the earth's land surface **could cover nearly a fifth of the land**, potentially placing **one of every three people alive outside the climate niche** where humans have thrived for thousands of years.

By 2100, **temperatures could rise** to the point that just going outside for a few hours in some places, including parts of India and Eastern China, **will result in death even for the fittest of humans.**

We also do not know today where potential tipping points may lie in terms of local, national and global governance in the disruptive climate times ahead, e.g. the capacity of public authorities at all levels (their capacity in crisis management terms and in financial terms) to cope with extreme climate events. Recent climate-induced events have made one point clear: they are very costly. One study concluded that in 2020 weather disaster across the world added up to a total cost of \$150 billion.³⁹¹ This is an equivalent amount to total official development assistance to the developing world by all OECD member countries. The US was hardest hit in 2020, with cost estimates close to \$100 billion. This is twice the cost average estimated in the US since 1980.³⁹² Between 2016 and 2020, the recorded cost for the US amounted to \$600 billion.

This indicates that extreme weather events will potentially have a global cost somewhere between \$1 to up to 2 trillion for this decade. As average temperatures will continue to increase (which they will do to a certain extent due to the already existing carbon in the atmosphere and to the carbon that will continue to be emitted in the years to come even along the most optimistic emission forecasts), it is no wild guess to

consider that these costs will eventually settle at above \$2 trillion for the next decade.

With China already set to become carbon neutral by 2060 and the US and Europe by 2050 (the three adding up to roughly half of global emissions), it is nevertheless hard to see how COP26 could achieve a global carbon reduction plan below 1.5°C, unless the rest of the world were to pledge much more ambitious commitments, which is highly unlikely.

However, COP26 will not only be about achieving increased national contributions. A whole range of other aspects determine effective climate policy, not least its framing within the UNSDG approach and within a social-ecological understanding of ecological changes.

We recommend the following broad policy approach in view of COP26 and beyond, in order to ensure that global climate policy can still achieve a maximum of 1.5°C global warming within a social-ecological approach leading to the necessary transformation of our global economy:

³⁹¹ Source: Report by UK Christian Aid

³⁹² <https://www.ncei.noaa.gov/news/calculating-cost-weather-and-climate-disasters>

At COP26, the EU and other climate-committed nations should defend an ambitious 15-point plan for a 1.5°C climate ambition to

- ensure that national contributions together provide for accelerated climate action as close as possible to, and if possible below, the 1.5°C global warming set in the Paris Agreement
- agree that national contributions will be enshrined in law, and backed up by detailed credible implementation plans across all sectors of the economy and by credible finance plans to back them up; this means to include currently left-out sectors such as aviation, marine transport or the burning of biomass
- open a global “climate justice process” on determining a universal method for the fair allocation of national emission reduction efforts among all countries and within countries³⁹³
- ensure that all countries develop proper adaptation and resilience strategies capable to protect the most vulnerable as a matter of priority. COP26 should agree on a clear set of indicators and benchmarks to frame and to evaluate efficient, just and well-financed national and regional adaptation strategies in economic and social terms
- put the need for a just transition and its financing at the heart of the climate agenda, to ensure that nobody is left behind in the ecological transition, and climate action generates positive social change and progress for all
- agree on a global phasing-out plan for direct and indirect subsidies to fossil fuels
- adopt a “Nature package” highlighting and fostering existing nature-based climate solutions, in coordination with the UN Biodiversity Conference for more integrated solutions to confront both the climate and the biodiversity crisis
- confirm the need for all existing coal-fired power plants to be phased out and for no new coal-fired power plant projects to be developed after 2021
- confirm the gradual exit from oil and gas when they are not accompanied by adequate carbon capture and storage capacities
- ensure multinationals set ambitious carbon neutrality targets, in particular the top 100 emitting companies (responsible for over 70% of global GHG emissions)
- set up funding for climate action in developing countries, also taking into account the negative economic and social impact of the COVID-19 pandemic, by doubling the \$100 billion goal and secure a re-capitalisation of the Green Climate Fund
- foster faster development of land- and sea-based renewable energy production capacities, especially in lower-income countries as a priority and ensure that global, regional and national development banks provide sufficient financing to support necessary infrastructure investment
- ensure that the global financial system integrates climate and carbon risks into investment decisions, and that the recommendations of the Taskforce on Climate-Related Financial Disclosure become mandatory
- recognise the need for global legislative approaches to sustainable production and consumption, including lengthened life-cycle of products
- The EU to promote a Global Green Deal (see section 7.5.4. hereafter)

³⁹³ The richest one percent of the world's population are responsible for more than twice as much carbon pollution as the 3.1 billion people who made up the poorest half of humanity during a critical 25-year period of unprecedented emissions growth (<https://www.oxfam.org/en/press-releases/carbon-emissions-richest-1-percent-more-double-emissions-poorest-half-humanity>)

Beyond COP26

COP26 needs to produce the best possible outcome for climate action as will be achievable by then. However, the global community should not yet give up on ultimately achieving a high enough decarbonisation pathway to limit global warming to below 1.5°C, if the result of COP26 would not be at that level. Instead, it should start planning ahead for the next window of opportunity. The sixth Assessment Report from the IPCC is due for 2022. This report will provide even more reliable evidence and new findings about climate change at different warming scenarios, and may well provide the ammunition to call for greater climate action than what COP26 commitments will consist of. In 2023, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) will perform the first global emissions stocktake, referred to in Article 14 of the Paris Agreement.

A strong new global climate policy initiative led by the United Nations would then be conceivable by 2024, and if possible already in 2023, to considerably step up COP26 commitments across the globe and improve the global decarbonisation pathway. This could, in particular, aim at anticipating the achievement of global carbon neutrality to at least 2045 (and 2040 for the largest possible number of countries able to do so) and at setting new ambitious goals in terms of negative emissions beyond neutrality and towards a zero emissions' world in a "Post-Paris agreement".

7.5.4. A Global Green Deal

The European Union is the first political entity that translated the idea of a “green deal” into a more comprehensive policy strategy around climate action per se. Following its launch in early 2020, the European Green Deal (EGD) remains a benchmark in a world searching for an exit strategy from the ever more daunting climate crisis and from the wider ecological catastrophe threatening our societies and our planet.

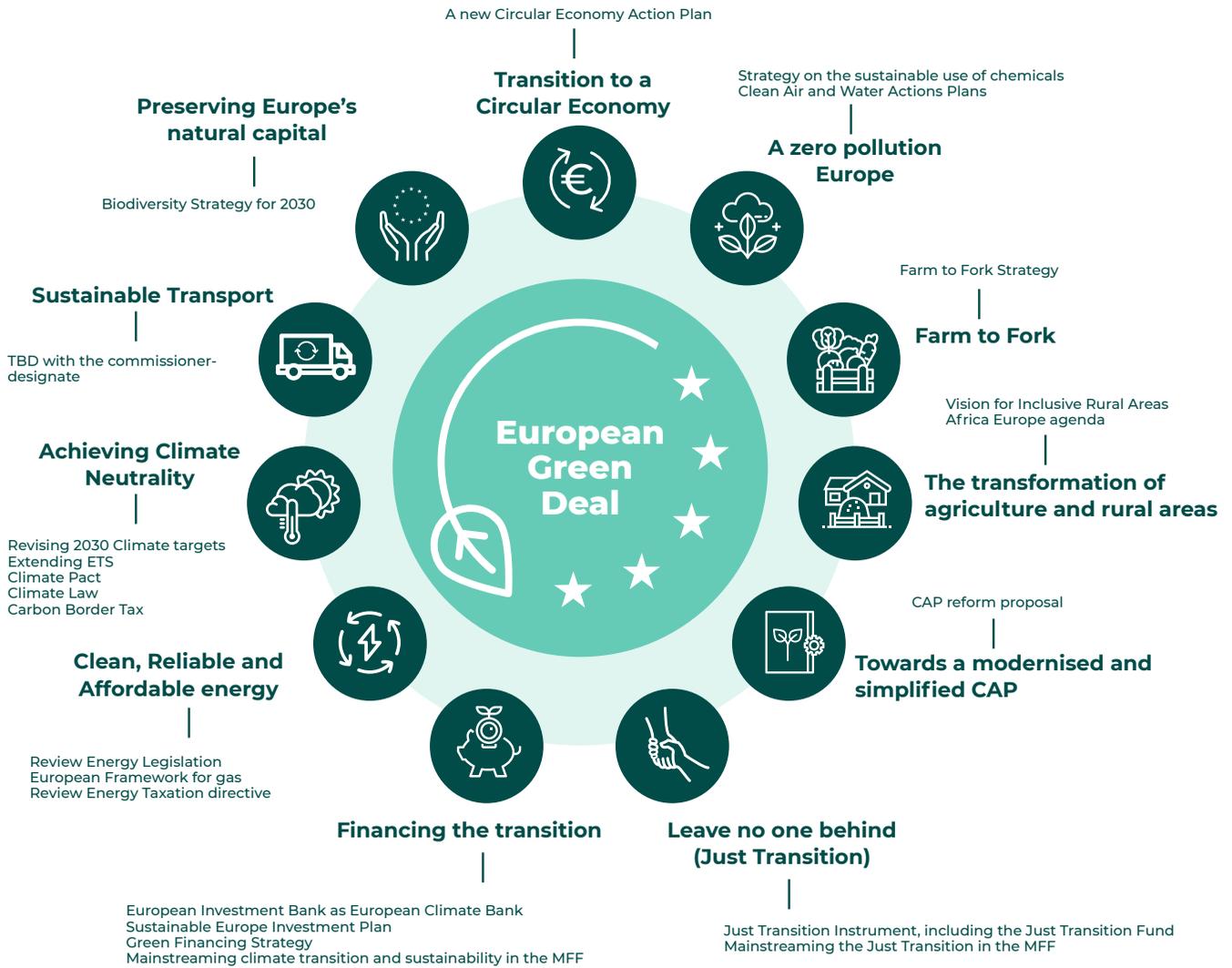
The European Green Deal is not a perfect achievement. Its innovation has been to associate, in an integrated and legally binding policy framework, climate action with wider ecologically-minded actions across a large field, as well as certain labour market and socio-economic adjustment policies within an agenda of just transition. Its related limitations include:

- An only loose connection with wider social policy action (in particular the European Pillar of Social Rights and its action plan), although on paper this is a commitment that is part and parcel of the EGD. This deprives the EGD from developing a systemic and firmly in-built policy interrelation between social and ecological goals and actions across the whole range of its policies, and thus from exploiting the full possible range of social-ecological progress that resides in (and is necessary for the success of) a transformative process towards far-reaching sustainability.
- An attachment to economic growth (as measured by GDP) as the EGD’s actual meaning or purpose³⁹⁴ rather than overriding well-being goals, such as health or justice. This conceptual limitation is reinforced by the fact that the European Semester process, the far-reaching reform of which towards a sustainability governance process dedicated to the achievement of the UNSDGs has not been completed. It essentially continues as a macro-economic surveillance process now geared towards the EU’s economic rescue plan.³⁹⁵

» The value added of a Global Green Deal must be much more far-reaching. It should bring the various economic, environmental and social policy dimensions of global climate policy under one roof.«

³⁹⁴ “Europe needs a new growth strategy that will transform the Union into a modern, resource-efficient and competitive economy”, https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

³⁹⁵ Although on paper this reform is also a commitment that is part and parcel of the EGD’s initial plan, and was started by the European Commission in 2020 in its first Annual Sustainable Growth Strategy. It has subsequently been superseded by the governance of the new NextGenerationEU/Recovery and Resilience Facility https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1658



The European Green Deal

The recent announcements by the new Biden administration to make the US climate neutral by 2050 do not use the same terminology but follow a similar concept along a growth/technology/employment nexus, although at this stage they are less comprehensive.

Global action against climate change is already moving in a similar direction aiming at a broader policy approach, and COP26 may take this further. In particular, COP26 may see a better integration of climate and biodiversity action (nature-based climate action), an extension of decarbonisation efforts to sectors that are currently outside of its scope, or by supporting further action for a just transition, in addition to other processes such as on resilience and adaptation.

However, global climate policy would gain significantly from embedding its broader action more formally into a wider global policy strategy, taking inspiration from an improved European approach, while building on the on-going progress in this direction.

This is where a Global Green Deal comes in. Such an idea was already floated end of March 2021 by the Presidents of the European Commission and the European Investment Bank in an op-ed before an EC/EIB event entitled “Investing in Climate Action”.³⁹⁶ This version of a Global Green Deal is very much unlike even its European version. It solely focusses on the technology dimension of climate action, essentially presenting the idea as one dedicated to massive technology investment along four pillars - renewables, adaptation, green breakthrough technologies such as hydrogen or CCS, and circular economy technologies - along their following statement “The Green Deal is not just an environmental policy; it is an economic and geopolitical necessity”.³⁹⁷

While investment is an indisputable and even critical dimension for a successful climate policy every on the planet, this is not anywhere close to a Global Green Deal.

The value added of a Global Green Deal must be much more far-reaching. It should bring the various economic, environmental and social policy dimensions of global climate policy under one roof, including investment, in coherence with the UNSDG framework. This should then lead national climate plans to integrate the full range of necessary policy actions into a coherent strategy, with a clear attention given to the social-ecological dimension inside each specific policy. This would provide a global compass by which climate policy is not instrumentalised to save the prevailing global economic system and its inherent flaws, but serves a more noble goal of achieving sustainable planetary and human well-being.

A Global Green Deal

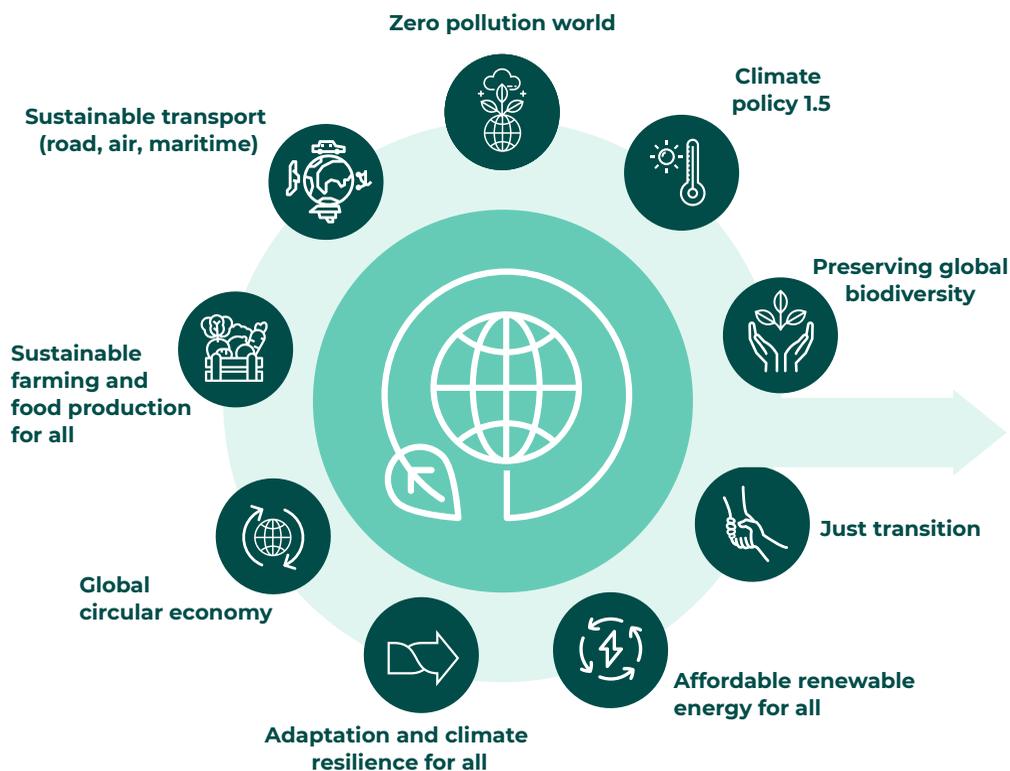
Instead of having a narrow technology/investment-based proposal be promoted solely by two of its institutions, the European Union as a whole should assume more enlightened global climate leadership by advancing an ambitious, comprehensive and well-laid out Global Green Deal by the start of COP26.

³⁹⁶ <https://cdn1.euraxess.org/worldwide/south-korea/global-green-deal-op-ed-article-ursula-von-der-leyen-president-european>

³⁹⁷ op.cit.

Global Green Deal

Economic, environmental and social policy dimensions of global climate policy including investment, must come under one policy roof, in coherence with the UNSDG framework.



National climate plans to integrate the full range of necessary policy actions into a coherent strategy, with a clear attention given to the social-ecological dimension inside each specific policy.

» There is a very strong case for a much more intense and engaged global agenda on global social challenges, backed up by the 2030 agenda, and which should also be closely inter-twined with the global environmental and climate agenda.«

7.5.5. A Global Social Contract

There are many ways to show that the course taken years ago by economic and financial globalisation has since long outpaced global social progress and justice. This is not a new but an already old challenge which remains unresolved.

Twenty-six years ago, at the World Summit for Social Development, held in March 1995 in Copenhagen, governments reached a consensus on the need to put people at the centre of development. The Social Summit was the largest gathering ever of world leaders at that time.³⁹⁸ It pledged to make the conquest of poverty, the goal of full employment and the fostering of social integration overriding objectives of development. It adopted a range of quantitative targets within its action plan, including on poverty eradication, health and gender equality. The Summit re-convened five years later in New York in the year 2000, during the UN's General Assembly, but only in the form of a special session. On targets, WSSD+5 noted a general lack of progress. It also adopted an extensive list of additional recommendations in a wide range of areas related to social development, but the immediate global political momentum had already been lost.

Soon after that, in 2002, the ILO made a new attempt to push an ambitious global social agenda on top of the international agenda through its World Commission on the Social Dimension of Globalization. The Commission delivered its conclusions in 2004, calling for fair and inclusive globalisation to become a worldwide priority. It defined the global social dimension of globalisation the following terms:

The social dimension of globalisation refers to the impact of globalisation on the life and work of people, on their families, and their societies. Concerns and issues are often raised about the impact of globalisation on employment, working conditions, income and social protection. Beyond the world of work, the social dimension encompasses security, culture and identity, inclusion or exclusion and the cohesiveness of families and communities.³⁹⁹

Its vast amount of recommendations notably included to make decent work for all a global goal, action to strengthen core labour standards across the world, fair rules for trade, a minimum level of social protection (a social floor), more development assistance in line with the 0.7 GDP target, measures to reduce tax evasion, or improving the quality of global governance to achieve global policy coherence.

³⁹⁸ The WSSD was at the time co-hosted by the ICSE's co-chair Poul Nyrup Rasmussen in his capacity as Prime Minister of Denmark and by United Nations Secretary General Boutros Boutros Ghali.

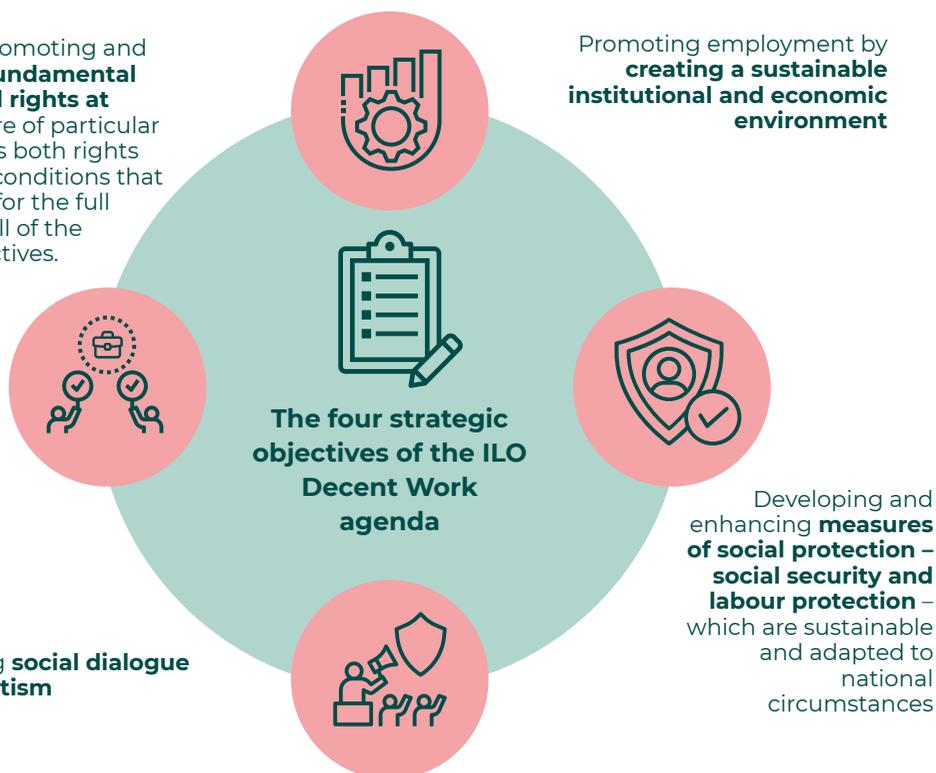
³⁹⁹ <https://www.ilo.org/public/english/wcsdg/globali/globali.htm>

In the wake of the report, and emboldened by the conclusions of the United Nations World Summit in 2005,⁴⁰⁰ the ILO Conference adopted a landmark “Declaration on Social Justice for a Fair Globalisation”⁴⁰¹ in

2008. The main goal of this declaration was to institutionalise the Decent Work agenda the ILO had been developing since 1999, and placing it at the core of its mission.

Respecting, promoting and realising **the fundamental principles and rights at work**, which are of particular significance, as both rights and enabling conditions that are necessary for the full realisation of all of the strategic objectives.

Promoting employment by **creating a sustainable institutional and economic environment**



Developing and enhancing **measures of social protection – social security and labour protection** – which are sustainable and adapted to national circumstances

Promoting **social dialogue and tripartism**

As the wider notion of sustainable development gained new traction inside the United Nations in the aftermath of these initiatives, a new level playing field was achieved through the social goals included inside the 2030 Agenda of UNSDGs. Depending on how broad social development, or a social dimension of globalisation, would be defined, more than half of the SDGs are directly or indirectly relevant.⁴⁰² This provides a strong basis and clear legitimacy for further concrete global action at social level.

Furthermore, the socio-economic impact of the pandemic has already been severe in many parts of the world, deteriorating already challenging social and labour realities, and even reversing longstanding positive trends, notably on extreme poverty. This in itself creates a new global social emergency.

Another point to make here is that there is, in our view, no convincing argument that would justify the huge gap between the very intense global focus and political/institutional activity on climate change (and to a lesser extent on biodiversity) and the, in comparison, much lower level global engagement in the social field at large. This should be an even less convincing or acceptable situation to those who rightly believe that ecological and social imperatives are ever more closely interrelated and that it is impossible to lastingly and effectively resolve one without the other.

There is a very strong case for a much more intense and engaged global agenda on global social challenges, backed up by the 2030 agenda, and which should also be closely intertwined with the global environmental and climate agenda.

⁴⁰⁰ “We strongly support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies.”, in: Final declaration of the UN World Summit, 2005

⁴⁰¹ <https://www.un.org/ruleoflaw/files/declaration%20on%20social%20justice%20for%20a%20Fair%20Globalization.pdf>

⁴⁰² UNSDG 1 No poverty, 2 Zero hunger, 3 Good health and well-being, 4 Quality education, 5 Gender equality, 6 Clean water and sanitation, 7 Affordable and clean energy, 8 Decent work and economic growth, 10 Reduced inequalities, 13 Climate change

Together, and in connection, with a Global Green Deal (section 7.5.4.), we recommend a Global Social Contract.

This Global Social Contract could notably include and promote the following five policy initiatives, but may subsequently be enlarged to additional actions:

- An empowerment of the ILO in its standard-setting and governance role in order to ensure the achievement of several key targets within SDG 8 on Decent Work, notably including the eradication of forced labour and child labour, the global enforcement of core labour rights.
- A “Global social label” awarded to countries which show comprehensive respect for fundamental labour rights and principles and which agree to submit to reliable and legally autonomous international inspections. It would be perfectly feasible to provide for such a system of inspection under an international Labour Convention which, because of its voluntary nature, would allow each State to decide freely whether to give an overall social label to all goods produced on its territory - provided that it accepts the obligations inherent in the Convention and agrees to have monitoring on the spot.⁴⁰³
- A “Global policy initiative on informal work in the global economy”⁴⁰⁴ led by the ILO and supported by other UN agencies and the World Bank to notably accelerate the transition of workers and economic units to the formal economy, to promote the creation, preservation and sustainability of enterprises and decent jobs in the formal economy and to prevent the informalisation of formal economy jobs.⁴⁰⁵
- A Global Social Protection & Health Fund, as notably advocated in similar forms by the International Trade Union Confederation and the United Nations special rapporteur on extreme poverty and human rights.⁴⁰⁶ This Fund could help to bridge financing gaps for social protection and promote health coverage and access to quality health care for the world’s poorest countries, who lack sufficient fiscal space to build up social protection floors and affordable health services in the short-term on their own. It could also be accompanied by technical support to support States build up their capacity to finance



social protection and to build health service structures over the medium-long term. In this connection, the EU should actively promote universal health coverage and access to quality health care for all in the framework of the United Nations’ Resolution adopted by the General Assembly on 10 October 2019 on universal health coverage and SDG 3 on ensuring healthy lives and promoting well-being for all at all ages.

- A Global Common Wealth Charter, recommended in section 7.5.10 below.

⁴⁰³The idea of a global social label was first proposed by the then Director-General of the ILO, Michel Hansenne, in 1997, but it failed to do so due to opposition from employers’ representatives and a range of governments (https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_008013/lang-en/index.htm).

⁴⁰⁴By the ILO’s own estimates, the informal economy comprises more than half of the global labour force and over 90 per cent of micro- and small enterprises worldwide. The informal sector is also associated with higher occurrences of abuse of workers’ rights and insufficient social protection (that is to say, the area in which the organisation is most needed in today’s world). V. Jakovleski, et. al., 2019, <https://journals.openedition.org/poldev/3026#ftn25>

⁴⁰⁵The ILO has by now extensive experience in working with private governance initiatives in the social field, notably through the UN’s Global Compact Initiative; hence, consideration could be given additionally to create a “global corporate social label” certified by the ILO under clear conditions and in cooperation with national government authorities - in the expectation of a regulatory approach as advocated by this report (section 7.5.6.).

⁴⁰⁶https://www.ituc-csi.org/IMG/pdf/ituc_campaign_brief_-_a_global_social_protection_fund_en_v3.pdf and United Nation’s report of the special rapporteur on extreme poverty and human rights, reference document A/HRC/47/36 (6 April 2021)

7.5.6. Rules-based and tax-abiding Global Corporations

In today's global economy, corporate wealth (and the economic power it yields) and the share of multinationals in global trade and investment are highly and increasingly concentrated, making multinationals a critically systemic component of our planetary human society.

increased global sustainable well-being, as much as it has until now been at the heart of the global meta-crisis we must confront.

It is also becoming ever more evident that multinationals have a growing self-interest in becoming sustainable, both to limit the negative consequences of, in particular, climate change to their own business, and to remain competitive and relevant in a world that is increasingly in search of sustainable

» In today's global economy, corporate wealth (and the economic power it yields) and the share of multinationals in global trade and investment are highly and increasingly concentrated, making multinationals a critically systemic component of our planetary human society.«

This underlines, in our view, the strategic importance of embedding corporate and, in particular, multinational corporate behaviour much more firmly within the boundaries of a global pathway towards sustainable development and of mobilising their resources in the pursuit of human and planetary sustainable well-being. Their economic importance and their global outreach (including by being able to shape what happens through their global value chains) provide enormous and truly transformational potential that could in theory contribute considerably to

products and services. Across the private economy, a growing number of companies are indeed engaging in more responsible forms of business conduct, such as through the B-corporation initiative.⁴⁰⁷

However, such approaches remain too scarce and slow. We need to see a tectonic shift in the still dominant and inherently short-term, profit-seeking and tax-avoiding corporate logic. Provoking such a shift lies beyond the scope and capacity of traditional global policy approaches towards corporations.

⁴⁰⁷ <https://bcorporation.net>

» Many multinationals do not only make such money thanks to successful business strategies. They also do so by paying little, if any, tax on their earnings.«

Many multinationals do not only make such money thanks to successful business strategies. They also do so by paying little, if any, tax on their earnings. A major, longstanding and well-known critique is that multinationals have long ceased to pay their fair share of taxes, thanks to tax competition among countries, and to large-scale global tax avoidance and tax evasion practices. Although the world's biggest corporations only employ a fraction of the world's workers and employees (200 of the largest global firms only employ less than 1% of the global workforce; but all multinational firms together employ a quarter⁴⁰⁸), their aggregated sales account for about 30% of the world's GDP, similar to their share in world production.⁴⁰⁹ The world's 500 largest corporations generate annual revenue above \$30 trillion and profits above \$2 trillion.⁴¹⁰ They also control over two-thirds of global trade flows, of which more than half occurs within the world's multinational corporate network.

Another way to grasp an idea of the weight of mega-firms in the global economy is to consider their relative number among economic entities in terms of revenue - being formed by countries and companies alike, and comparing government revenues with corporate turnover.⁴¹¹ Over the last decade, companies increased their share in the list of the world's biggest 100 economic entities from 50% to 70% today.⁴¹² Right after the 9 biggest nation-state economic entities (ranging from the US and China to Brazil and Canada), the largest corporate economic entity is Walmart, ranking as the 10th most valued economic entity on the planet, well ahead of all other countries.⁴¹³ It is equally telling to note that the total value of only the ten largest mega-firms in the world is comparable to the bottom 180 countries.

⁴⁰⁸ <https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf>

⁴⁰⁹ <https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf>

⁴¹⁰ www.fortune.com/global500

⁴¹¹ It should, however be acknowledged that while such different value-based comparisons can provide a certain idea of the comparative economic sizes of nation states and major corporations, they are to be taken with a pinch of salt as they do not rest on identical value concepts.

⁴¹² See <https://www.theguardian.com/business/2016/sep/12/global-justice-now-study-multinational-businesses-walmart-apple-shell> and <https://oxfamblogs.org/fp2p/the-worlds-top-100-economies-31-countries-69-corporations/>

⁴¹³ www.globaljustice.ork.uk; Walmart also features the world's highest annual corporate revenue, above \$500 billion.



Weight of global firms

The 200 largest global companies in the World

1%

only employ
less than **1%**
of the **global**
workforce

30%

their aggregated
sales account for
about **30%** of the
world's GDP

The world's 500 largest corporations

generate **annual revenue** above
\$30 trillion

generate **profits** exceeding
\$2 trillion

2/3

They also control over two-thirds of **global trade flows**, of which more than half occurs within the **world's multinational corporate network**.

Corporations compared to countries

50-70%

Over the last decade, companies increased their share in the list of the **world's biggest 100 economic entities** from 50% to 70%

Right after the 9 biggest nation-state economic entities (ranging from the US and China to Brazil and Canada), the largest corporate economic entity is Walmart, **ranking as the 10th most valued economic entity on the planet**

18



The total value of only the ten largest mega-firms in the world is comparable to the bottom 180 countries.

» The worldwide average statutory corporate tax rate has consistently decreased since 1980 and it also declined in every world region, with the largest decline occurring in the early 2000s.«

A recent study by the Tax Foundation⁴¹⁴ has shown that the worldwide average statutory corporate tax rate has consistently decreased since 1980 and it also declined in every world region, with the largest decline occurring in the early 2000s. The fall is very significant - from an average rate of 40% in 1980 to the current rate of 24%. These percentages mask enormous differences between countries, even inside the European Union, and are an expression of decades-long corporate tax competition, as many countries try to attract and retain firms in a long-lasting race to the bottom. This global downward trend in corporate taxation in fact represents a decades-long transfer of wealth generated by global economic activity from citizens at large to corporations and to their shareholders.

In addition to benefitting from decreasing corporate tax rates, multinational firms have also been able to pay even lesser tax over the years through aggressive tax planning strategies, in exploiting legal tax reduction and avoidance schemes offered by a range of countries, and through tax evasion, in particular artificial offshore profit shifting. Just in the field of tax avoidance, governments lose much needed funds: conservatively estimated at around 4-10% of global corporate income tax revenues, or \$100-240 billion annually.⁴¹⁵

All in all, an estimated 40% of foreign profits are diverted to tax havens and, according to the IMF,

global profit shifting adds up to an annual loss in corporate tax revenue of more than \$500 billion⁴¹⁶ - vast amounts of money that could be spent on fostering sustainable well-being in many ways, not least in developing countries, as they rely more heavily on corporate tax as a source of government revenue. A critical point to note here, though, is that multinationals are not alone to be blamed for this global tax injustice. In a recent analysis, OECD countries and their dependencies were revealed to be complicit in 68% of the world's corporate tax abuses, actively enabling such abuse.⁴¹⁷

It has been equally denounced and documented that multinationals bear vast responsibility in the depletion of our natural resources, the damages to our biosphere through multiple pollutions or deforestation, and climate change. One study found that only 100 mega-firms are responsible for 71% of all carbon emissions. Since 1965, a mere 20 fossil fuel corporations contribute more than 1/3 of global emissions.⁴¹⁸ Another study has calculated that about 20% of carbon emissions come from multinationals' globalised supply chains.⁴¹⁹ It has found that multinationals actively shift carbon emissions across their supply chains from developed countries (where emission norms are increasingly tight or expected to be tightened) to developing ones. Other important criticism against multinational behaviour concern a vast array of labour and social problems,⁴²⁰ including child labour and forced labour,

⁴¹⁴ <https://taxfoundation.org/publications/corporate-tax-rates-around-the-world/>

⁴¹⁵ <https://www.oecd.org/about/impact/combatinginternationaltaxavoidance.htm>

⁴¹⁶ <https://www.icrict.com/press-release/2020/10/11/52n5nj28ja42ukkw0z7vgppuuse4b>

⁴¹⁷ According to new analysis by the Tax Justice Network, the world's top 10 biggest enablers of global corporate tax abuse today are in descending order the British Virgin Islands (British Overseas Territory), the Cayman Islands (British Overseas Territory), the Bermuda (British Overseas Territory), The Netherlands, Switzerland, Luxembourg, Hong Kong, Jersey (British Crown Dependency), Singapore and the United Arab Emirates (<https://www.taxjustice.net/press/tax-haven-ranking-shows-countries-setting-global-tax-rules-do-most-to-help-firms-bend-them/>)

⁴¹⁸ <https://www.globaljustice.org.uk/our-campaigns/climate/climate-justice-at-cop26/>

⁴¹⁹ <https://hyperaxion.com/environment/co2-emissions-multinationals/>

⁴²⁰ For instance, the ILO has estimates that more than 20 million workers are working in forced labour conditions in the global economy <https://www.theguardian.com/sustainable-business/2015/feb/20/trafficking-labour-corporations-compliance-human-rights>

human rights abuses in poor countries, and corruption, as regularly documented.⁴²¹

For too long now, global corporate profits have been internalised while environmental and social costs have been shifted to society. In order to address this, global public initiatives aimed at influencing corporate behaviour as much as possible in line with stated policy goals have essentially adopted voluntary approaches inspired by corporate social responsibility (CSR) concepts (see Box).

While public institutions involved with such “soft law” initiatives naturally tend to present them in positive terms, there is no solid and independent evidence

on the real societal impact of CSR initiatives, on how far they truly make a difference in tackling today’s global challenges and, in particular, in achieving UNSD goals.

Despite the existence of global CSR initiatives, research has also shown that national definitions of CSR remain very diverse across the globe.⁴²² Many multinationals today manage highly complex value chains around the globe, across developed and developing countries, each with their own social and environmental regulations, which makes independent tracking of actual corporate behaviour and the accuracy of sustainability reporting (where it occurs) extremely difficult.

The United Nations have since a while sought to engage the private sector in contributing to global policy goals, and since 2015 to the SDGs. The United Nations Global Compact, initiated in the year 2000 under Kofi Annan, is such a voluntary initiative (and the most prominent one globally) based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals. The initiative involves 13.000 companies across 160 developed and developing countries “to embed SDG-aligned practices deep into business operations and across the value chain to accelerate progress and impact for the 2030 Agenda”.⁴²³ In addition, the UN seeks to involve private companies in the fight against climate change through its Global Climate Action initiative, aimed at countries, cities, regions, businesses and investors.⁴²⁴ The ILO has also been seeking private sector involvement to promote labour standards, in particular through its Enterprises Initiative launched in 2013.⁴²⁵ CSR initiatives also emerged long ago at the OECD (OECD Guidelines for Multinational Enterprises and the Global Forum for Responsible Business Conduct, as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes) and by the European Commission, although less actively. The OECD and World Bank also launched in 1999 the Global Corporate Governance Forum, aimed at the private sector in emerging economies. The International Organisation for Standardisation has its own CSR initiative called ISO 26000.⁴²⁶ In order to shed more light on company-internal CSR activities, the independent Global Reporting Initiative was launched in 2000, establishing standards for sustainability reporting⁴²⁷ which are now the most widely used globally. In the field of human rights, the UN promotes its “Guiding Principles on Business and Human Rights”.⁴²⁸ CSR has also led to and continues to generate an array of private initiatives at national and international level, notably in the climate and human rights fields (such as the recent Investors for Human Rights initiative⁴²⁹). A specific approach is that of the US-based “B Corporation”,⁴³⁰ run by a private firm, which currently includes nearly 4.000 firms in 74 countries. It is based on a certification system of standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

⁴²¹ See notably: https://transparency.eu/wp-content/uploads/2016/10/2014_TransparencyInCorporateReporting_EN.pdf

⁴²² <http://documents1.worldbank.org/curated/en/731511468325284128/pdf/661030BRI0Box365730B00PUBLIC00PSO0240CSR.pdf>

⁴²³ <https://www.unglobalcompact.org>

⁴²⁴ <https://climateaction.unfccc.int/views/cooperative-initiative-details.html?id=94>

⁴²⁵ https://www.ilo.org/global/about-the-ilo/history/centenary/WCMS_480336/lang-en/index.htm

⁴²⁶ <https://www.iso.org/iso-26000-social-responsibility.html>

⁴²⁷ <https://www.globalreporting.org>

⁴²⁸ https://www.ohchr.org/documents/publications/GuidingprinciplesBusinesshr_eN.pdf

⁴²⁹ <https://investorsforhumanrights.org/sites/default/files/attachments/2019-12/The%20Investor%20Case%20for%20mHRDD%20-%20FINAL%20for%2011.25%20launch.pdf>

⁴³⁰ <https://bcorporation.net>



The United Nations have since a while sought to engage the private sector in contributing to global policy goals, and since 2015 to the SDGs. The United Nations Global Compact, initiated in the year 2000 under Kofi Annan, is such a voluntary initiative (and the most prominent one globally) based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals. The initiative involves 13.000 companies across 160 developed and developing countries “to embed SDG-aligned practices deep into business operations and across the value chain to accelerate progress and impact for the 2030 Agenda”. In addition, the UN seeks to involve private companies in the fight against climate change through its Global Climate Action initiative, aimed at countries, cities, regions, businesses and investors.

In the field of human rights, the UN promotes its “Guiding Principles on Business and Human Rights”. CSR has also led to and continues to generate an array of private initiatives at national and international level, notably in the climate and human rights fields (such as the recent Investors for Human Rights initiative). A specific approach is that of the US-based “B Corporation”, run by a private firm, which currently includes nearly 4.000 firms in 74 countries. It is based on a certification system of standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.



The ILO has also been seeking private sector involvement to promote labour standards, in particular through its Enterprises Initiative launched in 2013. 387 CSR initiatives also emerged long ago at the OECD (OECD Guidelines for Multinational Enterprises and the Global Forum for Responsible Business Conduct, as well as the Global Forum on Transparency and Exchange of Information for Tax Purposes) and by the European Commission, although less actively



The OECD and World Bank also launched in 1999 the Global Corporate Governance Forum, aimed at the private sector in emerging economies



The International Organisation for Standardisation has its own CSR initiative called ISO 26000. In order to shed more light on company-internal CSR activities, the independent Global Reporting Initiative was launched in 2000, establishing standards for sustainability reporting³⁸⁹ which are now the most widely used globally.

It can be assumed that a certain number of companies involved in global CSR initiatives are so genuinely, but how many, to which extent, and with which measurable positive impact on society and planet?

Furthermore, CSR approaches do not require coherence in company policy, for instance based on a comprehensive adherence to sustainability goals - a given corporation may well engage with the Global Climate Action initiative to only use renewable energy (and be able to claim so publicly), but may still treat its employees contrary to ILO goals. The sheer multiplication of public CSR initiatives is also questionable in its own right, as multinationals may participate in several unrelated schemes at the same time on a cherry-picking basis at their own choice. A World Bank publication noted that “CSR with its diverse and diverging interpretations seems to be too uncertain to genuinely serve as an accurate and secure guide in the shift of capitalism that we are experiencing and whose final direction is unknown”.⁴³¹

Decades of soft law initiatives have certainly to some extent improved the global corporate landscape in terms of sustainability. However, progress through CSR approaches appears slow, fractured, fragile and at the sole will of multinational company boards and their management. In comparison, our global challenges are ever more pressing, interactive and destabilising.

Today, a tiny minority of global corporations may be regarded as very advanced in terms of their own sustainability and of their deep-rooted engagement towards social and environmental responsibility in solidarity with society as a whole, not to speak of the private sector more generally. Time has come to move on. The gulf between soft law practices inherited from the last century and the expected dismal consequences of some of our multiple global crises is, in our view, wide open.

How can the private sector, and in particular multinational enterprises, become a major vector for positive change towards a truly sustainable world? How can global governance approaches best build on new trends and developments in this respect and move even further?

- Breaking with past practices, some countries have already moved towards mandatory rules to govern certain aspects of private economic activity in the field of CSR, in particular with a focus on increasing business transparency through obligatory rather than voluntary reporting, such as in the EU⁴³² (on non-financial reporting obligations) or the UK (mandatory companies act 2006). In the field of corporate philanthropy, Mauritania enacted legislation back in 2009 already, and India adopted mandatory CSR provisions in this field in 2013 in the frame of its Company Act,⁴³³ creating the obligation for companies above a certain size and profitability to contribute 2% of their profits to social development. France broke new ground in 2017 with its duty of vigilance law. Corporate governance structures set towards pursuing responsible corporate policy have also been enacted, such as in South Africa.⁴³⁴ However, such approaches are state-centred, remain globally scarce and still tend to not be reaching far enough to ensure the transparency and relevance of detailed information companies have to provide, or the involvement of trade unions. Nor do such approaches cover smaller and medium-sized firms, or resolve the gap between what may be mandatory in certain countries but voluntary in others, while financial flows, value chains and markets are global.
- Following decades of soft law approaches and relative laissez-faire, the pressure exerted by the 2015 Paris Climate Agreement has now started to shift the focus for multinationals from soft to hard law, essentially in view of reducing greenhouse gas emissions by forcing accelerated industrial and technological change. However, while legislation is being brought forward in developed countries (such as the European Green Deal and its “Fit for 55” package of legislation), carbon-intensive activities may still increasingly be relocated to less well regulated places across the planet, in the absence of a global framework. In the EU, the planned carbon border adjustment mechanism (CBAM) will notably try to address this with regard to trade.

⁴³¹ <http://documents1.worldbank.org/curated/en/731511468325284128/pdf/661030BRI0Box365730B00PUBLIC00FS00240CSR.pdf>

⁴³² On 20 April 2021, the European Commission made an important proposal for the revision of the existing Directive on Non-financial Reporting. The new proposal would require large EU companies and companies listed on an EU-regulated exchange to use the same set of standards to report on environmental, social and governance matters every year. They would also be required to report not only retrospectively but also on their sustainability strategies and targets and the due diligence processes used to identify negative impacts and risks - including in their supply chains.

⁴³³ <http://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf>

⁴³⁴ For a review see Lin Li-Wen, Columbia Law School's Blog, November 20, 2020, <https://clsbluesky.law.columbia.edu/2020/11/20/mandatory-corporate-social-responsibility-legislation-around-the-world/>

- In the field of global corporate taxation, the recent US proposal for an effective global minimum corporate tax rate of 21%, alongside a 28% rate inside the US and provisions to make it harder for US companies to move profits overseas, is a land slight change and opens up a totally new perspective in this critical field of global policy, and possibly beyond. If well articulated, a global minimum corporate tax rate of this magnitude could recover more than \$640 billion in underpaid tax from multinationals each year⁴³⁵ and provide significant new revenue not only to reduce inequalities and address the impact of COVID-19, but to finance a sustainable ecological and social transformation across the globe. However, depending on how the proposal would be articulated globally, it could disproportionately favour richer countries, members of the OECD, at the detriment of poorer non-OECD countries,⁴³⁶ which the OECD agreement on a 15% global minimum corporate tax may lead to. In an alternative Tax Justice Network (TJN) proposal, lower income countries in particular, where half the world's population lives, would see the amount of underpaid tax they recover almost double from \$16 billion under the OECD proposal to \$31.3 billion under the TJN/METR proposal. The \$31.3 billion would be equivalent to 36% of the combined public health budgets of lower income countries.⁴³⁷ While the progress towards a common global minimum rate has been praised by many as a historic achievement, the level of the rate has also come under strong criticism - while a 15% minimum rate could at best eliminate the worst excesses of current corporate tax avoidance practices and end race-to-the-bottom tax competition among jurisdictions, it would also de facto legitimise a system where capital earnings from corporate activity are far less taxed than other sources of revenue, especially labour.
- The United Nations' "High Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI)"⁴³⁸ issued in February this

year its final recommendations in a highly commendable report - calling for a global system of financial integrity for sustainable development - to address global illicit financial flows from tax abuse, cross-border corruption, and transnational financial crime that drain resources from sustainable development. FACTI argues that the magnitude of the resources the world stands to gain by creating financial integrity for sustainable development is enormous. As much as 10% of the world's GDP might be held in offshore financial assets. An estimated \$7 trillion of the world's private wealth is funnelled through secrecy jurisdictions and haven countries.⁴³⁹ One of its important recommendations, a global minimum corporate tax rate, has been proposed by the US weeks later (see previous point). A major recommendation of the panel is that international tax norms, particularly tax-transparency standards, should be established through an open and inclusive legal instrument with universal participation; to that end, the international community should initiate a process for a UN Tax Convention.⁴⁴⁰ The Convention should also provide for effective capital gains taxation. It could create a legal foundation for a new intergovernmental body on tax matters within the United Nations.

- In the area of human rights, work is ongoing since 2014 inside the UN system with a view to achieve an international legally binding treaty on "Business and Human Rights". The elaboration of this instrument, originally mandated by a resolution of the UN Human Rights Council, aims to complement and go beyond the UN Guiding Principles on Business on Human Rights (UNGPs) of 2011 with the objective to eliminate major gaps remaining in the protection of human rights against corporate abuses. The prospect of such a treaty is strongly supported by global human rights organisations in order to provide for worldwide uniform human rights standards, jurisdiction and applicable law as well as fair and effective access to justice assured for victims of business-related human rights.

⁴³⁵ <https://www.taxjustice.net/press/biden-tax-plan-can-recover-640bn-but-oecd-proposal-would-shrink-gains-and-reward-worst-perpetrators/>

⁴³⁶ *op.cit.*

⁴³⁷ *op.cit.*

⁴³⁸ FACTI report, February 2021, <https://www.factipanel.org/explore-the-report>

⁴³⁹ FACTI *op.cit.*

⁴⁴⁰ UN conventions are legally binding treaties that may be ratified by its member states

The need for genuine international rules to shape a universal framework of corporate responsibility for sustainable development

International law, as a determinedly state-centred system, does not provide ready-made solutions to the social and environmental problems posed by multinationals. Many experts point to a ‘mismatch’ between the international legal system – built around the notion of a society of ‘sovereign equals’, each with jurisdiction over a defined patch of territory – and the reality of transnational corporate activities. How can such a system provide an adequate framework for the international regulation of CSR?

Certainly, multinationals pose real challenges to the international legal system. But these challenges are by no means insurmountable. As far as needs and opportunities for international regulation are concerned, we may recall several significant arguments:

- The global community needs to address the gulf between the limited capacity of global CSR soft law approaches and the magnitude of the global net of mega-crises, calling for accelerated worldwide policy responses;
- Triggered by the Paris Climate Agreement, a growing body of, primarily, binding environmental and energy regulations is already redefining how the corporate sector, and in particular larger firms and multinationals, must in future respect societal imperatives and policy goals - however, this is essentially taking place in this field and in OECD countries, with the EU as a frontrunner through the European Green Deal;
- A major pillar of global voluntary CSR approaches - social and environmental sustainability reporting - is set to be far more regulated than in the past, in particular in the EU via the newly made proposal on the revision of its non-financial reporting directive. Once more, this creates divergent levels of global practices while multinationals operate globally, including through globalised value chains;
- A truly historic breakthrough in moving from a global soft law/CSR approach (through the OECD-led Global Forum on Transparency and Exchange of Information for Tax Purposes) to a legally enforceable approach is about to occur in the field of global corporate taxation, following the US government’s proposal for a global minimum corporate tax. This policy change is not only a game changer in the fight against inequalities and tax abuse. It also demonstrates that legally binding and enforceable policies are possible at a global level to address a major global problem (in this case tax abuse by corporations in the hundreds of billions every year), provided key governments have the political will to take action.
- The United Nations are potentially moving towards two innovative global and legally binding initiatives to address two global problems connected to corporate behaviour: human rights abuses and illicit financial flows (which the proposed global minimum corporate tax would also partly address). This would break additional ground towards legally binding governance to address the mis-functioning inside the global economy via a “Business and Human Rights” treaty (in negotiation) and a UN Tax Convention (as proposed by the FACTI Panel).

After a first and decades-long phase during which voluntary CSR approaches flourished globally as the “soft” backbone of the global economy, this brings the world and its multinationals into a second phase in which private regulation has to concede some significant ground to new government regulations. However, it is neither likely nor desirable that this second phase would last for an equally long time because it still leaves many issues unaddressed. It should rather be seen as a necessary step towards a new model of global regulatory governance.

Therefore, we call for a third and lasting phase made of genuine international rules to shape a universal framework of corporate (economic, environmental and social) responsibility for sustainable development. This could build on existing global governance progress, as detailed above, and on solid policy goals in all these fields, embodied by the UNSDGs.

A United Nations Convention on Corporate Responsibility

It could take the form of a **United Nations Convention on Corporate Responsibility**.⁴⁴¹ This would provide a legally binding minimum common global standard for corporate responsibility. It would, of course, not prevent companies to aim higher in terms of their sustainability engagement, and this could be the future goal of more ambitious global voluntary initiatives.

Content-wise, the Convention could use elements from the existing set of voluntary global initiatives and from the body of global policy such as notably framed within the UNSDGs, the Paris Climate Agreement, the ILO Conventions and its Decent Work agenda, the Convention on Biological Diversity, the CITES Convention on International Trade in Endangered Species of Wild Fauna and Flora, the Global Compact, and a future UN Tax Convention and Business and Human Rights Treaty. It could also reflect elements from best-practice national and European regulations that aim to shape corporate policy, such as through the European Green Deal. In doing so, the Convention would, for the first time ever in the history of globalisation, define a basic set of world-wide ground rules for corporate activity in the global economy and a corporate level-playing field across global value chains embedded, where necessary, in enforceable national laws across the globe.

This would mark a fundamental turning point for globalisation. It would have the ability to re-direct the enormous economic capacity of the global corporate sector towards collective societal goals and interests, while preserving and even fostering a new kind of entrepreneurship, innovation and sustainable form of progress through private activity.

In addition to this rules-based approach to global corporate activity, firms need to be their fair share in taxes wherever they have an economic activity and earn a profit across the globe. The breakthrough

towards a global minimum corporate tax rate of 15% is an important achievement in its own right - however, it is far from the 21% rate initially advocated by the US (creating an unjustified tax gap in favour of corporate taxation versus other revenues and income, in particular labour) and it does not sufficiently take account of the tax justice dimension towards poorer countries, as the previously cited TJN proposal does. Hence, **a global progressive agenda on taxation should continue to push for a higher and fairer future rate of at least 20%, including a fairer allocation of tax revenue helping poorest economies.**

» A global progressive agenda on taxation should continue to push for a higher and fairer future rate of at least 20%, including a fairer allocation of tax revenue helping poorest economies.«

⁴⁴¹ We recall that UN conventions are legally binding treaties that may be ratified by its member states

7.5.7. Fair and sustainable world trade

Debates focussing on trade policy have reached the mainstream of political discourse in Europe. As is documented by growing controversy surrounding the negotiation and adoption of Free Trade Agreements (FTAs), large parts of the European public possess critical awareness of how international trade and investment policy today not only coincides but actively contributes to the global meta-crisis described in section 7.2.

In their demands for greater consistency between trade and sustainability objectives, citizens are supported by a growing body of evidence. As noticed by a recent analysis, the trading relationships of the majority of countries participating in the global economy are structured by frameworks that impose significantly lower trade barriers on 'brown' industries and their carbon-intense products than are in place for 'green' goods and services. This amounts to an implicit subsidy of several hundred billion dollars annually that distorts global markets and accelerates climate change.⁴⁴² At the same time, the global trading system is found to increase inequalities within the countries that form its constituent parts,⁴⁴³ and must therefore be seen to produce detrimental externalities in both the social and the environmental fields.

Working towards the sustainable well-being of people and planet thus necessitates a fundamentally different approach to trade policy. Defining a truly progressive policy agenda to this end, however, requires more than fixing the negative impacts of trade on societies and ecosystems.

As one of the most prolific sources of international law, trade policy that incorporates sustainability objectives at its core has the power to become not only a companion but in fact an active driver of sustainable social and economic change on a global scale. With the exclusive competence for the conduct of trade and investment policy having been transferred from the level of Member States to the EU institutions, EU action that builds on the European Green Deal and the social-ecological policies advocated by this report has the opportunity to become truly pioneering in this regard.

The change needed to achieve this aim must, however, be considered to be considerable, as social and environmental aspects are so far being addressed at the margins rather than centrally in the EU's trade policy. Although the EU's latest trade agreements encompass chapters dedicated to 'Trade and Sustainable Development' (TSD), their level of ambition and effectiveness are criticised by civil society and recently also Member States.⁴⁴⁴ Typically, such criticism points to the fact that TSD chapters refrain from stipulating concrete and actionable commitments for the contracting parties in the social and environmental fields and lack robustness, not least as result of weak enforcement provisions.⁴⁴⁵

Although the European Commission, with the recent appointment of its first ever Chief Trade Enforcement Officer, has taken a first step to build greater institutional capacity to ensure compliance with the sustainability-related and other commitments stipulated in EU FTAs, more and deeper policy change remains urgently needed.

» Working towards the sustainable well-being of people and planet thus necessitates a fundamentally different approach to trade policy.«

⁴⁴² Shapiro, J. (2020): The Environmental Bias of Trade Policy, Energy Institute Working Paper 305, available at: <https://haas.berkeley.edu/wp-content/uploads/WP305.pdf>

⁴⁴³ United Nations Conference on Trade and Development (2019): Trade policies and their impact on inequalities, available at: https://unctad.org/system/files/official-document/tdb66_d4_en.pdf

⁴⁴⁴ Non-paper from the Netherlands and France on trade, social economic effects and sustainable development (8 May 2020) available at

<https://www.permanentrepresentations.nl/documents/publications/2020/05/08/non-paper-from-nl-and-fr-on-tradesocial-economic-effects-and-sustainable-development>

⁴⁴⁵ See for instance: Harrison, J. and Paulini, S. (2020): The trade and Sustainable Development Chapter in the EU-Mercosur Association Agreement – Is it fit for purpose? Study Commissioned by ClientEarth, available at: <https://www.documents.clientearth.org/wp-content/uploads/library/2020-07-15-the-trade-and-sustainable-development-chapter-in-the-eu-mercrosur-association-agreement-ext-en.pdf>

Laudably, such needs are recognised by the European Commission itself. Acknowledging a mismatch between its traditional trade policy approach and the objectives set out by the European Green Deal, the European Commission has launched a review process to ensure trade policy contributes to the aims of achieving greenhouse gas neutrality by 2050 and building more environmental and social sustainability into global supply chains.⁴⁴⁶

In order to turn this review into a real opportunity to end the global meta-crisis, progressives should engage with the European Commission to define a new and holistic vision of international trade. By defining an innovative policy strategy that transforms trading relationships with third countries into comprehensive sustainability partnerships that commit both sides to policy action in the interest of a progressive economic and social transformation, EU trade policy should assume global leadership and act as a role model for broader social-ecological policy change in the global arena. Such trade and sustainability partnerships should be based on the principles of mutual support and accountability, and be designed in a participative fashion, hence with interaction and cooperation extending beyond the level of governments to include parliaments and civil society and by leveraging a contribution from businesses benefitting from the openness of global markets.

Striving for global and domestic co-benefits must be a key concern in fashioning this new approach for EU trade policy. At the same time as building cooperation and mutual commitment to change in the interest of sustainable well-being, maintaining the autonomy needed to safeguard high levels of employment, industrial competitiveness, and societal well-being in the face of adversity is key. EU trade policy must therefore remain compatible with the strategic development of industrial capacity in Europe and the aim of building resilience into related supply chains. The flipside of such a strategy of open strategic autonomy, for which the European Commission has made first, albeit not sufficiently clear, proposals as part of the launch of its trade policy review, should be a commitment to support partner countries in achieving similar domestic

objectives, which should take the form of aid and active development cooperation where this concerns developing countries.

The case for reforming the structure and functioning of the international trade system has become even more pressing in light of the COVID-19 pandemic. With supply chains for essential medical products breaking down and the global trade rulebook hampering global solidarity and fairness, especially as regards the development of an effective global vaccination campaign, there can be no doubt that redefining the nexus between public health and trade policy is urgently needed, both to bring the coronavirus pandemic to an end and to prepare for future public health crises.

Bringing such change to fruition will require more than political action at the EU level. Ensuring sustainability, resilience, and fairness in international trade without considering the role of multilateral institutions, and the World Trade Organisation in particular, would be doomed to failure. Together with a new United States administration that appears to reinstate this crucial partner's commitment to the multilateral system, the European Union should take the initiative to modernise the multilateral trade architecture and ensure its consistency with environmental and social policy objectives, and ensure its effectiveness.

To this end, the ICSE issues the following recommendations:

⁴⁴⁶ Cf. COM(2021) 66 final, available at: https://trade.ec.europa.eu/doclib/docs/2021/february/tradoc_159438.pdf

Flank trade negotiations with clear and actionable sustainability roadmaps

When engaging in trade negotiations with partner countries, the European Union should, together with their counterpart, define clear and actionable sustainability roadmaps to ensure key standards in policy fields, such as human and labour rights, environmental protection, corporate social responsibility, and good governance, are respected and enshrined in domestic legislation by both parties before the ratification and entry into force of trade agreements. Such roadmaps should be defined through participative processes, involving parliaments and representatives of civil society on both sides. Their application should be consistently monitored and enforced, on the EU side under the responsibility of the Chief Trade Enforcement Officer. As a minimum, such roadmaps should contain the Universal Declaration of Human Rights, the eight International Labour Organisation Core Conventions,⁴⁴⁷ Multilateral Environmental Conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Businesses and Human Rights, and the multilateral standards for the effective minimum taxation of corporate income described in chapter 7.5.6. of this report.

Improve the robustness of Trade and Sustainable Development chapters

Going forward, EU FTAs should contain more effective and enforceable Trade and Sustainable Development (TSD) chapters that stipulate clear and actionable commitments for the contracting parties. A more robust approach to such chapters should therefore form the basis of future EU FTAs. Where possible, the European Commission should actively work towards the activation of review clauses in existing FTAs to ensure their alignment with this new set of criteria.

To render them more effective, TSD chapters should commit the parties to the achievement of the United Nations Sustainable Development Goals and define quantified targets for the reduction of greenhouse gas emissions, deforestation, and poverty. Given that trade liberalisation is frequently associated with negative impacts on gender equality, TSD chapters should likewise contain specific chapters relating to the improvement of women's rights and the enhancement of women's ability to reap the benefits of trade and related economic opportunities.⁴⁴⁸ The provisions of TSD chapters should include purpose-built cooperation mechanisms to bolster their effectiveness and feasibility.

The monitoring of the contracting parties' compliance with the provisions laid out in TSD chapters should foresee a strong role for civil society. Such chapters should therefore foresee civil society complaints mechanisms as well as the establishment of Domestic Advisory Groups, comprising representatives of civil society organisations, trade unions, and employers' representatives, whose work should be fully financed by the contracting parties. Disputes arising under TSD chapters should be adjudicated and settled by recognised experts in relevant fields, for instance in labour or environmental law. Established cases of non-compliance should lead to the collaborative definition of concrete action to address them. In cases of continued non-compliance, TSD chapter should foresee deterring sanctions, as an ultima ratio in the form of the repeal of trade preferences agreed under the FTA.

⁴⁴⁷ The eight ILO core conventions relate to: Freedom of Association and Protection of the Right to Organise, Right to Organise and Collective Bargaining, Forced Labour, Abolition of Forced Labour, Minimum Age, Worst Forms of Child Labour, Equal Remuneration, Discrimination (Employment and Occupation)

⁴⁴⁸ United Nations Inter-Agency Network on Women and Gender Equality (IANWGE) (2011); Gender Equality & Trade Policy, available at: https://www.un.org/womenwatch/feature/trade/gender_equality_and_trade_policy.pdf

Rebalance trade from brown to green goods and services

To put EU FTAs at the service of the transition to climate-neutral models of production and consumption, the European Commission should ensure EU FTAs systematically lead to lower barriers for trade in green goods with proven benefits for the green transition than for carbon-intensive brown goods. To ensure such provisions do not lead to the leakage of carbon-intensive goods and services into other markets, they should be flanked by mutual commitments to the reduction of the carbon-intensity of the contracting parties' economies, including through the phase-out of fossil fuel subsidies. Related policy development on the part of the European Commission could take inspiration from ongoing negotiations between a group of countries on an Agreement on Climate Change, Trade and Sustainability (ACCTS)⁴⁴⁹ and ensure consistency with ongoing work within the World Trade Organisation on an Environmental Goods Agreement.

Such a rebalancing from brown to green products should eventually lead to the adoption of broader sustainability assessments in the reduction of trade barriers. To this end, trade preferences, such as the reduction or abolition of tariffs and quotas, could be made conditional on the compatibility of the traded goods and services with a broad set of social and ecological sustainability objectives, for instance by offering low or no tariffs for products that have undergone effective sustainability certification while applying higher tariffs for non-sustainable products. First models of how such tariff systems could work in practice have been proposed by scientific experts and should be explored to this end.⁴⁵⁰

Make better and more timely use of sustainability impact assessments

Although the European Commission already makes use of sustainability impact assessments as part of its current trade policy, related practices should be improved considerably. Whereas the Commission's current approach foresees the compilation and publication of sustainability impact assessments at the end of the adoption process of FTAs, hence between the conclusion of negotiations and ratification, such policy evaluation should in the future be commenced alongside the negotiation process and feed into negotiations on a rolling basis. Additionally, the assessment of sustainability impacts should continue also after the entry into force of FTAs to monitor impacts of the trade relations thus established. As a general rule, sustainability impact assessments should be compiled by not-for-profit organisations, such as public universities, to avoid client bias.

Additionally, the European Commission should develop scientific methodologies to assess the overall impact of its trade policy strategy. As the cumulative and interdependent impact of individual FTAs may be different than the individual effects of singular FTAs, more encompassing assessment methodologies seem necessary to fully understand such interrelated policy outcomes.

⁴⁴⁹The group consists of New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland, further information is available at: <https://www.mfat.govt.nz/en/trade/free-trade-agreements/trade-and-climate/agreement-on-climate-change-trade-and-sustainability-accts-negotiations/#bookmark1>

⁴⁵⁰Werner Raza, Bernhard Tröster et al, 'How can international trade contribute to sustainable forestry and the preservation of the world's forest through the Green Deal' (October 2020), p.23, available at [https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/603513/EXPO_IDA\(2020\)603513_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/IDAN/2020/603513/EXPO_IDA(2020)603513_EN.pdf)

Align EU trade policy with domestic sustainability objectives

EU trade policy must be formulated in the broader context of the sustainable transformation of Europe, and therefore support action to build a productive and climate-neutral economy that supports high levels of employment and broadly shared societal well-being. The EU's revised trade strategy must therefore create synergies with ambitious industrial, environmental, and social policies and embed the EU economy in fair and resilient global value chains that enable sustainable and inclusive economic development in Europe.

As part of its beginning work on a new strategy of 'open strategic autonomy', the European Commission should conduct a comprehensive mapping of key sectors, goods, and services, that are crucial to achieve the aims of the European Green Deal and policies to foster well-being and sustainability in Europe more broadly. Where vulnerabilities are identified, for instance in terms of access to critical goods and raw materials, concrete action to address them should be proposed, if necessary, through diversification, stockpiling, near-shoring, or the exclusion of critical sectors and products from EU FTAs. Europe's future trade framework must ensure EU policy is able to actively drive the sustainable transformation through active interventions in markets, for instance by using public procurement to achieve public policy objectives, the control of Foreign Direct Investment, and trade defence instruments that work alongside the EU Carbon Border Adjustment Mechanism (cf. chapter 5.2.1.) to create a level playing field in the pursuit of environmental and social sustainability objectives.

Support developing countries in developing more sustainable supply chains

Future EU trade relations with developing countries must be embedded in broader frameworks that support such partners in driving domestic sustainable transformation strategies. As the proposed revision of EU trade policy in line with sustainability and well-being-related objectives, including through the rebalancing of trade from brown to green goods, is likely going to increase the difficulty of developing countries to trade with the EU, failure to include such a dimension in EU trade policy would likely lead to further widening gaps between Europe and poorer countries. Forging strategic partnerships with developing countries to allow them to seize development opportunities in key value chains for a sustainable economy, for instance in relation to recycling and the circular economy, as well as technology transfers and investment support for green technologies should therefore form part of partnerships between the EU and developing countries.

Additionally, such partnerships should work to leverage a contribution from the private sector

EU trade agreements with developing countries should therefore contain provisions to ensure that companies subject to the due diligence requirements discussed in chapter 3.4.1. do not roll over related costs to firms operating 'upstream' in such supply chains, and thus outsource the related financial burden to producers in developing countries. Related provisions should also ensure that local civil society has the means and capacity to participate in due diligence processes, including through the identification of potential risks and the filing of complaints. Related measures could take the form of aid for trade measures as well as the active support programmes carried out under the responsibility of EU delegations in partner countries. Moreover, partnerships with developing countries should include incentives for EU companies to establish sustainability initiatives in which serious and long-term commitments lead firms to improve social and environmental outcomes in supply chains. This would ensure that the costs of sustainability initiatives undertaken in supply chains are equitably shared between lead firms (typically registered in developed countries) and firms operating 'upstream' in the supply chain.⁴⁵¹

Assume sustainability leadership in the World Trade Organisation

EU leadership for a progressive overhaul of international trade in line with sustainability and well-being-related policy objectives must be associated with a strong commitment to the multilateral trade framework and its modernisation. The European Commission should therefore work with international partners to create momentum for necessary reforms of the World Trade Organisation to ensure its work and rulebook is consistent with, and supports, trade in the interest of global sustainable development and the United Nations Sustainable Development Goals. Ensuring greater permanent links between the WTO and other international organisations and conventions in key fields, such as the United Nations, International Labour Organisation, the World Health Organisation, and Multilateral Environmental Agreements should be a priority in this regard. Reforms to strengthen the parliamentary dimension of the WTO and enhancing the participation of non-state actors, such as representatives of local communities affected by trade-related challenges and of civil society organisations should also be undertaken with a view to enhancing the legitimacy of global trade policy. Crucially, work within a reformed WTO should serve to revive initiatives relating to issues of trade and environment, including negotiations on a 'Climate Waiver' that ensures WTO rules do not obstruct policies in the interest of climate change mitigation and adaptation, an Environmental Goods Agreement, guidelines for the implementation of circular economy approaches, and the phase out of harmful subsidies, for instance for fisheries and fossil fuels.

⁴⁵¹ Richard M. Locke, *The Promise and Limits of Private Power: Promoting Labor Standards in a Global Economy* (CUP 2013)

Develop greater multilateral capacity to ensure trade contributes to global public health policy

The COVID-19 pandemic has laid bare how the current multilateral trade system is incapable of producing fair and effective outcomes in the face of global public health crisis. Further to the actions laid out in section 7.5.1. of this chapter, action to permanently reform and capacitate the multilateral trade framework in this regard is therefore urgently needed. This should include permanent cooperation between the WTO and the World Health Organisation (WHO), which, as a first step, should lead to the definition of joint strategy to prevent disruptions of trade in essential medical products and to map and expand global supplies and production capacity and ensure its equitable geographic distribution. The WTO and WHO should further build joint and permanent capacity to deliver crisis management in the event of future global public health crisis, including by coordinating action to swiftly ramp up global production capacity for vaccines and treatments. Within the WTO, a newly established Trade and Health Committee should be established to prepare the revision and amendment of the WTO rulebook to ensure its improved functioning during future pandemics. This should include a targeted assessment of the current framework for waivers in the TRIPS agreement to determine the need for further flexibility elements.

7.5.8. Global Development and Solidarity for Sustainable Well-Being

The COVID-19 pandemic acted as a shockwave across the developing world. It has brutally exposed and increased pre-existing vulnerabilities in health infrastructures, but also in access to clean water, to food, or even to online education facilities in lockdowns, and others. It has already rolled back years of progress in reducing extreme poverty and in creating even basic economic structures for employment. The pandemic may increase extreme poverty by up to 200 million, and it has disrupted the education of hundreds of millions of children. Many of them may never return to school, in particular among girls.

This happens in many areas already struggling ever more with the effects of climate change on their livelihoods and on their natural environment, especially in rural areas.

It shows the extent to which global development policy, in its different forms, is engaged in a war against the world's meta-crisis. This is not the right path. The UNSDGs have opened a different perspective, and they notably engage richer nations to provide more global solidarity to economically weaker countries, notably through enhanced development cooperation in order to provide adequate and predictable means for developing countries (UNSDG 1).

Development assistance and the financial and non-financial support it provides are more critical than ever, in a world that moves towards an increasingly disruptive climate and towards deteriorating biodiversity. To these, many developing countries are

more exposed and less capable to adapt compared to rich countries. But development aid cannot become the world's fire brigade, shifting its limited resources increasingly to different forms of emergency aid, as the pressure from health, climate or other shocks will increase. Nor can it be left by and large alone in trying to build a fairer global community.

As much as there is only some time left for the world to limit climate change to manageable levels, there is only an equivalent amount of time left for the world to ensure - as much as this is still possible - that poorer countries can "take the shock" and that they can find their own pathway to sustainable development and well-being as soon as possible.

- Development policy and environmental policy, notably through climate policy and through policies to protect and re-develop biodiversity, are starting to come closer together, notably through initiatives such as the Green Climate Fund and the financing of adaptation in poorer countries. This evolution needs to go much further and it should coalesce into an integrated approach around a new social-ecological understanding and practice of development policy in combination with other policies, with the notion of sustainable well-being at its core, on which the Eu should take a global initiative. Hence also our preceding proposal for a Global Green Deal (7.5.4).
- Development policy and social policy, whether in the field of work or more generally with regard to well-being through access to food, health, housing, energy, or education need to come under one roof from the local to the global levels. Hence also our preceding proposal for

» Development assistance and the financial and non-financial support it provides are more critical than ever.«

» Only four of EU Member States now provide official development assistance of at least 0.7% of GNI annually.«

a Global Social Contract (section 7.5.5). For instance, a better enforcement of labour rights by a stronger ILO, the fostering of socially progressive trade or the development of a global fund for social protection and health would critically enrich development cooperation. This would be further enriched by creating the set of binding rules for global corporate activity, as recommended in section 7.5.6.

- Financing for development is more critical than ever, for at least two reasons. The unprecedented investment efforts being ever more deployed in the EU and now also in the US cannot be allowed to create a vast new development gap between richer and poorer nations. However, the technological advances this will unleash in those countries that invest early and strongly risk doing exactly that. Furthermore, the economic and social consequences of the pandemic on poorer countries have made development assistance even more important than before. The United Nations are looking for solutions, notably through the Financing for the Development in the Era of COVID-19 and Beyond Initiative (FFDI).⁴⁵² The EU should forcefully support this initiative in coming

months. It must also increase its own global solidarity. While the EU is the world's largest donor reaching a collective peak of 66.8 billion euros in 2020 and representing nearly half of global official development aid,⁴⁵³ still only four of its member states now provide official development assistance of at least 0.7% of GNI annually⁴⁵⁴ (Luxembourg, Sweden, Denmark and Germany, in this order). The collective share for the EU stood at 0.50% of its GNI in 2020, while in fact, only 2 additional member states provide just above 0.50%. This is despite the EU's commitment taken in 2005 to reach the 0.7% target by 2015, and again by 2030...Hence, fulfilling a **renewed commitment by the EU and its member countries towards achieving a collective 0.7% ODA target by 2030** remains critical to global development resources, and should be accelerated given the already existing new and pressing challenges indicated earlier on. The EU must also use its diplomacy at highest level to bring other rich donors to significantly step up their financial assistance, as well as developing complementary financial sources such as those discussed by the FFDI initiative.

7.5.9. Global Governance for the 21st Century

In the aftermath of the Second World War, the international institutional breakthroughs that occurred provided the momentum for decades of sustained economic growth and geopolitical stability sufficient for the transformation of the world economy, the shift from the cold war to a multipolar order, and the rise of new communication and network societies.

However, what worked then does not work as well now, as gridlock freezes problem-solving capacity in global governance. The search for pathways through and beyond gridlock is a hugely significant task – nationally and globally – if global governance is to be once again effective, responsive and fit for purpose.

The global governance architecture largely inherited from the immediate post-war phase, or even

⁴⁵² https://www.un.org/sites/un2.un.org/files/liquidity_and_debt_solutions_to_invest_in_the_sdgs.pdf

⁴⁵³ https://ec.europa.eu/international-partnerships/news/team-europe-increased-official-development-assistance-eu668-billion-worlds-leading-donor-2020_en
https://ec.europa.eu/international-partnerships/system/files/annex_-_tables_and_graphs_for_oda_memo_final_d1.pdf

⁴⁵⁴ https://euaidexplorer.ec.europa.eu/content/overview_en

from earlier on as for the ILO, has been in need of an overhaul since many years. A number of initiatives tried to promote change in the Nineties and up to the ILO's World Commission on the Social Dimension of Globalisation back in 2004.⁴⁵⁵

The latter noted at the time that one reason for instance social goals, such as employment, fail to receive priority at the global level, is because international organisations with different mandates do not work together sufficiently well. Hence, it recommended that "Policy Coherence Initiatives" be launched by the relevant international organisations to develop more balanced policies for achieving a fair and inclusive globalisation. The objective would be to progressively develop integrated policy proposals on specific issues which balance economic, social, and environmental concerns. Today, indeed, greater coherence has become more of a mainstream approach across the global institutions, which is also driven by the comprehensive character of the UNSDGs.

However, global governance goes well beyond incremental improvements in how the existing institutions work together. Furthermore, the quality of global governance is an issue for us all, across the world. The governance of our global commons - such as peace, decent work for all, a healthy environment, or social equity - is more critical than ever.

Today's system of global and multilateral governance - made of a whole constellation of global, regional, national, but also urban (cities) and local public institutions and stakeholders is multilevel and multilayered. It has to function horizontally as much as vertically, for any global problem it has to address. It has a certain capacity to adapt to challenges, in the search for pathways out of these problems. The climate negotiations are a good case in point. But to say the least, even where progress over major global problems occurs, it can be painstakingly slow, complex, limited and fragile. In front of it, those global problems can become ever more severe, and difficult to solve, potentially creating a dangerous and growing gap between the two for us all.

This system does not seem fit for the 21st century. Many of the global problems that need an answer remain unanswered or only partially so. There is no need to provide much more of an argument here. Humanity is in the middle of a global pandemic and we can see in front of our very eyes how the global governance system struggles to cooperate and to find common answers. Instead, national instincts dominate global policy-making.

This is not surprising. The multipolar world of today clashes with the growing complexity of and interdependence among global challenges, and with what would be the best policies to address those challenges.

» The global governance architecture largely inherited from the immediate post-war phase, or even from earlier on as for the ILO, has been in need of an overhaul for many years.«

⁴⁵⁵Such initiatives notably included the Commission on Global Governance (1995), the Independent Working Group on the Future of the United Nations (1995), Idris and Bartolo (2000), the Global Governance Reform Project (Camilleri et al., 2000), the Zedillo Report (2001) and the ILO World Commission for the social dimension of globalisation (2004).

National leaders and governments remain trapped in logics of national legitimacy and accountability, and global institutions are not accountable at all to the world's citizens in democratic terms. The clash is most acute in the field of climate change, and it has, understandably so, brought peaceful revolt onto the planet's streets, in particular from younger generations who find it hardest to accept the limits of global governance and action as it gets more exposed than ever before. But it can also be witnessed in the implementation of the 2030 Sustainable Development Agenda, which has to deploy enormous efforts at global institutional level to push an agenda that can only rely on repeated incantation and voluntary reporting processes and is now already being derailed by a global pandemic crisis which itself clashes with the limits of good global governance.

However, it is admittedly very difficult to conceive of a readymade solution to the gridlock in which global governance finds itself. Any future reform would at least need to consider the following elements:

- An objective re-assessment of the roles and powers of each global body in the UN system and beyond, leading to a more effective governance architecture in tackling global challenges, and based on clear missions
- An assessment of the financial resources necessary to confront global challenges at common global level with a view to provide a more reliable and sufficient budgetary capacity to the UN system
- A review of the democratic participation, representation and decision-making processes within each global institution
- A transition towards the development of democratic legitimacy and accountability of global institutions towards the world's citizens and global civil society
- A greater involvement of the world's cities in global governance policy and decision-making processes, as the share of citizens living in cities will exceed two-thirds of the world population by mid-century.⁴⁵⁶

In order to make progress towards both forward-looking and credible proposals for a global governance system fit for the 21st century, we recommend to first open a new and open process of reflection among experts and we would encourage an initiative to create a **“World Commission for 21st Century Global Governance”**, the work of which could be supported by even a small number of countries or public institutions as a start, such as the European Commission.

7.5.10. New Pathways to Well-Being: A Global Common Wealth Charter

We advocate in chapter 6 a European approach to “common wealth”, which could be extended to the global level.

Sustainable well-being cannot, in practice, only be achieved by aiming to improve material resources at individual level. First of all, in many countries there are political and economic limits on how far changes in tax systems can occur to make society much fairer. This does not mean that income tax systems should not become more progressive, or that wealth should not be taxed. It certainly has to be the case, but it should not be the only pathway.

This is not least so because a sustainable society cannot possibly be one that would essentially aim to achieve more well-being in a sustainable way by increasing purchasing power for the many, in a never ending and unsustainable race towards economic growth and material consumption. There is a scientifically documented imperative to move away from today's excessively materialistic and consumerist economic system.⁴⁵⁷ To do so requires a different approach to tackling inequalities, then one only focusing on monetary inequality.

Also, tax reforms aiming at the reduction of inequality are potentially unstable, because they depend on political choices of governments that can be reversed due to changing majorities.

⁴⁵⁶ <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>

⁴⁵⁷ See notably <https://www.nature.com/articles/s41467-020-16941-y>

» We advocate for a European approach to “common wealth”, which could be extended to the global level.«

In order to address these two concerns, re-distributional tax policy should be combined with a more far-reaching and more stable approach aimed at a common/collective base of non-monetary wealth accessible to and at the disposal of all, and acting as a driver for sustainable development goals. This approach could also provide significant support to the fight against poverty, and in particular extreme forms of poverty. Using the “common wealth” proposal made in the European context in chapter 6, a global approach would equally ensure that every person would be guaranteed free-of-charge access to a set of basic and essential services, such as education, medical treatment, public transport, or culture, and an access at low cost to a set of basic and essential goods, including food and water, energy, land and housing. This would at the same time allow public authorities to ensure that such services and goods are environmentally sustainable.

In order to frame this approach, a **Global Common Wealth Charter** could grant a set of sustainable well-being rights to all citizens, which could for instance include:

- Free quality education and training from early childhood throughout life
- Free quality healthcare
- Energy-efficient decent housing, land, clean energy and healthy food at low cost
- Affordable and non-polluting public transport
- Free of charge access to the Internet

ANNEX

**Summary of the
report's policy
recommendations**



Living in an economy dedicated to sustainable well-being for all

Making EU policymaking fit for sustainable well-being for all

Reform the foundations of EU policymaking through the adoption of a Sustainable Well-being Pact that stipulates actionable policy commitments relating to sustainable human and planetary well-being.

Develop institutional fitness in the EU through a Futures Capacity in the European Commission, a Sustainable Well-being Board in the European Parliament, and a Sustainable Well-being Council.

Adopt an interinstitutional agreement on cooperation and strong parliamentary involvement in the governance of the sustainable well-being pact.

Align the EU fiscal policy framework with sustainable well-being-related policy objectives.

Establish a meaningful EU fiscal capacity to provide stabilisation for Eurozone economies.

Align the EU budget with more balanced sustainability and well-being objectives.

Enlarge the EU Budget through new own resources to turn it into a powerful driver of the transition to a new model of society based on the principles of sustainable well-being for all.

Ensure greater consistency between sustainable well-being objectives and monetary policy by revising the European Central Bank's mandate.

Ensure policy coherence at the EU and national level through a European Sustainable Well-being Budgeting procedure.



Living in an economy dedicated to sustainable well-being for all

Make finance and the digital economy work for sustainable well-being for all

Uphold the original timeline for the implementation of the EU green finance taxonomy.

Complement the green taxonomy with a social taxonomy focussing on the social dimension of sustainability and well-being.

Define a horizontal 'do no significant harm' principle to ensure green investments do not compromise social objectives and vice-versa.

Establish uniform EU green and social bonds standards for investment instruments based on the green and social taxonomies.

Improve the availability of sustainability information in financial markets through comprehensive, stringent, and comparable sustainability reporting standards.

Penalise 'brown' investments through targeted revisions of prudential financial sector regulation.

Submit the financial sector to carbon stress tests to determine its vulnerabilities stemming from climate change and the transition to a climate-neutral economic model.

Require banks and financial firms to define comprehensive carbon net-zero strategies to ensure the green transition does not lead to financial market turmoil.

Update the EU Credit Rating Agencies Regulation to ensure sustainability issues are taken into account and create a public EU agency.

Platform regulators' mandate must mirror the scope of platforms to ensure the digital economy can be regulated and governed properly.

Apply stricter control to mergers in the digital economy and punish violations of related conditionalities.

Ensure interoperability across digital services and market places to prevent digital services operators from locking in users to monopolise data and increase their profits.

Ban targeted advertisement to stop the maximisation of profits through the manipulation of consumers.

Regulate user engagement techniques that manipulate users and have increasingly detrimental impacts on democracy.

Foster diversity in the online marketplace for goods, services, and content break the dominance of a handful of online giants.

Establish a European framework for data altruism to enable forms of data sharing that serve the public good.

Define stringent rules to ensure AI is bound by ethical standards that ensure respect for fundamental rights.

Make conformity checks for AI applications mandatory to ensure they comply with ethical standards.

Make the use of AI transparent and empower citizens to challenge instances of discrimination.

Develop an ambitious industrial policy for ethical AI made in Europe.

Establish national expertise centres for ethical AI to provide advice and support for businesses.



Living in an economy dedicated to sustainable well-being for all

Turn companies into agents of sustainable well-being for all

Require large and high-risk corporations to define comprehensive sustainability strategies that ensure businesses contribute to the transition to a new economic model focussed on sustainability and well-being.

Adopt a European Directive on mandatory corporate due diligence to make businesses accountable in for their impact on society and the environment.

Condition state aid and access to public procurement on good corporate governance.

34
Strengthen employees' right to board-level representation to give key company stakeholders a say in corporate strategy.

35
Bolster workers' rights to information and consultation, especially with regards to the management of change and restructuring.

36
Eliminate incentives for company directors to focus excessively on shareholder interests so that considerations of long-term value creation can prevail in corporate decision-making.

37
Limit the voting rights of large shareholders to limit the concentration of power in corporate decision-making.

38
Reward patient shareholding to mitigate the pressure on companies to focus on short-term profit.

39
Adopt an EU directive establishing a benefit corporation statute in all EU Member States that promotes public purpose-driven forms of business.

40
Introduce incentives and provide support services to promote the uptake of the benefit corporation statute.

41
Develop an EU social economy action plan that addresses key challenges and nurtures this sector that can play an outstanding role in a sustainability and well-being-focussed economic model.

42
Establish a dedicated Commission service for coordinating policy for the social economy.

43
Include the social economy in the future EU social sustainable finance taxonomy to improve access to finance for social economy operators.

44
Support the digitalisation of the social economy.

45
Foster collaboration between social enterprises and conventional businesses to enable mutual learning.

46
Build cross-sectoral capacity in the European Commission for the governance of mission-oriented innovation processes.

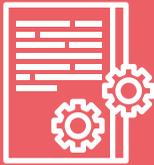
47
Use the experiences made as part of the turn towards a mission-oriented approach to innovation in the European commission to assist public authorities at all levels to follow suit.

48
Establish European innovation hubs that create networks between public research infrastructures, public and private companies to pool their expertise and potential and enable knowledge and technology transfers.

49
Boost European sustainability science to build greater capacity for transdisciplinary research and development that addresses societal challenges.

50
Adapt private sector research and innovation funding to create better incentives for companies to contribute to mission-oriented innovation processes.

51
Develop a European standard for innovation funds that recycle profits from publicly funded research and development.



Living in a society of change: the imperative of a just transition

Resilience: an inclusive definition to implement transformative policies

52 Develop broad vulnerability indicators for the EU, Member States and regions (NUTS 2 level).

53 Create a comprehensive dashboard of resilience indicators for the EU and its Member States.

Build “integrated” climate resilience impact assessments, which would combine different types of modelling tools to uncover the interlinkages across the environmental, economic and social dimensions of development, targeting the importance of bringing inequalities to the fore.



Living in a society of change: the imperative of a just transition

Inclusive governance and open democracy for a just transition

54 The concept of a Just Transition process as well as the role of social partners in its governance must be enshrined in the legislation. Social dialogue and the role of trade unions should be explicitly mentioned in the Climate Law, the European Green Deal and the Adaptation strategy.

55 Invite Member States to produce national “Just Transition Strategies” as part of their National Energy and Climate Plans (NECPs).

56 Create a European Green Deal advisory board with trade union representations.

57 At sectoral and workplace levels, extend the scope of collective bargaining to green transition issues to discuss the impact on employment and wages of the decarbonisation process and the impacts on skills needs and health and safety at work.

58 Negotiate agreements at sectoral and company level to map the future evolution of skills needs and the creation of sectoral skills councils within a global commitment to retention, retraining and redeployment of workers, and ensure and support skills development, particularly for vulnerable workers.

59 Develop and strengthen a network of Trade Union representatives at the workplace level and involve workers in concrete actions aiming to assess the environmental footprint of their company.

60 Foster the engagement and active participation of all stakeholders, including youth, in accelerating the shift towards a more sustainable Europe.

61 Developing Inclusive and local frameworks on a just and inclusive Transition with stakeholders, especially the one representing the most vulnerable (CSOs including NGOs and various stakeholders).

62 Introduce a European association statute to strengthen freedom of association, assembly and expression.

63 Build several ‘Citizen conferences’ on a Pan-european scale including a panel of citizens, experts and decision-makers discussing the respective importance of the different dimensions of well-being and agreeing on a scoreboard common to be implemented.

64 Involve citizens in deliberative and participatory settings to discuss desired and concrete pathways to sustainable well-being for all, developing the concepts of community placemaking conversations.

65 Ensure that the information on investments and reforms financed by the EU – expenditures, physical implementation and procedures – are properly accessible to all citizens in an open and verifiable way, and that participative monitoring is facilitated at local level.

The European Commission should explore innovative ways to effectively engage with citizens to source ideas, co-create solutions, and seize opportunities provided by digital government tools.

Build a European Model for local and regional practices on climate-sensitive participatory budgets.



Living in a society of change: the imperative of a just transition Education and lifelong learning

Protect holistic education as a public good and protect the social role of schools and education.

The European Union should launch a broad consultation on the Future of education and skills in a in an ever-changing and interconnected world.

The European Education Action Plan should implement the European Pillar of Social Rights and should require the member states to present their national strategies and adopt a clear monitoring on national actions and reforms in line with its goals.

Taking into consideration the needs of all key stakeholders in education (including teachers, school leaders, and other education personnel, students, parents, and the wider community), is important for inclusive education creating democratic school culture.

The European Commission should carry out thorough research and impact assessment, and adjust the targets based on trustworthy data on the impact of the COVID-19 crisis on education, students and teachers.

Safeguard appropriate funding to Education and teachers (funding education should be regarded as an investment rather than a cost for society and national budgets).

The EU should be more ambitious in order to ensure sustainable investment to high quality and inclusive education and to invest more in order to facilitate innovation with the best learning and teaching equipment in schools.

Ensure adequate, long-term funding at both European, national, regional and local level, to unlock the full potential of sustainable development skills across all learning sectors.

Establish that the “European skills strategy for sustainable competitiveness, social equity and resilience” from the EC must guarantee the right to lifelong learning for all and in all areas.

Introduce a skills-based compensation systems in companies accessing public funds for upskilling workers and in agreement with workers’ representatives, as this system would ensure that there is a return on that public investment.

The Digital Education Action Plan should help advance the digital transition in education with a view to help training according to the learner’s needs and reach out to people from remote areas.

EU member states should better connect environmental policies to education policies and the European Commission should support to set up national green skills and competence strategies.

Strategic foresight will be an essential tool to predict and prepare policies to leave no one behind and to avoid severe skills shortages in Europe’s technologically advanced industries and support older workers to acquire significant new knowledge, particularly in the field of new technologies.

Civic education promoting equitable, inclusive, and fair societies needs to be mainstreamed through all education from early ages to later on in adult life.

Promote a green mind-set in skills, education and training programmes, beyond the labour market, as an important area of citizenship competence.

Incorporate Sustainable Development in education and training policies and programmes such as the European Education Area, Digital Education Action Plan, aligning with Sustainable Development Goals.



Living in a society of change: the imperative of a just transition

Just transition and place-sensitive policies for sustainable cohesion

Data need to be systematically collected and used at place level on exposure to environmental hazards by socio-professional or income group and on cumulative vulnerability and health risks across social groups due to the distribution of the burden of environmental inequality.

Data need to be systematically collected as well on issues such as opportunities, institutional quality, well-being and welfare at local level, as well as on the impact of trade, globalisation and automation, among other processes, at a fine subnational level.

Mapping the perturbations in labour market caused by the economic transition to a new production system and of the transition towards a low carbon economy.

Promote public and open scrutiny at place level to strengthen the role of organisations representing economic and social interests and civil society affected by the transition in integrated territorial strategies.

Mainstream attention to the needs of the most vulnerable regions across all EU policies, including to support the energy, digital and industrial transitions, which tend to adopt a top-down approach and are not well aligned with their needs.

Ensure that structural reforms entail a place-based sensitivity.

Support and encourage investments in sectors with high employment creation and environmental protection potential, such as energy efficiency, renewable energy, with particular attention being paid to energy poverty, sustainable mobility, and the upgrade of transport infrastructures among other investments.



Living in a society of change: the imperative of a just transition

Climate justice: the need for a fair adaptation framework and just environmental policies

A European Climate Justice Governance Regulation. The ecological progress cannot lead to social regression, and lower income households should not bear the costs of this ecological transformation, whether through higher prices or taxes, or through labour market changes that may leave them unemployed. Equally, this should not leave exposed or vulnerable regions

and communities behind. Even more so, wherever possible, policies aimed at decarbonisation should be used to generate social progress, to improve economic and social well-being for all. Despite a range of important EU initiatives to address this (such as the Just Transition Fund or the forthcoming Climate Social Fund), a lot will depend on how national and regional

governments will address the social risks and opportunities of the ecological transformation. Hence, alongside the Fit for 55 initiatives, the European Commission should bring forward a Climate Justice Governance Regulation, notably inspired by the existing Energy Governance Union approach, to develop and monitor national climate justice plans.

The EU adaptation strategy to climate change must be legally binding.

Mainstream climate adaptation in, and maximise the co-benefits with, all relevant EU policies towards a more sustainable future, such as agriculture and food production, forestry, transport, trade, energy, environment, water management, buildings, infrastructure, industrial,

maritime and fisheries policies, as well as cohesion policy and local development, and social policies, and the need to ensure that other European Green Deal initiatives are consistent with climate adaptation and mitigation measures.

Develop a strong social dimension, which would put people first. The adaptation strategy should include meaningful indicators to monitor its socio-economic impacts and to assess the value of the prevention and management of risks linked to climate change.

Support social protection policies to protect lower-income groups against the threats of climate hazards.

Adaptation measures must promote and not undermine gender equality. This means women should participate in the 'gender-screening' of all proposals, to assess their specific impact.

The EU should pilot more closely policy to assist local communities develop and implement adaptation plans, and support urban-planning, investment in resilient infrastructure and housing.

The EU needs to plan for the consequences and to invest in public services, infrastructure, social protection and insurance schemes, so that our societies are ready to handle the challenges.

Public policy will have to play a critical role in providing public goods for adaptation and ensuring that social processes and institutions are flexible enough to learn and assess policy options.

Design a Climate risk insurance for low-income households as one fundamental element of the social-ecological welfare state.

Introduce legislative instruments that recognise the increased safety and health risk faced by workers due to climate change and create obligations to protect them.

Establish social protection mechanisms at European level to support Member States in case of emergencies.

Strictly monitor the development and implementation of national adaptation strategies, with regards, in particular, to the assessment of climate change's socio-economic impact and make sure trade unions are involved.

Provide sufficient funding for adaptation through a rise of the amounts dedicated to adaptation by the different European Structural and Investment funds.

European trade unions and European employer's organisations should establish a strong and stable social dialogue on the implications climate change may have on the health and safety of workers in order to issue guidance for companies on how they should act to protect their workers.

Promote the adoption of integrated industrial policies that would be consistent with sustainable development goals, providing industry with clear strategic objectives, a stable regulatory, financial, fiscal and legal framework and allowing for the creation of green and decent jobs.

Promote investment in sustainable technologies. Promote European and national public and private investment in green technologies through European R&D, as well as the creation of European technological platforms dedicated to low & zero carbon technologies.

In regions and industries most affected by the transition, promote economic diversification as well as the adoption of policies and measures that will allow a just transition for workers.

Ensuring a just transition will require an adaptation of vocational and educational systems but also active labour market policies targeting employment creation, training and life-long learning.

In regions dependent on carbon-intensive activities, the transition process should lead to support workers with measures aiming at creating requalification and redeployment of workers, from declining sectors to growing sectors.

Identify both challenges and opportunities: In sectors and regions that are the most affected by the change, identify both challenges and opportunities linked to the decarbonisation process and promote initiatives aiming at retraining and relocating workers in developing sectors.

Promote the integration of adequate social protection measures into national climate change policies including measures specifically targeting those who are going to be negatively affected, and in particular workers largely dependent on natural resources or facing major structural changes.

Promote mechanisms, including public money, economic instruments and incentives to ensure that infrastructure and appropriate supports exist for consumers wishing to choose a low carbon lifestyle.

Adding a provision to ensure that access to energy services is a basic social right. Along these lines, a broad European definition of energy poverty, refined by Member States according to their own national circumstances should be established.

Set criteria for a significant minimum percentage of energy efficiency obligation schemes to target energy-poor citizens. A "European Energy Poverty Observatory" that would bring together all stakeholders would help define European energy poverty indicators.

The EC should launch without any delay a "Just transition strategy for the automotive sector" so as to anticipate and manage the changes.

Increased EU funding should help local, regional, national authorities to overcome current obstacles to make renovation accessible to all so that high upfront costs are not borne by vulnerable people.

Public subsidies in favour of fossil fuels must be phased out as soon as possible.



Living a healthy life on a decarbonised and preserved planet

A fair path to decarbonisation: beyond carbon pricing, the need for carbon value and a consistent political agenda

Set broader political objectives for carbon pricing : The European Commission must provide more comprehensive, complete and detailed assessments on quality jobs and employment. The aim would be to integrate the overall social benefits of increased climate ambitions policies, notably in terms of well-being and quality of life.

Make the ETS more efficient. the cap of the EU ETS will have to be significantly adjusted in view of the prominent role of emissions from installations regulated by the EU ETS.

Make the ETS fairer. Free allocation should be abolished and replaced by auctioning of all emission allowances. This measure would make the EU ETS fairer to citizens, since it would divide the costs of the low-carbon transition more equally between citizens and industry.

The Carbon Border Adjustment Mechanism must be part of a broader EU industrial strategy and goes hand in hand with a full phase out of all current measures aimed at mitigating carbon leakage, including free ETS allowances. It should be designed in a way that limits the risk of offshoring of manufacturing activities downstream the value chain.

Allocate revenues of carbon pricing (reformed ETS and CBAM) to just transition and mitigation policies. Options should be explored for pricing carbon through a contribution payable in non-ETS sectors, with part of the resulting revenue to fund assistance for workers, communities and regions.

Carbon dividends: an equitable use of the revenues. Carbon pricing revenues should be used to counter potential negative social and economic consequences resulting from the decarbonisation process, and that these revenues collected due to increased pricing of CO₂ should be redistributed to citizens. One use of revenues that is likely to be fair everywhere is to use transfer payments to lessen the impact on the households whose cost of living is disproportionately affected by carbon pricing.

Aim for a net decoupling taking greenhouse gas consumption emissions, not only production emissions, as a reference and promote on this basis and other equity criteria as a comprehensive global collective climate justice strategy.

Establish a European carbon budget to quantify the amount of GHG emissions that can be emitted in total over each 5 year period through 2050 and to define a fair distribution of the emissions space among countries by equity principles.



Living a healthy life on a decarbonised and preserved planet

Align policies and regulatory frameworks with the objective of achieving climate and sustainable well-being goals

Provide a comprehensive framework to put the EU industry on track to reach climate neutrality by 2050. Massive investment in the development and deployment of low carbon breakthrough technologies are needed.

Set a comprehensive renewable strategy. Increasing the renewable energy target could help secure and develop an industrial value chain in the EU for renewable technologies and therefore create new quality jobs.

Support cross-sectoral technologies as pathways to decarbonise Energy Intensive Industry (EIs).

Set European platforms for cooperation such as shared infrastructure for sustainable process technologies and organisation of industrial symbiosis.

Support re-adjustment programmes for SMEs in the EIs value chains that are specialised in conventional technologies, in order to help them to redefine their value chain positioning and to redirect their core competencies while preserving jobs.

Improve synergies between Renewable Energy and Energy Efficiency. The transformation to a sustainable energy system with high shares of renewables would meet climate goals and pay for itself. It would lead to massive job creations between now and 2050, and the health, environmental and climate benefits would save up to six times more than the additional costs associated with reconfiguring the energy sector.

Build new infrastructures to support new technologies and processes. Carefully co-ordinated planning coupled with targeted incentives will be needed to ensure that the right infrastructure is built at the right time. Renewable hydrogen, for instance, will require a strategic and quick upgrade of both production and distribution of renewable electricity and will have to be dealt with in the framework of the Energy Union governance.

Address with a serious focus the limitations of Carbon Capture and Storage technologies. The EU should adopt a 2030 emission reduction target supplemented by a separate target for removals to ensure both advance at the necessary scale independent of each other, while avoiding confusion and counter-productive incentives. Mixing emissions and removals in a single target would allow other countries to do the same and undermine the transparency and trust that is needed to accelerate the transition towards climate neutrality.

Re-design mobility systems around accessibility, i.e. ensuring that people are able to easily reach jobs, opportunities, goods, services and amenities by giving priority to sustainable modes and creating proximity between people and places in order to contribute to enlarging mitigation potential, while also improving life quality through delivering better equity, health, economic, road safety, and wider environmental outcomes.

Promote and extend the Ecodesign framework. In order to make sustainable products the norm, support an extension of the scope of products covered by ecodesign-type minimum performance requirements, including material and chemical contents, durability, reparability and recyclability, carbon and environmental footprinting and sustainable sourcing (recycled contents notably).

Establish effective economic incentives for resource-saving strategies. Establishing incentives to create a vibrant market for repair would reduce costs and encourage users to repair.

Develop new eco-design requirements for digital and electronic products with the implementation of an EU Extended Producer Responsibility (EPR), whereby the manufacturer would be responsible for the entire life-cycle of products.

Address growing waste management issues. All packaging must be designed for reuse and recycling, provide transparency on the chemical composition, be separately collected and materials must be sustainably sourced.



Living a healthy life on a decarbonised and preserved planet

The crucial contribution of natural carbon sinks to GHG emission reduction

Only biomass that adheres to sustainability criteria should be considered carbon neutral in the EU's climate legislation. The greenhouse gas emissions from burning biomass that do not meet these criteria must be accounted for in the carbon pricing mechanisms.

The CAP must set concrete targets against conversion to cropland and fund restoration of damaged carbon sinks.

Step up EU Action against Deforestation and Forest Degradation.

Propose a wide-ranging restriction on microplastics in products placed on the EU/EEA market to avoid their release in the marine environment after a highly polluting life-cycle.



Living a healthy life on a decarbonised and preserved planet

"One" Planetary and Human Health

Mainstream the 'One Health' approach⁴⁵⁸ in Europe to build pandemic preparedness, enhance pandemic prevention programs, and to investigate and control outbreaks across sectors.

Prevention can have a significant impact on the achievement of sustainable well-being goals and the sustainability of healthcare systems, particularly in relation to the growing burden of chronic diseases linked to environmental causes. Welfare systems need to better target populations in vulnerable situations. Providing universal healthcare coverage should be a key element in such efforts, levelling the playing field in terms of access and utilisation of health services.

Include a strengthened chapter in the European Pillar of Social Rights, which would underline the right to a healthy environment as essential to ensure adequate living and working conditions and promote well-being.

Stress-test the capacity of Member states Health Systems to manage in socially equitable ways existing diseases and forthcoming climate change-related shocks and stresses.

Align policies that aim to reduce the effects of climate change on human health – for example, by strengthening health services – with the objectives of reducing poverty and inequalities.

Secure the recognition of biodiversity as a global public good and as a central policy agenda at all levels of government, in addition to the recently proposed Biodiversity Strategy for 2030.

⁴⁵⁸ One Health' is an approach promoted by the United Nations to design and implement programmes, policies, legislation and research in which multiple sectors communicate and work together to achieve better public health outcomes.

Establish a Biodiversity Law. Biodiversity loss and climate change are challenges of a similar magnitude and urgency, and are fundamentally interlinked. They must be addressed together as part of a broader green and inclusive recovery. Instead of incentivising activities that harm

Biodiversity proofing should be mainstreamed across all EU spending and programmes on the basis of the EU Taxonomy, with the precautionary and 'polluter pays' principles taking precedence in EU actions.

Align the CAP with the European Green Deal objectives by dedicating sufficient and qualitative CAP funding to incentivise and reward farmers to deliver on the objectives of the European Green Deal. This would include : reducing pesticides, fertilisers and

Enforce the precautionary, the "non-regression" and the "do no harm" principles in all aspects of food and farming policy.

Promote the mainstreaming of agroecological farming in EU agriculture to organise the transition towards production and consumption models that are, in the long run, generators of health. European agricultural policy can and must serve the objectives of the sustainable well being in all its components.

Initiate a European strategy to propose concrete measure to reduce exposure to endocrine disruptor chemicals such as pesticides, as part of the EU's zero pollution ambition.

biodiversity, governments and the EU should redirect subsidies to activities that deliver socio-economic outcomes and have a positive impact on biodiversity. This would imply setting a legally binding biodiversity framework, similar to the Climate Law, which steers a path through

Scale up investment in biodiversity conservation, sustainable use and restoration and put a price on biodiversity loss by setting biodiversity spending targets for COVID-19 stimulus measures and recovery plans and reform subsidies harmful to biodiversity.

antimicrobials use, increasing organic farming, agroecology and agroforestry, deploying high-biodiversity landscape features, cutting greenhouse gas emissions, preventing food loss and waste, improving the circularity of the agriculture sector, a.o. through

Fill the legislative gap on soil protection by proposing a legally binding framework to address soil degradation at the EU level, including reducing soil erosion, increase soil health and biodiversity, and tackling soil contaminants.

Adopt a comprehensive Environmental Health Strategy, to streamline health requirements across relevant EU policy proposals. The strategy should provide a coherent framework for environment-related public health threats, including air, water and soil pollution.

Systematically evaluate the life-cycle of hazardous substances and their impact on air, soil and water resources, upstream and downstream, to carry out a holistic, evidence-based well-being impact assessment of legislative proposals, and to consider the social, environmental and economic benefits of such an approach.

a set of binding objectives for 2030, 2040 and 2050, and the commitments made at COP15. The Commission should make a legislative proposal to that effect without delay.

Develop and incorporate pandemic and emerging disease risk health impact assessments in major development and land-use projects.

better nutrients cycling, protecting and restoring ecosystems (especially in Natura 2000 and protected areas), and shifting dietary patterns.

Strengthen the management of agricultural market crises in the CAP via a sufficient dedicated budgetary reserve and genuine national and European sectoral regulators, akin to the energy sector.

Focus on co-benefits between the Zero-Pollution Action Plan and the Europe's Beating Cancer Plan, the Farm to Fork strategy, the EU's 2030 Biodiversity Strategy.

Develop digital solutions to help reduce pollution (air quality and emissions live monitoring and reporting, set-up of a harmonised alert system on pollution levels; centralisation of all available pollution related data to improve its traceability along the whole life-cycle, from production (integrating resource consumption), to use, to emissions and releases phases.)



Living a safe life in a fair, equal, and diverse society

Secure livelihoods for all in Europe

Adopt an EU anti-poverty law that commits EU and national policy to work towards the full eradication of poverty in Europe by 2050.

Use adequate definitions and indicators, hence measure the exposure of citizens to poverty by taking into account the real cost of living through the definition of reference baskets.

Set common standards for minimum income schemes to ensure all citizens, regardless of their age or employment situation have access to poverty-proof minimum incomes.

Embed the anti-poverty law and its targets in the European Sustainable Well-being Pact and well-being budgeting procedure to foster policy coherence at EU and national level.

Provide co-financing for the implementation of the anti-poverty law under the EU Social and Investment Funds.

Establish an EU re-insurance fund for minimum income schemes to ensure these are adequately financed, also in times of economic crises.

Establish an independent commission on the future of social security systems to provide advice for the proactive adaptation of social security systems to future challenges.

Establish a European sustainable jobs guarantee that provides gainful employment to the long-term unemployed and supports local communities to fulfil their needs.

Adopt the EU directive on adequate minimum wages to ensure wage floors exist in all segments of the EU labour market.

Develop a European zero-precarious employment strategy to eradicate the most harmful forms of precarious employment by 2030.

Strengthen the labour market position of the self-employed by tackling their social vulnerabilities and providing targeted support services.

Continue efforts to ensure fair cross-border labour mobility in the EU labour market through, especially through the improved coordination of social security systems.

Ensure fair working conditions in the platform economy by adopting EU legislation that establishes a rebuttable assumption of employment for workers on online platforms.

Propose an EU fair telework package that establishes flexibility for employees and protects their worker rights and health and safety.

Establish an EU Housing Guarantee that gives citizens an enforceable right to decent and affordable housing.

Integrate bolstered and binding housing indicators in the European Sustainable Well-being Pact and well-being budgeting process.

Develop real governance capacity in relation to housing policy at the EU level.

Improve public and private investment capacity to ensure demands for affordable housing are met.

103
Consider the housing needs of an ageing EU population and address them in EU and national housing policy.

104
Stimulate exchanges of best practice in housing policy between national and local authorities.

105
Define EU quality standards for childcare and long-term care services to ensure sufficient and good quality care services are available to all Europeans.

106
Support good working conditions in the care sector through targeted measures to improve wages and education and training for the care workforce.

107
Privilege responsible operators in the care sector by expanding the role of public sector providers and public purpose-driven businesses.

108
Introduce an EU care guarantee that ensures informal carers have adequate income.

109
Support Member States in meeting the targets of the European care deal through EU co-financing provisions and access to finance.

110
Coordinate policy action in relation to the European care deal through the European Well-being budgeting procedure.



Living a safe life in a fair, equal, and diverse society

Fighting inequalities in income and wealth

111
Launch a European collective bargaining offensive to achieve a collective bargaining coverage of 90% of the EU workforce by 2030.

112
Deliver better collective bargaining outcomes for part-time workers by building on good practices developed at the national level.

113
Enable collective bargaining for the self-employed through targeted reforms of competition law.

114
Adopt a bolstered and effective EU pay transparency directive that allows workers to fight wage discrimination and excessive pay inequalities.

115
Abolish the unanimity principle on matters of taxation in the European Council that makes effective progress towards tax justice virtually impossible.

116
Introduce an EU net wealth tax that ensures the wealthiest households in the EU contribute to the financing of policies that foster sustainability and well-being.

117
End the race to the bottom in global corporate taxation by implementing the international agreement on a minimum effective corporate tax rate.

118
Introduce an EU financial transaction tax and a digital levy as own resources for the EU budget.

119
Create a fully harmonised EU corporate taxation framework that ends corporate tax competition in the EU and lowers compliance cost for businesses operating in the European single market.

120
Introduce a temporary excess profit tax targeting businesses with higher-than-average profits during the COVID-19 pandemic to levy a contribution from the corporate sector to financing the cost of the public health crisis.

121
Adopt measures to create transparency and accountability with regard to corporate and wealth taxation.

122
Take a progressive initiative to adopt a Common Wealth Charter that serves to strengthen public services and supports communities in launching projects with social and environmental co-benefits.



Living a safe life in a fair, equal, and diverse society

Empowering women and minorities - the heroes of COVID

Develop a European assessment of the equality impact of COVID, to be presented at an EU Equality Summit, to create political accountability for the distress experienced by marginalised social groups and to set priorities for future policy action.

Launch an annual EU diversity and inclusion reporting procedure to enable a structured and regular engagement of EU policy with manifest challenges and trends.

Establish a dedicated equality formation in the Council to mirror related structures in the European Parliament and Commission.

Adopt a horizontal anti-discrimination directive to ensure citizens have access to effective remedies at hand with regards to all forms of discrimination and inequality in all sectors of society.

Develop a uniform statute for national equality bodies that contribute to the shifting of social attitudes, provide assistance to victims of discrimination, and support the preparation of effective policy action.

Establish a legally binding commitment to closing the gender pay and pensions gap by 2030 through effective social security and labour market reform.

Unblock negotiations on the 'Women on Boards Directive' to ensure women have equal access to decision-making roles in the economy.

Adopt quotas for women representation in public decision-making bodies.

Make broader use of gender mainstreaming and gender impact assessments in EU policymaking and in EU investment programmes.

Translate the Council of Europe Istanbul Convention into EU legislation to develop a consistent EU framework for fighting violence against women, including by declaring gender-based violence an EU crime.

Make sexual and reproductive rights shock-proof by assessing the impact of the COVID-19 crisis on the availability of related services and resources and preparing effective remedies.

Ensure an effective implementation of the EU LGBTIQ Equality Strategy, especially by using legislative instruments to achieve real change.

Create the office of a European disability coordinator charged with the mainstreaming of disability-related issues and concerns across EU policy.

Establish a fair, consistent, and effective system for legal labour migration to fight incentives for migrants to resort to irregular forms of migration and to help meet Europe's needs for skills and talent.

Support local communities in integrating migrants and refugees by making financial support available for local authorities.

Get tough on the defence of the rule of law by using existing instruments available to the European Commission.

Introduce a European statute for independent civil society organisations to foster a vibrant civic space in all EU countries and help civil society fend off attacks of national governments.



Living in a world dedicated to planetary and human sustainable well-being

220
A waiver on patents to accelerate and to spread the manufacturing and distribution of COVID-19 vaccines across the globe.

221
A USD 30 billion global multi-year burden sharing plan to finance vaccines for the poorest countries.

An EU initiative to propose a global blueprint for “beyond GDP” well-being indicators in the framework of the United Nation’s system of national accounts and a new governance approach promoting “Well-Being Budgeting” from national to local governance levels across the globe.

222
An EU initiative to host an International Summit on Sustainable Development and Well-Being to be held during the second half of 2022, based on a multi-level and multi-stakeholder approach, with international institutions, countries, regions, cities and non-state actors (including trade unions, civil society organisations and engaged multinational corporations) committed to the UNSDGs.

223
An ambitious 15-point plan for a 1.5 °C climate ambition for COP26 in Glasgow.

A new global climate policy initiative to be developed by the United Nations for 2023 aimed at achieving global carbon neutrality already by at least 2045 (and by 2040 for those countries which can achieve it) and at setting ambitious negative emission goals towards a zero-emission world.

224
An EU initiative for a Global Green Deal by the start of COP26.

225
A Global Social Contract including four initiatives:
• an empowerment of the ILO on standard-setting and governance in relation with the UNSDG implementation
• a global social label
• a global policy initiative on informal work in the global economy
• a global social protection & health fund.

226
A Fair Global Minimum Corporate Tax Rate of at least 20% and a fair distribution of corporate tax income for poorer countries.

227
A United Nations Convention on Corporate Responsibility.

228
EU trade negotiations flanked with clear and actionable sustainability roadmaps.

229
More effective and enforceable Trade and Sustainable Development Chapters in EU Foreign Trade Agreements.

230
Rebalanced EU Foreign Trade Agreements from brown to green goods and services.

231
Better and more timely use of sustainability impact assessments in EU trade talks, with policy evaluation to be commenced alongside the negotiation process and feed into negotiations on a rolling basis.

232
An EU trade policy aligned with domestic sustainability objectives.

Strategic EU partnerships with developing countries to allow them to seize development opportunities in key value chains for a sustainable economy.

EU Foreign Trade Agreements to leverage a contribution from the private sector.

A reform of the World Trade Organisation to ensure its work and rulebook is consistent with, and supports, trade in the interest of global sustainable development and the United Nations Sustainable Development Goals.

Develop greater multilateral capacity to ensure trade contributes to global public health policy.

An EU initiative to promote an integrated approach around a new social-ecological understanding and practice of development policy in combination with other policies, with the notion of sustainable well-being at its core (linkages with the recommendations for a Global Green Deal and for a Global Social Contract).

An increase of development assistance, notably through the United Nation's Financing for the Development in the Era of COVID-19 and Beyond Initiative (FFDI) and by achieving the 0.7% ODA target for the EU by 2030.

A World Commission for 21st Century Global Governance.

A Global Common Wealth Charter.

» The “Great Shift” is the result of dedicated work by the Independent Commission for Sustainable Equality, co-chaired by Poul Nyrup Rasmussen and Teresa Ribera Rodríguez. It is about ensuring we are equipped to cope with the demanding times that we live in by pursuing a new, forward-thinking, ambitious and realistic set of policy proposals within a shared vision for a progressive society, where carbon neutrality and sustainable equality are at the heart of our strategy.«

Iratxe García Pérez,

President of the S&D Group in the European Parliament

» The most critical message of this policy report is that progressives must build a new alliance between ecological and social progress. The fight for the environment and the fight for a more equal and fair society are part of the same battle.«

Eric Andrieu,

Vice-President of the S&D Group in charge of Progressive Society

» We need to shape a common future built on solidarity, human dignity and respect for nature, where economic activity is firmly framed within societal needs and planetary boundaries. This model must lead to widespread sustainable human and planetary well-being. This is most critical for our youth, to whom we owe a different and better future.«

Teresa Ribera Rodríguez,

Deputy Prime Minister of Spain

Poul Nyrup Rasmussen,

former Prime Minister of Denmark and former President of the Party of European Socialists

Co-Chairs of the Independent Commission for Sustainable Equality



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