

PATHWAYS TO A STRONG SOCIAL EUROPE

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REGROUP

REBUILDING GOVERNANCE AND
RESILIENCE OUT OF THE PANDEMIC



FUNDED BY THE EUROPEAN UNION
HORIZON EUROPE - RESEARCH AND INNOVATION ACTIONS
GRANT NO. 101060825



Culminating more than a decade of crisis in Europe, the Covid-19 pandemic has opened an important window of opportunity for institutional and policy change, not only at the “reactive” level of emergency responses, but also to tackle more broadly the many socio-political challenges caused or exacerbated by Covid-19. Building on this premise, the Horizon Europe project REGROUP (*Rebuilding governance and resilience out of the pandemic*) aims to: 1) provide the European Union with a body of actionable advice on how to rebuild post-pandemic governance and public policies in an effective and democratic way; anchored to 2) a map of the socio-political dynamics and consequences of Covid-19; and 3) an empirically-informed normative evaluation of the pandemic.



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Executive summary

As Europe grapples with geopolitical tensions, economic instability, demographic change and rising populism, the role of Social Europe has never been more critical. The COVID-19 pandemic exposed significant vulnerabilities in social protection and health systems across the European Union (EU), but it also accelerated the development of temporary measures like the Support to mitigate Unemployment Risks in an Emergency (SURE) and the Recovery and Resilience Facility (RRF), demonstrating the potential for stronger EU-wide social policies. However, five years later, new crises have emerged, from the war in Ukraine and in the Middle East, which have heightened security concerns across the continent, to escalating natural disasters. Amid these challenges that threaten European welfare models, a crucial question remains: Has Social Europe been reinforced in a lasting and sustainable way, or were these measures merely temporary solutions?

This paper highlights the need for strong social policies in the current era of geopolitical volatilities and sets out policy recommendations to ensure a pathway to a stronger social Europe:

Shift from Crisis Response to Prevention

- Shift from reactive emergency measures to proactive social investment.
- Strengthen welfare systems to withstand economic and environmental shocks.
- Establish early-warning mechanisms to prevent future crises.

Integrate Social Rights Across all Policy Domains

- Ensure the European Pillar of Social Rights (EPSR) guides all EU policies, including economic and industrial strategies.
- Tie EU funding (e.g., Cohesion Funds, RRF) to social outcome targets.

Reform the European Semester

- Broaden its scope to include social and environmental indicators, not just fiscal stability.
- Enhance the Social Scoreboard to track social progress comprehensively.

Adopt a Well-Being Economy Approach

- Move beyond GDP as the primary measure of success and integrate sustainable and inclusive wellbeing indicators.

- Invest in the social economy and ensure fair wages, job security, and worker protections.

Strengthening Public-Private Investments

- Expand public-private partnerships to meet Europe's social infrastructure needs and ease pressure on public finances.
- Blend public and private financing in the green and digital transitions while maintaining strong public oversight to ensure social equity.

Key words: social Europe; social investment; European Pillar of Social Rights; well-being; health

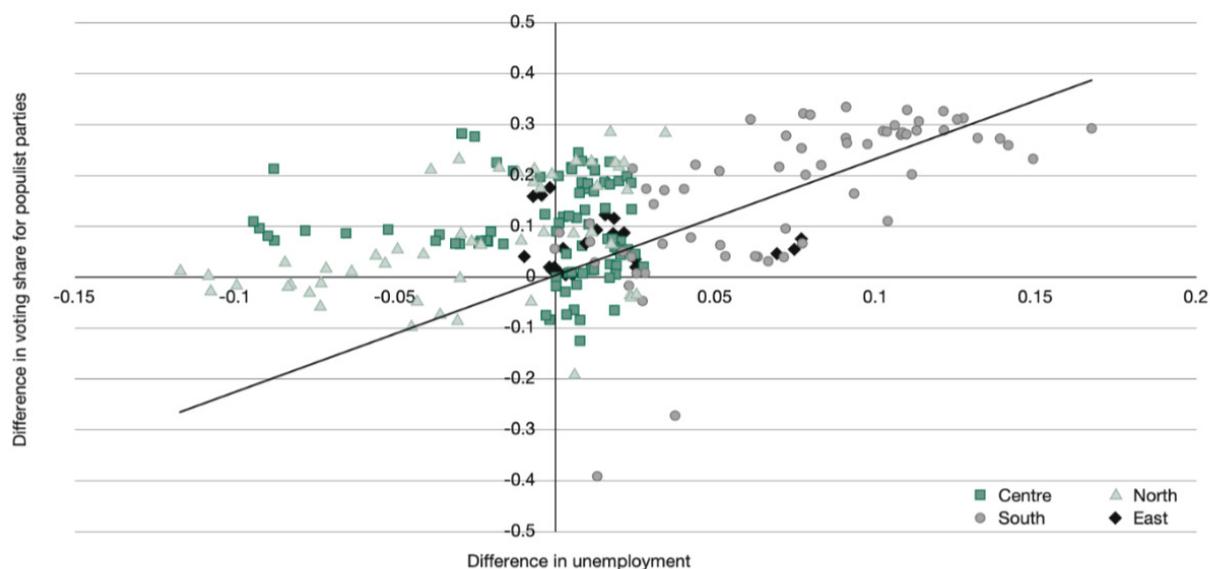
Introduction: Social Europe is more important than ever

In this political era, where democracy globally is under threat and populism is rising, the connection between social discontent and regressive electoral behaviour seems to be stronger than ever. Robust social policies exert a direct influence on citizens by providing social protection systems, enhanced standards of living, and increased opportunities for equality. Despite social policies being primarily a competence of Member States, the EU plays a crucial role in fostering convergence, coordination, and upward social standards. Through initiatives such as the European Pillar of Social Rights (EPSR), the EU provides a framework that supports national welfare systems while respecting their diversity. Given the significant disparities in social protection models and needs across Member States, EU-level policies add value by facilitating best practice exchanges, setting minimum standards, and ensuring social cohesion across the Union. This not only strengthens resilience against socio-economic crises but also reinforces the legitimacy of democratic institutions by addressing inequalities that fuel political discontent. Conversely, austerity measures and the consequent reduced social protection, combined with emerging multiple crises and a fragile economy, could lead citizens to a subaltern condition, impacting also their voting behaviour (Baccini and Sattler, 2024). When people feel excluded or marginalised, whether economically, socially, or politically, they are more likely to lose trust in democratic institutions and traditional political systems, leading to lower electoral turnout. This disillusionment creates fertile ground for populism, as marginalised citizens seek alternatives that promise to overturn the status quo.

In this sense, the role of social Europe is a double-edged sword: if social policies are robust and inclusive, they can reinforce democratic legitimacy. However, if they fail to address deepening inequalities or are perceived as inadequate, they risk exacerbating frustration, fuelling anti-establishment sentiments, and strengthening Euroscepticism. A glimpse of this phenomenon was also seen during the COVID-19 pandemic, where policies like lockdowns, movement restrictions, and vaccine mandates became highly contested. Populist radical right parties leveraged public discontent by politicising health measures and amplifying narratives of distrust toward elites, experts, and institutions. They framed these policies as attacks on individual freedoms and national sovereignty, using the crisis to deepen political cleavages and reinforce scepticism toward traditional governance (Volk, De Jonge, and Rensmann, 2023). According to analysts and researchers, populism is frequently regarded as being the consequence of “heightened economic concerns” (Passari, 2020). Research finds that rising unemployment during the economic crisis went hand in hand with growing distrust in institutions and increased support for populist and Eurosceptic parties, as visualised in Figure 1. Regions that experienced higher job losses saw a stronger shift toward populist voting,

with election results driven more by changes in unemployment than by its overall level. Beyond unemployment, used here as a proxy for the broader failures of the welfare system and social policy, this trend highlights a clear linear relationship between economic insecurity and support for populist movements.

Figure 1: Voting for populist parties and unemployment in Europe



Note: The change in voting for populist parties and the change in total unemployment before and after the crisis are derived from the time variation in unemployment and actual voting across 220 regions (NUTS2) in 26 European countries between 2000 and 2017.

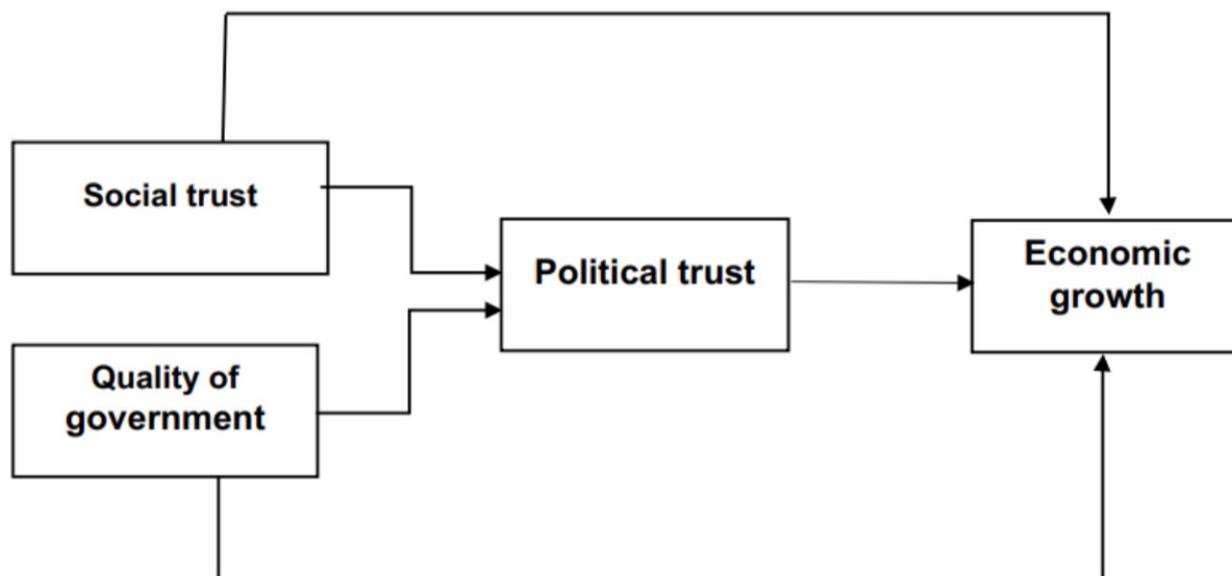
Source: National Election Sources and Eurostat.

Source: Passari (2020).

Another significant correlation to consider when it comes to social policies and voting behaviour is the complex and interdependent relationship between political trust and economic development (Muringani, Fitjar, and Rodríguez-Pose, 2024). Studies suggests that social trust fosters political trust, which in turn indirectly influences economic growth. Government quality, which is intended as the ability of a government to efficiently deliver public goods, has a direct impact on economic development, reinforcing the idea that well-functioning institutions not only bolster political trust but also drive economic progress. This underscores the importance of strengthening both social and political trust as mechanisms to support sustainable economic development (Ibidem). By addressing citizens' social needs and mitigating the effects of socio-economic disparities, comprehensive social policies can improve public perceptions of institutional performance, enhancing both social and political trust. Consequently, a stronger Social Europe, underpinned by robust welfare systems and inclusive policies, can act as a cornerstone for more resilient economies, increased political stability, and sustainable development across Member States. This reinforces the notion that investing in social policies is not only a matter of social justice but also a strategic approach to fostering long-term economic and political resilience within the EU. This concept becomes in-

creasingly important in the current historical and political context, as the EU's ability to anticipate and respond to unprecedented threats depends not only on institutional preparedness but also on citizen's buy-in, trust in government and their sense of belonging to society. As highlighted in the recently published [EU Preparedness Union Strategy](#), strengthening social trust is the key element in ensuring a cohesive and resilience society capable of effectively responding to current and future crises.

Figure 2: Relationship between political trust, social trust, the quality of government and economic growth



Source: Muringani, Fitjar, and Rodríguez-Pose (2024).

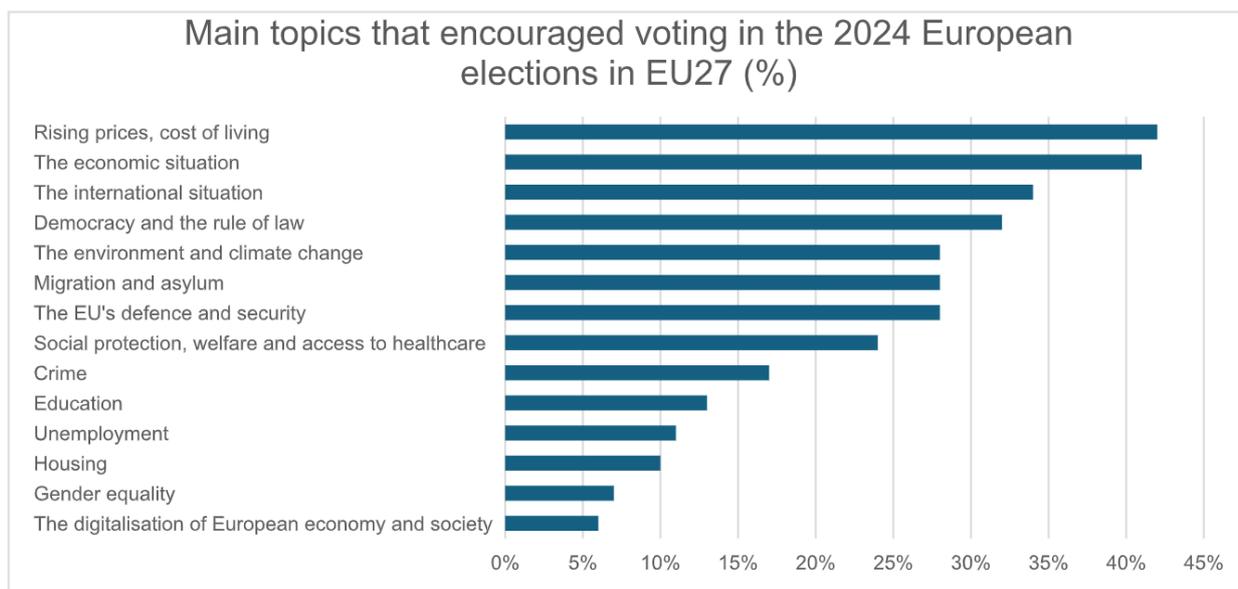
Citizens' views on Social Europe

As Europe navigates an era of economic instability and rising social challenges, the role of social Europe remains a central concern for citizens across the continent. According to a recent Eurobarometer, social issues remain a key concern for Europeans, with 54% believing that there will be a more social Europe¹ by 2030 (European Commission, 2024a). This sentiment is also reflected in voting patterns, as the main issues that motivated citizens to participate in the 2024 EU elections were rising prices and the cost of living (42%), along with the broader economic situation (41%) (European Commission, 2024b). However, it seems that priorities vary across Member States, highlighting the need for EU policies that take more into account national and regional differences. Compared to 2020, access to quality healthcare gained significant importance in 2024, raising the question of whether this shift is a direct consequence of the pandemic.

1. The term Social Europe refers to a Europe that is committed to equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion.

The social consequences of rising prices, cost-of-living pressures, and economic instability are evident, including increased poverty, homelessness, and deteriorating health conditions. Looking ahead, strengthening Social Europe presents a crucial opportunity to foster greater social cohesion, reduce inequalities, and ensure that all citizens benefit from sustainable and inclusive growth. As the EU faces complex challenges, from the ongoing geopolitical tensions to the pressures of economic transition and the race to competitiveness, the role of social policies in ensuring societal fairness and economic stability cannot be overstated.

Figure 3: Percentage of main topics that encouraged voting in the 2024 European elections in EU27



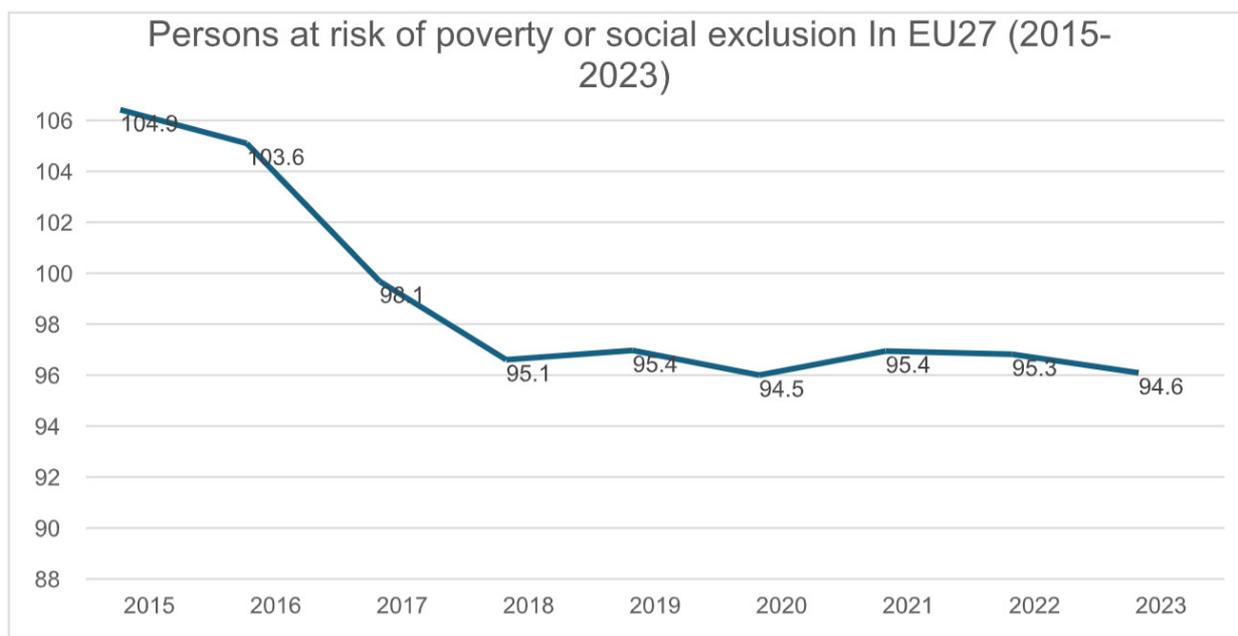
Source: Own's elaboration from Eurobarometer: Post-election survey - EU elections, June 2024.

The state of Social Europe: Where are we?

Despite its foundational commitment to equality, social justice, and anti-discrimination under Article 3 of the Treaty on European Union (TEU), the EU has limited competencies on social policy as most responsibilities lie with national governments. Over time, efforts have been made to coordinate and monitor national policies, however, this has often presented challenges. While instruments exist to guide Member States, the lack of binding coordination and overly abstract goals have hindered progress. The eurozone crisis further exacerbated inequalities, stalling social policy advancements and fuelling populist sentiment (Grossi, et al., 2022).

Over the past decade, the EU has made significant progress in addressing socio-economic disparities with the aim of improving social cohesion across its Member States. The Gini coefficient, which measures income inequality, has gradually decreased in both the EU and the eurozone since its peak in 2014, when it reached 30.9 out of 100, with 100 indicating extreme inequality. By 2023, the Gini coefficient dropped to a new low of 29.6, reflecting a significant reduction in income inequality over the past decade (Statista, 2024). Similarly, the EU’s gender equality index has improved substantially, rising from 63.1 in 2013 to 70.2 in 2023, and reaching 71.0 in 2024, highlighting the continued progress towards gender parity in the continent (European Institute for Gender Equality, 2024). When it comes to income and living conditions, the data extracted from the EU-SILC database show that the percentage of the EU population at risk of poverty or social exclusion (AROPE) has slightly decreased by 0.2% in 2023 compared to 2022, with 94.6 million people in the EU (21.4% of the population) being at risk of poverty or social exclusion (Figure 4 below).

Figure 4: Time-series of the number of persons at risk of poverty or social exclusion in EU27 from 2015 to 2023



Source: Own’s elaboration from Eurostat.

The [EPSR](#) launched in 2017, and the subsequent action plan published in 2020, serve as a comprehensive framework aimed at strengthening social rights within the EU. Focusing on key areas such as fair wages, social protection, job security, and access to essential services like healthcare and education, the Pillar and its action plan represent undoubtedly the most ambitious social initiative set by the European Commission. The EPSR itself has been central in guiding the EU’s social policy landscape, laying the foundation for various legislative and non-legislative initiatives designed to address pressing social

issues. Key legislative examples include the [Minimum Wage Directive](#), which ensures fair and adequate wages across Member States, and the [Platform Work Directive](#), which seeks to enhance the rights and protections of platform workers. These initiatives directly implement the EPSR's principles, translating them into tangible policy measures that strengthen the European social model. More recently, new initiatives aligned with Principle 1 (which ensures the right to quality and inclusive education, training, and lifelong learning) and Principle 19 (which guarantees access to social housing and assistance for those in need) have been put in place by the current European Commission. For instance, the newly announced Union of Skills, which aims to equip workers with the necessary skills for green and digital transitions, reflects the Pillar's commitment to ensuring that lifelong learning opportunities are accessible to all, while contributing to enhancing European competitiveness.

However, while progress has been made in many of the areas covered by the EPSR, particularly in response to crises such as the COVID-19 pandemic, structural challenges persist, underscoring the need for continuous reform and adaptation. Among the most notable other social initiatives promoted by the EU in response to the COVID-19 pandemic is the Support to mitigate [Unemployment Risks in an Emergency \(SURE\)](#) instrument. Launched in 2020, SURE provided financial support to Member States to help preserve employment during the COVID-19 pandemic, specifically targeting workers at risk of losing their jobs due to the economic fallout. More specifically, this instrument provided a financial support of €98.4 billion in the form of loans from the EU to the 19 Member States that requested it, representing the greatest example of the EU's proactive response to the crisis, aiming to cushion the social impact of sudden economic disruptions. While being an innovative tool for supporting workers, particularly those without employment contracts, SURE ultimately functioned as a temporary emergency-response mechanism due to its loan-based structure. This design, while effective in the short term, had important long-term limitations, as many countries relying on its support faced an increase in public debt (Corti and Crespy, 2020).

Another example of the efforts made by the EU, also part of its pandemic response, is the Recovery and [Resilience Facility \(RRF\)](#), designed to provide financial support to Member States for reforms and investments that promote long-term economic recovery and resilience. By linking financial support to the implementation of social and green reforms, the RRF aims to catalyse sustainable change. Other than representing a concrete example of European solidarity and commitment to address the health crisis, the RRF is also considered a pivotal instrument to enhance EU's economic and social convergence (Corti and Vesan, 2023). With a budget of €650 billion in grants and loans, it represented an unprecedented opportunity for Member States to implement reforms and investments to drive the green and digital transitions, strengthen social cohesion, and

enhance economic competitiveness. However, as the 2026 deadline for spending the funds approaches, concerns are mounting about the significant share of RRF resources that remain unused. So far only €197.46 billion in grants and €108.68 billion in loans have been distributed among EU Member States. If funds remain unspent, the desired impact of the RRF will likely not be achieved. A report from the European Court of Auditors (2024) found several reasons for the delays including changes in external circumstances (such as inflation or supply shortages), underestimation of the time needed to implement measures, uncertainties regarding specific RRF implementation rules (such as the “do no significant harm” principle) and challenges related to the administrative capacity of Member States.

Despite the challenges posed by multiple crises, the EU has made commendable progress in advancing the European Commission’s social agenda with the Pillar as a central instrument. However, legislative achievements alone are not enough - gaps remain and implementation is uneven, between Member States. Growing inequalities, particularly in Southern and Eastern Europe, the prevalence of precarious work, rising housing costs and a shrinking workforce due to demographic decline undermine social cohesion. These issues have revealed the limitations of existing measures and highlight the need for more comprehensive, long-term strategies to address inequality and foster inclusive growth (The Guardian, 2024).

To meet these goals of the EPSR and address emerging social challenges, efforts must be made to prioritise stronger enforcement, enhanced monitoring, and sufficient financial resources, with closer coordination between national and EU levels.

The implications of COVID-19 for Social Europe: Short-lived or long-lasting?

The COVID-19 pandemic acted as a catalyst for change in European social policies, exposing significant vulnerabilities in social protection and health systems and labour markets, which eventually led to the accelerated development of temporary measures such as SURE and the RRF. These initiatives were instrumental in providing short-term relief during the crisis, but the real question remains: have these changes led to sustainable improvements, or are they merely temporary solutions? While these temporary measures were necessary to mitigate the immediate effects of the pandemic, the long-term transformation of the EU’s social policy landscape is still work in progress. The pandemic underscored the critical need for strong, flexible social protection systems that can act as a buffer in the face of both internal and external shocks.

While the immediate responses to the pandemic were vital, they also exposed the gaps in social protection systems that need to be addressed for the future. It became evident that stronger, more robust welfare systems, able to withstand both external economic shocks and internal vulnerabilities, are essential to maintain social cohesion and protect the most vulnerable populations. In the context of Europe's recovery and ongoing transformation, the pivotal role of fostering social, economic, and governance resilience has been highlighted (Lausberg, Maurice and Rayner, 2024). The importance of resilience-building through integrated and holistic social policies, show the necessity of long-term investments in governance structures and welfare systems that are adaptable and responsive to change. This is consistent with the EU's shift towards more preventive and strategic approaches in social policies, ensuring that any future shocks do not undo the social gains achieved in the past. Finally, the crisis reinforced the importance of fostering solidarity across Member States. In a union of diverse economies and social systems, coordinated efforts and shared responsibility are key to ensuring a societal resilience across Europe. This is particularly important given the ongoing geopolitical challenges whereby a resilient society is required to withstand potential shocks.

While the EU's response to the COVID-19 pandemic has led to some tangible improvements, it is clear that long-term sustainability will require deeper structural reforms. The lessons learned from the pandemic underscore the importance of health preparedness, strong social protection systems, and a proactive, inclusive approach to policy-making. Only by addressing these foundational issues can the EU truly transform its social policy landscape to be more resilient in the face of future crises. Furthermore, the integration of social, economic, and governance resilience into EU policy is key to ensuring that Europe can thrive even in the face of future challenges (Ibidem).

Five years later: What lessons have we (not) learned?

Half a decade after the COVID-19 pandemic reshaped European societies, the political environment has undergone significant transformations. In response to the crisis, the EU enacted unprecedented social and economic measures, including large-scale recovery funds, temporary employment protections, and expanded welfare provisions. However, as the immediate crisis subsided, political priorities shifted. Economic pressures, geopolitical tensions, and the green and digital transitions have taken centre stage, sometimes challenging the momentum for social investment. At the same time, Europe faces mounting demographic challenges, with an ageing population, low birth rates, and a shrinking workforce putting increasing strain on welfare systems, healthcare, and pensions. Without sustained social policies, these shifts risk exacerbating inequalities,

reducing economic productivity, and limiting long-term growth. The past five years have also seen growing debates over the future of EU social governance, with questions about the balance between national and EU competencies and the sustainability of crisis-era policies (Grossi, et al., 2024). As Europe faces new challenges from inflation and competitiveness aims to demographic shifts, assessing the evolution of social policies and their long-term impact is essential for shaping a more resilient and equitable future.

The von der Leyen-II Commission has begun its mandate in this evolving context. Key debates will play a crucial role in shaping the future of Social Europe under the new Commission, especially in negotiations on the Multiannual Financial Framework (MFF). In the current political and economic context, trade-offs are unavoidable. While security, defence, and competitiveness are clear priorities, there are still unresolved questions about funding and funding trade-offs between these areas and social priorities. The MFF negotiations will be critical not only in determining the financial commitments for social investment but also as a test of this Commission's and Member States' dedication to strengthening Social Europe. The extent to which social priorities are reflected in budgetary allocations will serve as a concrete measure of its commitment to addressing inequalities and fostering a more inclusive European social model, while the EPSR review, expected in 2025, will be a pivotal moment to reaffirm social rights as a guiding framework for policy action. Strengthening the EPSR as a policy compass and counter-crisis narrative will be essential in maintaining the EU's commitment to social resilience, especially as political fragmentation and competing priorities risk diverting attention from long-term social investment.

Owing to the current geopolitical tensions and upheaval of the current world order the policy direction of the new European Commission has shifted, with a growing emphasis on security and defence and competitiveness over social, environmental, and health concerns. While economic growth and industrial competitiveness are needed to protect Europe's prosperity there is a risk that they dominate to the extent that they overshadow commitments to social cohesion, climate action, and public health. Beyond the direct trade-offs in budgetary allocations, another critical challenge is the social cost of climate transition and adaptation. Rather than viewing social and climate policies in opposition, it is essential to acknowledge that just and inclusive climate adaptation is key to ensuring long-term stability and fairness across European societies. Alongside demographic change, climate adaptation will be one of the defining challenges of the coming years, requiring integrated approaches that balance economic, social, and environmental imperatives.

At first glance, the direction set by the new Commission's first 100 days, including the publication of the [Competitiveness Compass](#) and the first [2025 Work Programme](#), suggests a strong focus on economic competitiveness, with limited attention to socially oriented long-term goals. While boosting Europe's industrial and technological edge is

crucial, an excessive shift away from social, environmental, and health policies could weaken the EU's ability to ensure inclusive growth and crisis preparedness. The challenge ahead will be to maintain a balanced approach where economic competitiveness and social resilience reinforce each other, rather than compete for political and financial attention.

One significant step towards prioritising well-being and social progress in the current mandate is the decision to place Quality Jobs and Social Rights, Education, Skills, and Preparation under the responsibility of an Executive Vice President. This structural shift helps anchor social policies within the broader EU policy framework, reinforcing the idea that competitiveness and social investment are not mutually exclusive but rather mutually reinforcing pillars of sustainable development. This cross-cutting nature is emulated in other portfolios whereby efforts have been made to adopt a more horizontal structure in the second von der Leyen term. How successful this will be in reality remains to be seen. As the EU reflects on the past five years, a crucial question remains: what lessons have been learned from the COVID-19 crisis, and which challenges remain unaddressed? The pandemic demonstrated the importance of robust healthcare and social protection systems, rapid policy responses, and coordinated EU action in mitigating economic and social shocks. Instruments like SURE, the RRF, emergency unemployment schemes, and most importantly a stronger European Health Union proved to be essential in cushioning the immediate impact of the crisis. However, many of these measures were temporary, raising concerns about the EU's preparedness for future crises.

The pandemic underscored the need for strong and adaptable social protection systems across all Member States. However, disparities in social security coverage, healthcare access, and employment protections remain, leaving some regions more vulnerable than others to future shocks. The lack of permanent mechanisms for employment protection, minimum income support, and crisis response leaves the EU in a reactive rather than proactive position (Corti and Alcidi, 2021). The debate on establishing a European Unemployment Reinsurance Scheme has stalled, highlighting a key policy gap also caused by the clash of competences and the variety of welfare models across Member States. The increasing focus on competitiveness must not come at the expense of social cohesion and public welfare. The Commission's Competitiveness Compass outlines competitiveness policies that centre on boosting productivity, attracting investment, and expanding trade. However, increasing productivity should not be seen as an end in itself, but as a means to improve people's living and working conditions, all while respecting planetary boundaries. By focusing too narrowly on GDP growth, a metric with recognised limitations, we risk forfeiting the opportunity to adopt a more forward-thinking definition of competitiveness. Investing in people's wellbeing is key to Europe's competitiveness and here social investment plays an important role.

The EU must ensure that its industrial and economic strategies are aligned with social objectives, reinforcing rather than undermining social rights. While social policy remains primarily a national competence, the EU has increasingly shaped social agendas through funding, recommendations, and legal frameworks. The pandemic demonstrated the benefits of stronger EU coordination, but questions remain about how to institutionalise this role further, ensuring that social Europe is not sidelined in current and future crises.

Policy recommendations: Pathways to a strong social Europe

This final section outlines concrete policy recommendations for fostering a more resilient and responsive Social Europe. These proposals address both the immediate socio-economic challenges confronting European societies and the structural reforms needed to prevent future crises. By strengthening individual and community resilience, these measures reinforce the EU's core values of solidarity, social justice, and inclusion, ensuring that European social policies remain adaptable and effective in an evolving landscape.

Ensuring a strong social Europe must be seen in connection with other policy areas. Its importance should not be rescinded to an isolated policy area but rather seen as an important lever in achieving many of Europe's strategic goals. For one it plays a pivotal role in ensuring EU competitiveness, secondly, it will be key to combat the rise of the far right and ensure that citizens do not become further disillusioned.

Break the cycle of Permacrisis: A shift from reaction to prevention

The EU has repeatedly relied on emergency interventions to respond to crises, from the financial crises to the COVID-19 pandemic and the cost-of-living crisis. While these responses have been necessary, they are not sustainable in the long term. The focus must shift to preventing crises before they emerge, addressing the root causes of social and economic vulnerabilities. This requires a move towards proactive social investment, redirecting EU and national resources to preventive policies that reduce long-term inequalities, such as access to affordable housing, quality education, and universal healthcare. Additionally, strengthening resilience through inclusive welfare systems is essential, ensuring that social safety nets are robust and adaptable to future economic, health, and environmental shocks. Integrating social foresight into policymaking by establishing early warning mechanisms will help identify social risks and prevent crises from escalating should also be prioritised.

Adopt a long-term policy framework for future generations

Policy decisions made today have long-term consequences, yet EU governance remains too focused on short-term crisis management. A future-oriented approach is necessary to ensure intergenerational fairness and the sustainability of social systems. A “future generations” test’ similar to that of Wales’s Future Generations Act should be embedded in policymaking to ensure that all new policies undergo an impact assessment on their long-term implications, preventing short-term fixes that create future social and economic burdens. This should be at the fore of the Commission’s work on a strategy on Intergenerational Fairness. This should help the shift towards long term approaches to policymaking whereby short-term crisis responses are balanced with long term structural reforms. Emergency measures should be designed to transition into sustainable permanent welfare policies, rather than being phased out once immediate crises pass.

Integrate the European Pillar of Social Rights across all policy domains

Social rights should not be seen as secondary to economic and industrial policies but as integral to the EU’s overall strategy. The EPSR should serve as a guiding framework for all EU policy areas, ensuring that social progress is mainstreamed across governance structures. To effectively enhance social cohesion and resilience, the scope of EPSR implementation should be expanded beyond social and labour legislation, embedding social rights across all policy domains, including economic governance, taxation, and industrial strategy. Additionally, EU budgetary decisions must be aligned with social objectives, ensuring that financial instruments, such as the Multiannual Financial Framework (MFF), prioritise funding for social policies and long-term investments in human capital. Furthermore, in the context of the next MFF discussion strengthening conditionalities on social investment is crucial, linking EU funding, including the Cohesion Funds, to social outcome targets, and ensuring national reforms contribute to reducing inequalities.

Considering the evitable focus on competitiveness and defense and security, trade-offs will occur with the allocation of funds in the forthcoming MFF. In his report Draghi highlighted that “productivity growth and social inclusion go hand-in-hand” (Draghi, 2024) and investment in social inclusion policies are key to this. In this context, social investment cannot be seen in isolation but rather should be viewed as an enabler and contributor to the EU’s competitiveness as well as a means of guaranteeing security by ensuring resilient societies able to withstand or absorb shocks.

Reform the European Semester

While recent adjustments have been made to accommodate the principles of the EPSR, the European Semester remains heavily focused on macroeconomic and fiscal stability,

with social and environmental concerns treated as secondary. A reformed Semester must evolve into a forward-looking coordination tool that balances economic, social and environmental priorities, moving beyond reactive crisis management to a strategic, long-term framework. To achieve this, the Semester should adopt a holistic, cross-sectoral approach, incorporating a resilience and well-being scoreboard that integrates economic, social and environmental indicators. This new framework should ensure that macroeconomic policy does not override social and climate priorities but rather aligns with them.

Integrating social and environmental indicators into the European Semester through a balanced scoreboard would allow for a more comprehensive evaluation of Member States, assessing not just fiscal discipline but also social resilience, well-being, and environmental sustainability. Additionally, adopting a “planetary health” approach to governance would acknowledge the interconnectedness of social, economic, and environmental factors, ensuring that policies are designed with a broader perspective. Strengthening the Social Scoreboard by expanding and refining its indicators would further enhance accountability, tracking progress on key social rights and ensuring that Member States prioritise inclusive growth.

Move beyond a GDP-centric approach

The EU’s economic model remains overly focused on growth at all costs, often at the expense of social cohesion and environmental sustainability. A shift away from a GDP-centred model towards sustainable and inclusive prosperity is needed, prioritising long-term human and planetary well-being and ensuring that economic policies are aligned with broader societal goals. Redefining economic success beyond GDP is crucial, integrating sustainable and inclusive indicators that measure progress across well-being, inclusion, and sustainability. Moving away from a GDP-centric system would provide a more comprehensive view of societal progress, capturing factors such as social cohesion, health outcomes, access to quality work, and environmental sustainability. Additionally, strengthening investments in the social economy by supporting businesses and cooperatives that prioritise social impact over short-term profit maximisation would foster more equitable growth. Finally, industrial and competitiveness policies must align with social objectives, ensuring that the EU’s pursuit of economic strength does not come at the cost of worker protections, fair wages, and job quality.

Strengthening public-private investments

Public funding alone will not be sufficient to meet Europe’s growing social investment needs. There is an urgent need to scale up public-private partnerships and private sector investment in social infrastructure and services. As highlighted in the 2018 Prodi report (European Commission, 2018), mobilising private capital alongside public funding is

essential for sustaining long-term social investments. In line with the recommendations from that report published even before the previous mandate, a long-term strategy is needed to increase social infrastructure investments. Given the changes in the political arena since 2018, the need for such an approach is even more urgent especially given the demand and pressure on public finances. Therefore, the EU should look towards public-private partnerships and financing to ensure that social infrastructure needs are met across the EU with the aim of improving the overall wellbeing of the population.

Blending public and private financing will be particularly critical in areas like the green and digital transitions and housing, where social equity must be maintained. Ensuring that social investments are attractive to private capital while maintaining strong public oversight will help build a sustainable and inclusive European economy.

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