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Sustainable Equality

progressive society

Report of the Independent Commission for Sustainable Equality | 2019-2024

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Progressive Society is an initiative sponsored by the Parliamentary Group of the Progressive Alliance of Socialists & Democrats in the European Parliament

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What is Progressive Society?

Progressive Society is an initiative sponsored by the Parliamentary Group of the Progressive Alliance of Socialists & Democrats in the European Parliament (S&D Group).

It was launched in January 2018 thanks to the joint initiative of three Vice-Presidents of the S&D Group at the time, Udo Bullmann, Isabelle Thomas and Kathleen van Brempt, and was inspired by the United Nations Sustainable Development Goals.

The initiative was set up to enrich the S&D Group's parliamentary work in both legislative and non-legislative policy areas across many European policies. These range from budgetary, agricultural, fisheries or regional policy; to environmental, industrial and transport policy; and to economic, employment, social, gender, education, cultural and internal market policies. Through all these areas the S&D Group already acts to promote a sustainable transformation of our economies and societies.

The S&D Group is the first parliamentary group in the European Parliament to apply a coherent sustainable development strategy to inform its work in the internal policies of the EU. In order to support this approach with vision and ideas, and to connect its political action better with other actors, 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 policies must change to drive the transformation towards our ultimate goal - a society of sustainable well-being for everyone.

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Louka T. Katseli & **Poul Nyrup Rasmussen**

Executive summary

The Independent Commission for Sustainable Equality has been entrusted with a mission to develop a new progressive vision rooted in sustainable development. This mission, aimed at combating growing inequalities in Europe, is inspired by the 2030 Sustainable Development Goals adopted by all European Member States and other countries in the United Nations in 2015. This visionary agenda has still not been fully and clearly incorporated into European policy, or translated into specific European policy objectives.

This is the Independent Commission's first policy report. It issues a call to action for a radically different Europe, through over 100 policy proposals which can be pursued by progressive parties and other actors during the next term from 2019 to 2024, and embedded with a radically different approach to European governance built on a new Sustainable Development Pact.

The Independent Commission insists on the urgency of this radical policy action, in the face of several crises that are mutually and increasingly reinforcing each other, and by the need to revive social democracy at a highly critical juncture of its political history. These crises - economic, social, environmental and political - are a result of the prevailing economic system. In the absence of profound change these crises will lead to democratic collapse, either because authoritarian populist and extremist forces will gain decisive power across Europe, or because these economic, social or environmental crises will have reached a destabilising stage for society. For example, the new report by the Intergovernmental Panel on Climate Change (IPCC) made the environmental challenge very clear. A new financial crisis, which some experts are already predicting, could have devastating effects on our economies building on the persistent negative effects of the 2008 crisis. Insufficient progress has been made to make the eurozone more resilient to shocks. A continuing deterioration of social conditions, fuelled by rising inequalities and growing insecurity, not least in left behind regions across Europe, in rural areas, and in and around our urban centres, could present serious systemic risks, channeling more electoral support to authoritarian populist and extremist parties.

This bleak outlook stands in contrast to what could be achieved if radically progressive policies were successfully pursued. This is what the Independent Commission has sought to contribute by laying out a detailed and concrete policy strategy - as well as a message of hope and of determination that a different Europe can be achieved; a message also to progressive parties that they must take the political lead, join up forces with trade unions and with progressive organisations in civil society, to mobilise from bottom up and claim a different political path.

There is an inconvenient truth about Europe. Nearly one third of our children and our young people are at risk of poverty or in poverty, millions of young people cannot find a job to start shaping their adult life, and more than half of adult Europeans believe that younger generations will have a life worse than their own. Through the policies in this report, we can also engage younger generations and tell them that there is no pre-determined bleak future. If we take action to modify Europe's course, a very different society can emerge - a society of sustainable equality, of well-being for everyone, of economic, social and ecological balance and peace, leaving no person and no place behind.

Re-empowering people

The Independent Commission insists first on re-empowering people, as citizens in democracy, not only as consumers, from the local to the European level, and as members of trade unions and of civil society organisations. This report shows that democracies have become fragile over time as economic power and wealth has increasingly become concentrated, and as economic democracy - in particular trade union representation - has been weakened. This situation must be reversed. People must be empowered to stand up for their rights and claim a fair society, particularly in the workplace. People must be able to hold elected representatives properly to account, in particular by ensuring strong levels of transparency over political decision-making. The report makes proposals to re-invigorate the role of social partners, and trade unions, in particular, by strengthening different forms of employee involvement in companies through new legal provisions, by strengthening collective bargaining, by giving social partners a stronger voice in European policy, and by ensuring that bogus self-employment will not hollow out trade union representation through the growing platform economy. Several recommendations of the Commission focus on creating a vivid and broad civic space, further strengthening democracy. One of the recommendations calls for strong national alliances across civil society for sustainable development, such as the Italian alliance ASviS. The EU also needs to build legal instruments to protect and strengthen civic space to allow it to function without government interference in any of its Member States.

Re-shaping capitalism

Re-empowering people will provide them with a capacity to contribute to re-shaping capitalism. The private sector, and in particular larger firms, could also play a major role in placing economic, social and environmental sustainability at the core of their business strategies. Today, on the contrary, we continue to see the opposite as corporate wealth continues to concentrate, short term profit overrides every other consideration, and social and environmental costs are still too easily transferred as a burden to society as a whole. Tax evasion and tax avoidance are thriving, allowing some of the largest firms in the world to pay insignificant amounts of tax, while improper and destabilising practices continue to plague the finance and banking sector. Our economies are also facing revolutionary change induced by accelerating advances in digitalisation, artificial intelligence and robotics, which need to be channelled to support human well-being instead of letting them potentially disrupt our labour markets and induce further wealth and income concentration.

In order to ensure that private economic activity takes far better account of social and environmental considerations beyond profit-making, and contributes to a fair distribution of wealth and incomes, alternative forms of business should be fostered where possible, making the economy more diverse, more collaborative, less focused on short-term concerns and profit-maximisation, and more responsible towards the external costs a company's activity generates for society as a whole. Expanding the social and solidarity economy is an obvious and crucial way to do so, as well as providing legal forms that integrate social and environmental concerns, such as through a European statute for benefit corporations. However, all business forms should be made much more accountable for their social and environmental responsibility. Minimum business obligations towards society as a whole should be enshrined in European legislation and sustainable public procurement should become the norm. Corporate tax collection has to be far more effective, and current initiatives at European level must be taken much further and completed. The Commission also urges that regulation and supervision of the financial sector needs to be further strengthened, to ensure that they play their full role in financing the transition to sustainability, provide adequate finance to smaller firms and consumers, and recognise and manage new risks, including shadow banking.

The largest firms, which often have the worst track record in terms of wider responsibility, could be subject to stricter rules embodied in a binding Corporate Responsibility Passport necessary to operate inside the single market. The Independent Commission will further develop this approach.

Achieving social justice

Policies and actions targeted at re-empowering people and re-shaping our economies must be combined with a range of policies that specifically target poverty and excessive inequalities linked to gender, income, wealth, origin and place of residence - and poverty. The Independent Commission therefore sees achieving social justice as fundamental to our societies, where no one is left behind, and in which it is understood that we are all less well off if not everyone has a decent life, and enjoys sustainable well-being. Actions must be deployed in the fight against poverty, in ensuring good work and good pay for everyone, full gender equality, real social mobility, and a radically ambitious and renewed approach to territorial inequalities. A new and far-reaching plan to combat poverty across Europe is the first recommendation in this area, backed by by concrete measures including a European Child Guarantee, a wide-reaching European strategy for affordable, social and public housing for all, a decent income guarantee for all those with insufficient means of financial support, a social protection floor following ILO recommendations, and a social integration strategy for immigrants. By acting decisively, Europe could reduce by more than half the number of people living at risk-of-poverty or in poverty over the next three decades, and could lastingly end poverty during the curse of this century. Without firm action, the risk is the opposite, as disruptive technologies, untamed income and wealth concentration, and increasing environmental inequalities make poverty and social exclusion much worse than today.

Beyond people exposed to poverty, policies also need to ensure that the increasing social fragility and precariousness of everyone, including large parts of our middle classes, are reversed. The European Pillar of Social Rights adopted in 2017 should be fully integrated into legislation, and labour rights must be upheld with new forms of work and precarious labour contracts. The long term unemployed, many of whom have not found a new job since the financial crisis, need to be helped through a European Activity Right modelled on the European Youth Guarantee, low wages have to be revalued to ensure both decent living conditions for working families and a fair distribution of wealth created in our economies. To achieve this, the Commission suggests a European fair wage plan and making our income tax systems more progressive again. Gender equality deserves particular attention, by ending the gender pay gap through targeted legislation and transparency measures, establish real work-life balance through sufficiently ambitious maternity, paternity, parental, and carer's paid leave rights, and by taking a range of measures to improve the conditions of women in society as a whole, and foster their full participation at all levels. Social mobility needs to be increased through measures at the heart of which sits quality childcare and quality education for all.

Inequality is, to a large extent, anchored in territories, where people live and work. In order to achieve social justice and well-being for everyone, it is therefore crucial to focus on all places, and to address territories and regions that are structurally lagging behind, and whose potential is wasted. Existing policies must be used more effectively and more coherently, while ensuring that regional economic development is framed within sustainability. Cohesion policy must pursue sustainable development at territorial levels and each region must therefore be empowered to define and develop specific approaches to its development, including through community-led local development initiatives as well as industrial strategies, and by pro-actively implementing the European code of conduct on partnership. This approach needs to be supported by using horizontal European programmes such as Horizon Europe or InvestEU in a way that is 'space-aware', which is highly relevant to local development strategies.

The Independent Commission has also explored other ways to embed social justice into our societies. The Commission has therefore advanced as a possible further step, the idea of a Common Wealth Charter, ensuring broad, and mostly free, access to everyone to a set of sustainable well-being rights. The Independent Commission will further develop this approach.

JUSTICE

Generating social-ecological progress

Re-empowering people, reshaping the economy and achieving social justice for people and across territories cannot be realised while ignoring the increasing linkages between social and ecological challenges. This dimension of sustainable development, where people and planet interact, has been neglected, relative to inclusive development (where people and the economy interact) and the green economy (where the planet interacts with the economy). Hence, generating social-ecological progress is the fourth area in which the Independent Commission recommends ambitious policy action. Environmental challenges are partly social problems that arise from income and power inequalities. Thus, inequality is also an environmental issue just as environmental degradation is also a social issue. Policies must address them jointly through principles and institutions rooted in justice. The report recommends two fundamental policy routes to escape the downward spiral between social inequality and environmental damage, and to enter a virtuous circle of social and ecological progress. It advances several concrete recommendations to realise the powerful concept of a 'just transition', which should become more central in European and national policy-making. Secondly, it outlines far-reaching transition from today's welfare states - defined in the pre-ecological age of the Post-War years - into 21st century social-ecological states, built to be the powerful public engine of tomorrow's sustainable societies. The Independent Commission will also further develop this approach.

Enabling change

But to make all these individual policies happen effectively, requires more fundamental changes to the workings and governance of the EU. The Commission therefore suggests deep reform of the existing governance framework embedded in the European Semester process and in the prevailing legislation on budgetary policies for enabling change. Radically new rules and processes should anchor sustainable development objectives into European policy-making. This must also be closely combined with a profound and democratic strengthening of economic and monetary union, and with a solid financial strategy capable of ensuring adequate financing of the sustainable transition across an ambitious new Multi-Annual Financial Framework, sustainable and fair national tax systems, and strong public investments at national and European levels. The Independent Commission provides detailed recommendations for a new Sustainable Development governance framework, within which a Sustainable Development Pact would lay down a set of binding policy objectives going beyond pure fiscal goals. This new approach would provide the backbone for a different approach to the current GDP-led policy frame - one in which the economy's performance is measured against a much broader set of targets and indicators capable of assessing and directing policies comprehensively towards the goal of sustainable well-being for all.

A short guide to the Independent Commission's policy proposals

Across the five policy chapters (3 to 7), the Independent Commission brings forward a large number of policy recommendations, which each consist of one or more concrete policy actions in view of the next European parliamentary term 2019-2024. In each of the five policy chapters, the Independent Commission also points to a range of additional policy routes that could be taken in future, which the report presents as 'further steps'. The policy actions in the recommendations and the additional proposals in 'further steps' add up to 110 concrete policy actions. They are brought together in an annex to the report, by chapter.

The Independent Commission highlights, at the end of chapter 2, a selection of proposals which it regards as having particularly high potential in bringing about sweeping change. The report also includes several infographics to visualise its recommendations and concrete policy actions.

SUSTAINABLE WELL-BEING FOR ALL

THE TEN MOST SWEEPING POLICY CHANGES

1. Let's reshape capitalism for people and planet

A European Directive on the economic, social, environmental, and societal responsibility of companies will make sure the business sector respects legitimate minimum responsibilities towards society. Stronger financial sector regulation and surveillance, including a European enforcement agency against financial and tax fraud crime, public representatives on bank boards, will ensure that financial markets work for people, and effective taxation of corporate profits, including a digital tax, will re-establish fairness and a proper financing of public policies for collective well-being

2. Let's take democracy back for everyone

Boosting democracy through a Citizens' Contract of "Sustainable Democracy for All" to promote an eight-point plan including a strengthening of trade unions, of civil society, participatory democracy, transparency, full participation of women in economic and political life, bottom-up regional policies, independent media and judiciary, and public policy goals beyond GDP

3. We need a new and effective European anti-poverty plan

Making it possible to end poverty in Europe during this century through a new ambitious plan to reduce the number of people at-risk-of-poverty or social exclusion by 25 million people for 2030, and by an additional 50 million for 2050, eradicate extreme forms of poverty, building on a European Child Guarantee, a Framework Directive for adequate minimum income, a European Activity Rigth for long-term unemployed, and a transition from minimum wages to living wages

4. A new Social Europe of strong rights and protection for all

Strenghten Europe's social dimension through a comprehensive and ambitious implementation of all of the European Pillar of Social Rights' principles and rights by 2024

5. New fairness in incomes and wages

Launch a vast European Fair Wages Action Plan that will integrate the UNSDG goal 10 target on ensuring that the lower 40% wage group grows faster than the national average up to 2030, pay transparency and an income inequality reduction strategy embedded in the European Semester and in a future Sustainable Development Cycle to bring income inequality to decent levels

6. No European territories should be left behind

New "space-aware" and "bottom-up" approaches to territorial cohesion are needed, including a far-reaching reform of European cohesion policy and strategic interaction with European financial programmes, framed in the European Semester and future Sustainable Development Cycle, backed up by the Anti-poverty plan and Fair wages action plan

7. The sustainable and technological transitions must take everyone along

Environmental and social change must produce joint new progress for all through a new broad-based approach towards a Just Transition systematically applied across policy areas, in particular in European climate and energy policy, sustainable industrial policies, and agriculture. Technological changes need to be framed to avoid further inequalities and social or territorial disruptions. Transitions from old to new jobs will be fostered through strong social investment, and high quality education and training, both affordable and accessive to all

8. Our states must protect people against old and new risks

Building social-ecological welfare states and mitigating environmental inequality is necessary in order to ensure new forms of social protection against increasing climate change consequences and increasing health damages generated by pollution

9. New solidarity through fair taxation

Reversing growing wealth inequality and financing social policy initiatives geared towards ending poverty can be achieved through a European Net Wealth Tax, and through a Financial Transactions Tax

10. Enable change through new governance for sustainable development

Driving the transformation towards sustainable development requires a new governance approach and new rules and instruments. We need a Sustainable Development Pact embedded in a new Sustainable Development Cycle, and based on complementary social and environmental indicators and targets - instead of the outdated European Semester

Foreword

Udo Bullmann
President of the Parliamentary Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

There is something fundamentally wrong in our societies. At a time in which income and wealth inequalities are as immoral as they are grotesque, many millions of Europeans are asking legitimate and pressing questions about whether their life is going to get any better; whether their children will find a decent job and live a good life; for how long women will enjoy fewer rights and fewer opportunities than men; and who in politics is still fighting to improve their opportunities and living conditions.

People want and deserve governments and parliamentarians that truly represent them all, not just the elites, and constantly challenge what is wrong. They want progressive forces that wholeheartedly fight for their rights and for their well-being. They want to see positive change in their daily lives, as much as they want a positive vision for their future and for the future of their children. How can we argue that this is what they get when so many Europeans live in poverty, when precarious work and starvation wages are on the rise at the same time as an increasing number of millionaires, when the living standards of our middle classes are threatened, and when too many territories in and around our cities and in our rural ares remain trapped in under-development without a tangible prospect for a better future?

During past decades, economic growth was often seen as a panacea for such ills, despite the fact that prosperity has become more and more unfairly shared across our societies and increasingly failed to bring well-being to the life of many. Even more so, when climate change challenges our very existence, when polluted air, water, soils and food damage our health and that of our children, we cannot rely on simple answers any more.

Today we can see that social problems generate environmental damage, as much as environmental problems cause injustice and hurt the most vulnerable the most. The voice of progressive forces is urgently needed in political and public debates. Our societies are at a crossroads. We have to choose between progress for the many, or only for the few, and regression for every one else. Progressives have to fight for the very meaning of 'progress'. We have to say loud and clear that, as progressives, we stand for equal rights and we stand by the weaker and hard working members of our societies - for progress that does not leave them behind. When our voice is not heard, or when it fails to convince, many of our fellow citizens turn their back on us and lend support to the charlatans from authoritarian populist and extremist parties, as we can already witness in several of our member states. Progressives now need to propose credible, achievable and realistic solutions to bring people new hope. The solutions cannot simply be those from the past. Our societies require radical, economic, social and ecological transformation. This transformation is already substantially embedded in the United Nations Sustainable Development Goals for 2030. Progressives need to leverage this agenda and translate it into workable policies across Europe with a clear goal: bringing sustainable well-being to every person in our societies.

Through its first report, the Independent Commission for Sustainable Equality, co-chaired by Poul Nyrup Rasmussen and Louka T. Katseli, has done just that. The Commission does not only bring forward extremely relevant and badly needed policy solutions for the coming European parliamentary term; it also draws up a new long term vision for a truly fair and responsible society for the 21st century, in which everyone has a decent future - a society built on profound respect for every person and for the planet we so urgently need to protect.

From a broken system to well-being for everyone in a sustainable Europe

Our societies are in crisis. This crisis is not only social and environmental. It is also economic and political. The four crises feed into each other. None of these crises can be overcome without reversing growing inequalities and changing the way our economic system operates. This is our central message.

Louka T.Katseli
Co-chair

Poul Nyrup Rasmussen
Co-chair

Our planet is in the midst of political, economic, social and ecological crises, which permanently feed into each other.

It is now increasingly accepted that our economies - what and how we produce and consume (and how we dispose of waste) - clash with planetary boundaries leading us into a complex and profound ecological crisis. Humanity cannot continue like this - exhausting our natural resources; depleting our fish stocks; relentlessly destroying our collective biodiversity; indefinitely polluting our soils, water and air; damaging our health and expelling ever more greenhouse gases into our atmosphere. However, these are not the only boundaries our economies have to respect and protect. They must equally respect and protect the human boundaries and social frontiers we should never cross. They cannot continue to inflict poverty on millions of people, depriving them of employment, coverage of basic needs or access to decent education and affordable health services. Our economies and democratic societies will not be sustainable if fundamental human and social rights are not respected and profound inequalities reduced. As our report argues, we are increasingly crossing those human boundaries and social frontiers, as most people struggle to make ends meet, while a very tiny fraction of humanity siphons off most of the wealth we all contribute to create. Both transgressions have the same origin - the dominance of an economic paradigm characterised by market-oriented neoliberal policies and supported by powerful economic and financial interests. This neoliberal paradigm has disregarded well-being for all, serving the few, as much as it has turned a blind eye to our planet.

Governments and institutions have at best worked to limit the excesses of those interests - if not actively tolerating or even supporting them. The perceived powerlessness of governments, or their unwillingness to confront the mounting imbalance of power between organised economic interests and people at large, has discredited established politics and opened an ever wider space for nationalist and inward-looking politics, whose only beliefs are xenophobia and primal hostility against the European project. Our welfare states were, and are still, forced to adapt to changing market conditions and increased cost-based competition.

Mounting inequalities across Europe feed into all four crises

In comparison to most other advanced economies, Europe is still often considered to be a shining example of relative social cohesion and fairness. It may, therefore, be somewhat counter-intuitive to look at Europe as a region in which poverty and inequalities should be regarded as major issues to tackle. Next to its transatlantic neighbour, Europe scores much better in a number of areas. In the US, there is much less access to affordable healthcare, workers are less protected, and the concentration of wealth is clearly more extreme. Most European countries still have higher intergenerational earning mobility than the US[1]. The same is true for intergenerational mobility in education[2]. However, wrong policies in the last decades have been making Europe a less fair and socially progressive place than one may expect.

There is a strong interconnection between - and an equal need to act against - both the climate crisis and the social crisis which our societies are facing simultaneously. Rightfully, the climate crisis benefits from a vast mobilisation of state and non-state actors across the world, and from a well-structured global network of scientists in the Intergovernmental Panel on Climate Change (IPCC), which published its latest and profoundly disturbing report in October. Global conferences of the parties (COP) are held at regular intervals, ensuring that the political momentum is not lost. Despite these dynamic and structured processes, even the fight against climate change remains very difficult, as it continues to clash against multiple special interests and against a resistance to change. In this respect, the next five to ten years will most probably decide our future climate for many decades, and far more determined policy action is more critically needed than ever. This will have, either way, profound and far-reaching repercussions on many other aspects of our future lives.

The social crisis that undermines our societies day after day receives far less attention from experts and from politicians alike, despite the fact that there is mounting evidence that unequal societies are dysfunctional: societies with larger income differences have amongst other things worse health, damaged social relationships and higher violence, lower trust, lower levels of child well–being and educational attainment, more teenage births and less social mobility. So, combatting inequality is a gain for all not just for the underprivileged. Even less attention is given to the interconnections between the social crisis and the climate crisis, itself part of the broader ecological challenge we face. Very little attention has also been paid to the root causes of the political crisis generated by the rise of nationalists and autocrats in a growing number of our Member States, at the origin of which the social crisis plays a central, albeit not exclusive, role.

[1] equalchance.org, 2010 data
[2] World Bank, 2018 data

The state of inequality in Europe in ten points

- **Income inequalities** are higher in the EU than in the US. If we take the EU as one country, contrary to traditional measurements using a simple EU average, then income inequalities are higher in Europe. The GINI coefficient is 0.41 for the EU against 0.39 for US (IAGS 2018, 2015 data). Furthermore, the US experiences less inequality of opportunity than many EU countries including Italy, Spain, Portugal and Belgium (equalchances.org, 2010 and 2012 data).
- The top 5% wealthiest Europeans own almost 40% of total **private wealth.** Wealth is even more unequally distributed than income. The GINI coefficient for wealth distribution reached 0.8, twice the GINI coefficient for income inequality. Latvia presents the highest concentration of wealth at the top, fol-lowed by Germany, Cyprus, and Austria (IAGS 2018, 2014 data).
- The **gender pay gap** is slightly higher in the EU than in the US. In 2015 in Europe, women in full employment earn, on average, around 20% less than men. Also, there has been no improvement during the last years. In some Member States, the situation is even more alarming, such as Latvia and Esto-nia, far above the EU average, where the gap has even increased (OECD, 2015 data).
- Upward intergenerational **social class mobility** is higher in the US than in most of the EU countries. In the US almost 50% of children reach a higher social class than their parents - a much higher rate than many EU countries such as Germany or France (40%), Sweden and Denmark (35%) and Italy (some 30%). Looking at past data, the trend is quite alarming. According to OECD data, downward mobility has increased (OECD, 2002-14 data).
- The number of **working-poor** affects almost 10% of European workers. Although the unemployment rate has recently declined, in-work poverty has experienced an increase of 15% since 2010. This has mainly affected people with lower education levels (up to lower secondary education), those employed under temporary contracts, and the part-time employed (OECD, 2016 data).
- The number of **young people** neither in employment, education nor training is still above its 2008 lev-el. In 2016, 11.6% of young people aged 15-24 and 18.8% aged 25-29 fell into this group. The worst situation concerns Greece where one third of young adults are neither in a job, education or training, followed by Italy and Bulgaria. The lowest rates are in the Netherlands (4.6%), Luxembourg (5.4%) and Denmark (5.8%), (ETUI, 2016 data).
- More than one third of Europeans live in **financial insecurity** - 39.4% of European are unable to face unexpected expenses, i.e. almost one person out of two is financially exposed. Furthermore, the crisis years have worsened the situation by 5% (Eurostat, 2008 and 2013 data).
- Almost 10% of Europeans are unable to keep their house adequately warm. Around 50 million people suffer from **energy poverty** (ETUI, 2016 data). Furthermore, around 10% of the European population are affected by **food insecurity** (Eurostat, 2015 data).
- Almost two out of ten Europeans do not have enough **space to live**. In Europe, the overcrowding rate has reached 17% in 2016, affecting 87 million people. The disparities across Member States are very high. They range from less than 5% in Cyprus, Malta and Ireland to more than 40% in Hungary, Po-land, Slovakia and Croatia, and almost 50% in Romania and Bulgaria (Eurostat, 2016 data).
- About 19% of Europeans are exposed to dangerous particles in the air they breathe (referred to as PM10) above the EU daily limit, and about 30% of Europeans are exposed to bad ozone (O_3). Fur-thermore, about 9% are exposed to nitrogen dioxide (NO_2) concentrations above the annual thresh-old. **Air pollution** is the single largest environmental health risk in Europe. About 80% of cases of heart diseases and strokes, as well as a similar percentage of lung cancer, are linked to air pollution. Health pollution is also associated with health impacts on fertility, pregnancy, new-borns and children (Euro-stat, 2017 data).

The social and ecological challenges are part and parcel of the same fight for justice

Planetary and human boundaries are linked. They draw the same line between the old world of unfettered and over-dominant capitalism and greed, and a new world of fairly shared well-being for all, of empowering the many; and of a humanity which lives in harmony with our planet. They are part of the same story - the extent to which we deteriorate our natural environment and our climate will be a major determinant for how unequal our societies will be, and the level of our inequalities will be a key factor determining the extent of environmental degradation. Fighting to save our planet or battling against injustice is the same war.

Inequality has multiple effects on our environment. More equal societies have a better environmental record, and a greater ability to become increasingly sustainable. We are not equal before the ecological crisis. Whether you are rich or poor, old or young, and depending on where you live, you are not going to be affected in the same way. Those who did most to cause this crisis, or who now try to prevent it from being resolved, will probably not be the most exposed. Hence, the ecological crisis risks unleashing a whole new source of injustice - and it is already happening. If this injustice is not addressed, more inequalities will arise and deepen our social crisis, in a never-ending and vicious circle.

We need to understand how ecological and social progress must go hand-in-hand and leverage both. We cannot end poverty and build a much fairer society, while leaving our planet at the mercy of exploitation. At the same time, it would be impossible to end the ecological crisis while high levels of poverty and inequality persist. This is a fundamental argument that those who only believe in “greening” our economies without addressing the social crisis do not appreciate. The social and ecological dimension of sustainable development are both critical if a truly sustainable society is to emerge in the future. This means that we have to identify how to change our social systems (including our tax systems) in order to preserve our natural life support system (climate, ecosystems, biodiversity), and we have to know how to build social-ecological governance from the local to the European levels.

Neither the social nor the ecological crisis can be overcome without changing the way our economic system operates and economic transformation takes place

Resolving these crises requires a new and vigorous approach to tame market forces that are essentially serving powerful economic and financial interests. This can only be achieved through appropriate policies that regulate markets effectively and help redress the imbalance of powers in our product, capital and labour markets, as well as in our societies at large. Our welfare states should not bend or crack under the pressure of markets, but instead markets should be shaped in such a way as to support proper welfare for all. It also requires strengthening the social responsibility of the corporate sector, and vigorously expanding the social and solidarity economy. Politics itself needs to be regenerated - a major duty for progressive forces and their parties today. But it would be naive to think that politics can change without taking people on board, as an increasingly essential part of politics. The change is so massive, and economic interests so powerful, that an urgent step must be to re-empower people in multiple ways, supported through proper rights, opportunities for all and collective action. Re-empowerment also requires a fundamental change in the way we all think about economic activity, and growth in particular, as opposed to well-being. A sustainable society needs active citizens, not passive consumers, and orientating and evaluating policy outcomes on explicit well-being objectives rather than abstract concepts such as GDP would allow people to engage more easily in public debates.

Promoting sustainability and reducing inequalities is in our hands

Today's inequalities have multiple sources, many of which are intertwined. They are not an inevitable phenomenon but the result of a prevailing market system that has come to generate more, not less, inequality, and in which the ecological dimension plays an ever increasing role. Addressing such systemic complexity requires a bold and coherent policy strategy, which must forcefully and equally address the more traditional and the more recent drivers of inequality. Such a policy strategy will necessarily lead to a profound change in the way our economic systems operate - a truly dynamic and just society must be inclusive in terms of power, representation and participation; an ecologically sustainable society must be a society at social peace.

Hence, the policy recommendations which the Independent Commission provides in this report aim at a radical transformation of our societies. One which fundamentally questions our decades-long reliance on economic growth as an end in itself, dissociates wealth from well-being, forcefully challenges the prevailing distribution of income, wealth and economic power, and calls for sustainable transformation as a powerful and innovative driver of social progress.

From the 2030 United Nations Sustainable Development Goals to a new European Project for a Sustainable Society

Many of the policy issues we have identified inspired the United Nations Goals agreed in 2015, although to varying degrees. The agreement of these goals at the highest political level has been a major achievement in its own right. Despite the political opportunity they provide to formulate a European-wide strategy for sustainable development, and despite clear calls from the European Parliament, the European Commission has markedly failed. More than three years after they were signed by all EU Member States in New York, there is as yet no collective plan or strategy for their implementation - notwithstanding that in all policy areas concerned, the European dimension is real, and sometimes even critical. This creates the greatest political void in the social field, and in all areas concerned with economic, social and ecological linkages, as discussed above. By concentrating essentially on one dimension of the sustainability agenda, that are the policies in the environmental field such as waste management or the curbing of greenhouse gas emissions, the EU turns a blind eye to its social crisis (and to key drivers of the ecological problems) and to questioning the predominant economic paradigm and the associated flawed economic policies.

Most regrettably, it represents a missed opportunity to revive the whole European project by injecting new purpose, one that would be relevant to so many aspects of people's daily lives and which would show that the European Union actually has a master plan to improve their lives today and tomorrow. It would have been a natural and logical political step after 2015 to translate the UNSDGs into the European policy setting, specifying all goals and targets in terms of their meaning in the EU context, and ensuring that all policy linkages between those goals and targets are clearly made and addressed. The reflection document on the implementation of a sustainable development strategy in the framework of the UNSDGs, which the European Commission is expected to provide by the end of 2018, should at last fill this void by laying down a clear and comprehensive vision and political roadmap, albeit at a very late stage of its mandate.

Relying on strong public action and reforming the European governance process will play a key role

From the outset of our common work, it became clear that our goals would remain out of reach without radical policy changes in several areas. The members of our Independent Commission were not concerned with what would be politically correct to do, but with what could actually make a difference. We found that policy action will be needed across the time spectrum, from urgent or easy measures that can be taken immediately, and with rapid impact, to longer-term and more difficult changes in our policies. Given the European Union's complex governance system, made up of many layers and of different levels of competence depending on the policy field, we agreed that a major reform of the European governance process - the European Semester - would have to play a key role in the transformation towards a sustainable society, and include an ambitious and long overdue reform of the economic and monetary union.

We did not limit our recommendations to the European level, as some crucial policy areas for sustainability are national. National, regional and local governments will also have a critical role to play in pursuing sustainability across the economic, social and environmental spheres in a coherent manner. Public action from local to European level cannot be limited to redressing or compensating for market failures, for what the economy doesn't fix itself. Pursuing sustainable development requires active governments and administrations to frame, direct and support the transition towards sustainability through adequate regulations, financial support to ensure crit-

ical public and private investments in social, research, or infrastructure domains, achieving balanced pre- and re-distribution of wealth and incomes, or developing the social-ecological welfare states of the future[3]. This, in turn, requires European institutions and national, regional and local governments to ensure that public administrations are adequately organised, staffed, trained and resourced to carry out a vast range of public actions and fully understand and master the challenges and complexities entailed by the sustainability transition.

Policy action must be sustained during at least one decade to achieve real change

The recommendations of the Independent Commission for Sustainable Equality come in two parts. This first part focuses on policy recommendations to be implemented rapidly, and as soon as possible during the next European parliamentary term 2019-2024. The Independent Commission will issue the second part of its report by April 2019, providing additional and detailed policy recommendations to further deepen the necessary transformation towards sustainable well-being for all. This will be a set of more far-reaching policies beyond 2024 - which in this first report are only touched upon. They both correspond and also reach beyond the timeframe of the 2030 United Nations Sustainable Development Goals.

Making change happen will require vision, persistence and consistency in political action during a sufficiently long period of time, a challenge in its own right.

[3] However, our remit was not to define policies at the global level. This is why this report is not making detailed recommendations in global policy fields such as trade or international financial regulation, but concentrates on what the EU can do 'alone'. We are, however, fully conscious of the critical importance of global action to complement and enable European action.

“A truly dynamic and just society must be inclusive in terms of power, representation and participation; an ecologically sustainable society must be a society at social peace.”

Call to action for a radically different Europe

Less than a year before the next European elections, progressive forces need to reflect very carefully about what is at stake, why in so many Member States social democratic parties are trapped in historically low levels of support, and what progressive ideas and actions should now effectively be.

These upcoming European elections are unlike any other before them, for at least three reasons:

- Progressive forces are collectively at an electoral low, despite a few exceptions, and have currently not fully embraced a radical agenda of transformation, which we consider in this report to be the only way forward;
- Authoritarian populist and nationalist forces are thriving, and their misleading and manipulative narrative proves ever more persuasive to ordinary people. They are also preparing to turn these elections into a crucial fight against all pro-European political forces which may resonate well with many voters if no convincing alternative is presented;
- The economic, social, environmental, geo-political and democratic challenges are immense, and the next five to ten years will, in all likelihood, determine our livelihoods for decades to come, and especially those of our children and our young people.

The future of social democracy and of the European project are intimately linked

Progressive forces have a proud and longstanding history of fighting for democracy, for social justice, for equal rights and for shared prosperity. The welfare state, regulated labour markets and strong institutions protective of the more vulnerable in our societies are major progressive achievements. However, progressives were not always critical enough with regard to neoliberal concepts and policy schemes, and underestimated the consequences of global market competition, of liberalised financial flows, lower corporate, income and wealth taxes, and of emerging environmental impacts on inequalities. They often believed that through adaptation and reform, welfare states could uphold their role and societies could remain sufficiently cohesive and fair within what became increasingly powerful and exploitative markets. They also overestimated the capacity to govern complex societies through centralised and one-size-fits-all regulations and policies, and under-estimated the role of citizens as knowledge-holders and engaged producers of public goods. Progressive forces also became torn apart between their belief that fair societies could not possibly survive across Europe in a globalised world without a strong European Union, and the fact that the EU itself became hostage to conservative views particularly in the economic and labour market policy fields.

There is a sense of shared fate and destiny between social democracy and the European project. Both are endangered, and both are regarded by many people as part of the same problem, while there can be no solution to today's major challenges without either of them. Reviving one is impossible without reviving the other, as both are needed to address the radical change we are calling for. For both, it is essential to understand where we really are, in order to create a clear vision about where we need to go, and how this can be achieved.

Their shared destiny is deeply challenged by today's harsh political, economic, social and environmental realities

The most striking fact to contemplate is the deep lack of trust which people have in the future, nourished by years of deteriorating living conditions for millions of Europeans across our continent. The majority of adults in Europe believe that children will be worse off than they are.[4]

A new precarious class is emerging, consisting of millions of people across Europe who feel their lives and identities are disjointed, from which they cannot construct a desirable narrative or build a career, combining forms of work and labour, play and leisure in a sustainable way[5]. Inequalities of wealth and income have been on the rise for several decades. Nearly 90% of Europeans consider that these inequalities are too high[6]. Women continue to face gender-related difficulties preventing them from playing their full role in society, and remain significantly less well remunerated than men for equal work. Youth unemployment remains twice as high (16%) as the overall rate of unemployment (at 8%), and still remains higher than before the 2008 financial crisis. More than one European in five is at risk of or in poverty, totalling 118 million people. This affects one child out of four. In different regions of Europe, forgotten territories are lastingly marginalised and suffer from multiple and persistent economic, social, and cultural inequalities.

The decade-long crisis hurt vulnerable people, territories and economies disproportionally, wiping out years of economic and social development and mortgaging the future, notably through persistent long-term and youth unemployment. By placing the reduction of public debt - which was severely increased in the aftermath of the financial crisis due to to the need to bail out collapsing banks - and balanced budgets above any other consideration, fiscal policies have for years prevented essential public investment into a better future, economically, socially and environmentally. While seeking to rein in public finance debt in order to stay in line with EU budget rules, governments are still led to build up social and environmental debts, ones which will be borne by younger and future generations.

Unequal societies are unhappy and inefficient. Inequality and poverty are responsible for less fulfilling personal lives, and harm public health, scupper educational progress, increase crime, lower life expectancy and make the integration of migrants harder. The reality is that inequality causes real suffering, regardless of how we choose to label such distress. Greater inequality heightens social threat and status anxiety, evoking feelings of shame which feed into our instincts for withdrawal, submission and subordination. When the social pyramid gets higher and steeper and status insecurity increases, there are widespread psychological costs. The stress of poverty also influences the cognitive development of babies and children. For example, measuring the levels of the stress hormone cortisol in infants research shows that poverty, and the amount of time spent in poverty, can hamper the mental development of children. On the contrary, greater equality makes societies stronger, and leads to higher well-being across society[7].

Our societies are not only wasting many human lives. We are exhausting our natural environment and climate change threatens the very survival of our future livelihoods. Environmental inequalities are becoming more and more apparent and serious, induced by the unequal effect of multiple pollutions on people's health and by climate change. Likewise, poverty and inequality generate more environmental damage than would otherwise be the case[8]. The inevitable need to transform the way we produce and consume poses ever greater challenges for employment and social cohesion and calls for new approaches to what must become a just transition to a sustainable development model as underlined by one of the principles of the United Nations Sustainable Development Goals - 'no one left behind'.

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[4] A recent opinion poll in France indicates that over 80% of people consider that their children will be more exposed to poverty than they are (Ipsos-Secours populaire, September 2018). The Spring 2018 Standard Eurobarometer n°89 finds that 51% of Europeans on average share this view.

[5] Guy Standing, The Precariat: a new dangerous class (2011)

[6] Eurobarometer, Special Edition, April 2018

[7] For extensive research on the multiple effects of poverty and inequality, refer to The Spirit Level (2009, Allen Lane) and The Inner Level (2018,Allen Lane) by Richard Wilkinson and Kate Pickett

[8] See notably Social-Ecologie (2011), Flammarion, and Measuring Tomorrow: Accounting for Well-Being, Resilience and Sustainability in the Twenty-First Century (2017), Princeton University Press, Eloi Laurent

In many countries, democracy is besieged by nationalists and autocrats, and in some they already govern. The European project is under attack. Disillusioned citizens have turned their back on progressive parties in a number of our countries, and many historical social democrat voters have lost faith in their party's capacity to improve their lives. The model of development which progressives and so many others dreamt of and hoped for decades ago has not happened. It is high time to renew and reclaim this dream.

The European society we need to build

It is not about going back to a mythical past, or reviving a golden age. It is about the future. It is also about taking back control and empowering everyone, about ensuring that the economy serves us all by sharing equitably what we produce and by doing so responsibly and respectfully, for all women and men and our planet. It is about our children and grandchildren, for whom we all must pass on a good society, a society of fairly shared well-being for the many. It is about what we can all do together, not against each other.

The society we need to build is one which measures itself permanently against human well-being and the quality of our air, our water, and our soils - not against growth for its own sake, or stock market valuations. The society we can build is one in which work empowers us, instead of enslaving us, in which work pays enough to live a decent life, and in which we can work in dignity and trust, confident that our rights are strong and protected, and our voices are heard. The society we can build is one of freedom, and of democratic and honest institutions serving us all.

The society we need to build is one which leaves no one behind, in which poverty and deprivation have no place, and a society which ensures that every child, where ever they live and from whatever background or place, enjoys fundamental guarantees and decent living conditions, able to develop their potential in an open society. The society we need to build is one which places women and men on an equal footing, and which has removed all barriers to women's full participation in society. The society we can build is one which harnesses the best of new technologies, where we are all part of technological progress, not excluded. This society is a society which will succeed in healing our planet, in finding a new balance between human activity and our environment, and in protecting us all from the multiple pollutions that damage our health and that of our children, especially the most deprived and vulnerable. The society we need to build is one where the response to global environmental change is social progress. We believe that deep-seated transitions are possible. While highly resisted, fundamental transitions in human history have eventually taken place, such as the abolition of slavery or the emancipation of women. This time though, we need to act with great urgency.

The society we need to build is also a society drawing on a strong European continent and on a new European narrative. We cannot succeed in changing our societies alone, in each of our nation states, in each of our territories. We also need to harness our collective strength as a continent, and change the course of the European Union. The world will not wait, and we cannot take it for granted that other continents will build the kind of society we want in their parts of the world; nor can we take it for granted that the future destiny of our planet will be defined on our terms. Europe needs to tell a different story, not a story of fiscal discipline or competitive markets, but a story about just societies, societies in which economic democracy, social justice and environmental responsibility go hand in hand and benefit every one.

The European Union we can build is a union of solidarity, of a common purpose towards sustainable well-being for the many in all of our territories, not a union focused on market forces and elitist interests. The Union's mission is well defined in Article 3, but its policies are not close enough to its words. The European Union we can build is a union which relentlessly fights for the many and is in their hands, fully democratic and transpar-

ent, which enjoys unfailing support because it stands by us all, and uses our common strength to change the planet's course in leading the battle for a different globalisation - a world in which human rights and dignity, shared prosperity and a preserved planet are accessible to every one, not only a happy few.

We can embark on this new path, make this transformation a reality and change our societies for the better and for absolutely everybody. There is an urgency to do so, as our social fabric, our planet and our democracies are already cracking. Progressives in society and in politics have a great responsibility in this respect, and they need to engage now!

Sustainable development is the only way forward ...

Europe has lost precious time to engage itself and its Member States into a comprehensive transition towards economic, social and ecological sustainability. With regard to inclusive development, it has instead undergone a regression - both within and between its member states. EU policy has simultaneously tried to alleviate this regression but at the same time, and to a greater extent, encouraged it. Policy incoherence is widespread, despite a clear articulation of ultimate goals within Treaty Article 3.

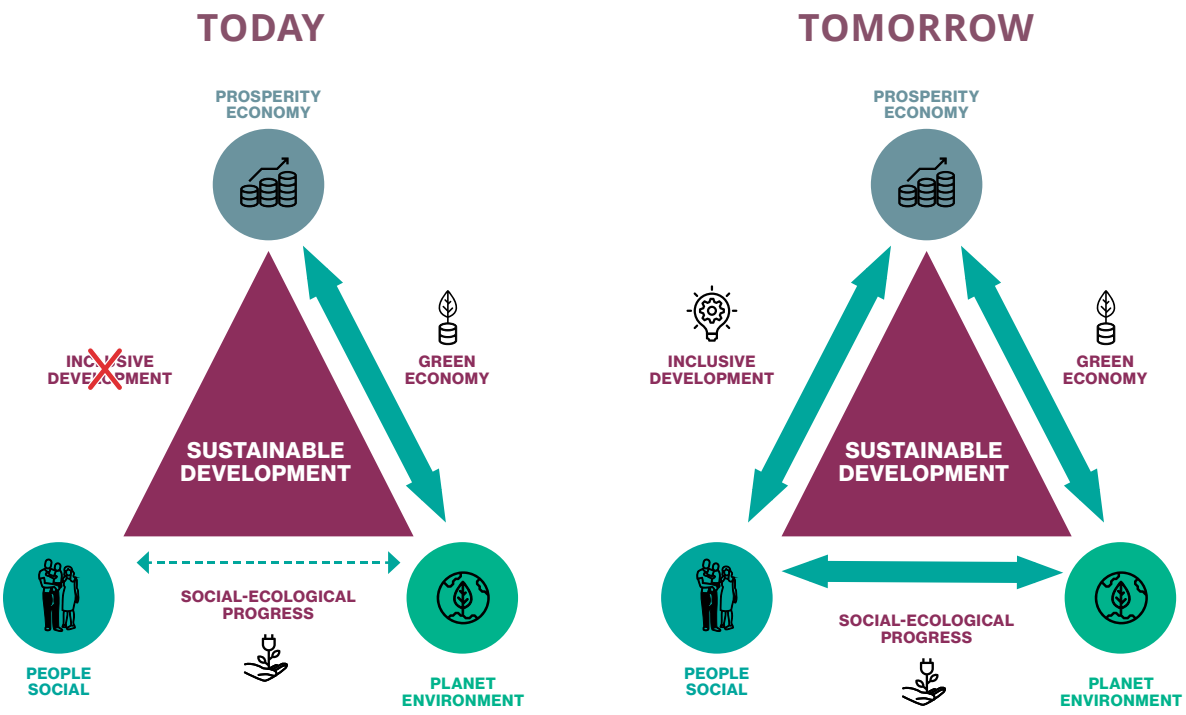
Sustainable development as a concept has been poorly translated into actual policy, not only concerning inclusive development, but also social-ecological progress - the interactions between people and planet - which appear to remain poorly understood (or just disregarded) by policymakers in the European Commission as much as by national governments in the European Council. As a result, and notwithstanding other world regions being even more off the mark, the EU has so far failed to develop a convincing prospect and plan for its future beyond the primitive idea that the world is a competitive place within which Europe needs to retain its share through endless structural reforms and the historic idea of safeguarding peace between its members.

This failure to project a strong and appealing vision about its destiny and purpose within a permanently changing and increasingly unpredictable world, combined with the failure to at least protect the social achievements of the past, has led to a growing political space for authoritarian populists, nationalists and extremists across many member states. These groups are further invigorated by their ruthless exploitation of the refugee and migration challenges. In states such as Italy, France, Germany, Austria, Hungary, Poland, Belgium or Sweden, political demagogues exploit Europe's policy defaults to implant their anti-European and inward-looking rhetoric firmly into the political landscape. The most tragic consequence of this development to date is the UK's European referendum result. Never before has the European project been in greater danger. It is as if, unable to imagine and embrace a better future, Europe will be tragically trapped by its past.

The combined rise of authoritarian populism, and the deepening social and environmental crises, should create a sense of urgency across pro-European political parties to jump into action. Ultimately, the transformation of our economic system will require a level of consensus, just as was the case to create our welfare states. This is even more necessary today, since many policy changes will need to be agreed and conducted at European level over a long period of time. There will therefore need to be clear and stable majorities in favour of such changes, if not unanimity (e.g. over tax policy). However, a transformational dynamic enjoying broad cross-party support will not suddenly come about. Not even the signing of the UNSDGs in 2015 by all EU states and the Commission unleashed any major changes. It will require social democratic and other progressive forces to take a lead for quite a while, to mobilise a broad base of voters to join this agenda, to push it onto the political agenda, and to make it grow into an inescapable political imperative for all pro-European forces. To achieve this will require winning both the battle of ideas and the underlying fight about narrative. This is best served if social democratic parties foster broad

support and progressive alliances. The challenge to social democratic parties should not be underestimated. Although sustainable development has historically been promoted by certain progressive actors (such as in the Brundtland Report, 1987[9], or by the Göteborg Summit in 2001), it has so far not been comprehensively translated into social democratic party politics or progressive government agendas across the EU, except although not completely in Scandinavian countries. This is now overdue. More moderate forces are only attracted by partial approaches - in particular, the greening of the economy is increasingly seen as a new capitalist paradise - and remain wary of the idea to embrace sustainability as a whole. But such partial approaches will not work and should be contested, because they deliberately ignore the need to recognise the limits of planetary boundaries or to engage the social dimension fully in all 'green' transitions.

Europe has been a global inspiration in the development of modern democracy or of welfare states or social market economies - three powerful engines of human progress. Europe should take this human progress further to fully integrate the need to respect planetary boundaries. Europe has a self-interest in providing this new inspiration. A global paradigm shift towards sustainability is indispensable to complete and stabilise Europe's own transition for the long term. The old debate around rules-based global governance needs to be revived within this framework, for which the UNSDGs provide an excellent starting point. Here again, progressive forces need to play a central role in taking a lead and setting the agenda through global progressive alliances, the development of which should be much more vigorously pursued than in the past.



[9] http://www.un-documents.net/our-common-future.pdf

... and sustainable equality must be our compass

We argue that achieving sustainable equality, as articulated in this report, is coherent with the EU Treaty's pledge contained in Article 3. There are clearly important political obstacles to surmount if the EU is to really embrace such an agenda. But there are no formal obstacles - on the contrary, the EU would start to live up to its own core commitments. What is more important, however, is to re-connect Europeans to the EU after years of loosening bonds. This will remain out of reach unless the EU is unequivocally and visibly engaged in improving people's lives. We hold the conviction that if the EU were serious about fighting inequalities, ending poverty, shielding its inhabitants from environmental inequalities and fostering social-ecological progress, it would consistently and relentlessly aim for the well-being of the many. These bonds would therefore tighten again to restore the European project itself. To achieve this is crucial for younger and future generations, many of whom risk having a more difficult life than the life of their parents. But only a radically different Europe from the one we are seeing today can achieve this.

It has been the task of this Independent Commission to develop transformative policy recommendations in as concrete a way as possible. Proposals are not limited to the European policy level, as many actions are crucial at other levels. Hence, many policy recommendations are intertwined between what has to be undertaken at EU level, and what other governance levels have to do. In areas in which there is no exclusive EU competence, common action will be hard to achieve. Past experiences have shown the limits of loosely coordinated policy goals through national or regional action. The limited successes of the Lisbon strategy and of the Europe2020 strategy are an important reminder. We will have to do better.

Progressives must engage in a growing grass-roots movement for progressive change and project a strong vision

This is why we believe that progressives at national, regional or local (including urban) levels - whether in politics, the trade unions, non-governmental organisations, or in the private sector (including the social economy) or in academia, will have to engage in supporting such policies and defining their own approaches and actions which share the same goals.

This is already happening. We can see that, across Europe, in a growing number of cities, in rural areas, at regional levels, policy-makers, civil organisations and citizens are taking inspiring initiatives in favour of a different model of development.[10] What has made the Lisbon Strategy weak has been a lack of involvement and engagement on the ground. Today, progressives can build nationally on existing initiatives at regional and local levels, engage their own national parties, foster wide partnerships - such as the inspirational Italian ASviS Alliance for Sustainable Development - and thereby change the EU policy agenda from within by investing in a growing grass-roots movement for progressive change.

The relative strength of nationalist forces and their growing focus on the next European elections has led to the idea that in 2019, Europeans will have to choose between supporting candidates that are positive towards the European project, and others whose agenda is to dismantle it. However, the real choice citizens will make - maybe unknowingly for quite a number - when casting their vote in May 2019 will be to either support progressive candidates who stand for a clear vision of the future in which every one has a place, or candidates who either defend the market-driven status quo within the exist-

[10] See www.progressivesociety.eu for examples of best practices in ecological transformations that also promote social progress

ing EU frame or a nationalist retreat. The next European elections will not be a battle between pro- and anti-Europeans but between those who have a vision and those who do not.

The road ahead

The policy recommendations made in the next five chapters have a common ambition - to form a transformative vision for the quality of life of each and every person which is deeply rooted in sustainable development - the only form of future development by which humankind can continue to exist with favourable conditions for all.

A more equal and sustainable Europe would benefit everyone - even the rich and powerful. Ultimately, growing inequalities and environmental degradations will hurt even those who are more privileged today, and they will be worse off than they would be if a more equal and sustainable society could emerge. However, many of them still live under the illusion that, because of their relative wealth, they can endlessly continue to benefit from a system that is running out of steam - economically, socially and ecologically, and in which millions of people struggle and suffer in multiple ways.

Although this is not a report which specifically addresses the different policies required to make our economies environmentally sound and sustainable - such as decarbonising our energy supply or shifting to a circular economy with dramatically less if not zero waste - it must be clear that if the fight against the disruption of our climate is not accelerated and won in time, it is very hard to imagine how our societies could achieve anything of what we call for here. We are fully aware of the vital need to dramatically step up our efforts to green our economies, to reduce our reliance on limited national resources and, more generally, to put our production and consumption on a fully sustainable path as soon as possible.

However, transformative change is needed in all three dimensions of sustainable development, not just in the environmental sphere. Even if the economic and social, as well as the social-ecological, challenges may seem less pressing then that of climate, it is equally important to address them head-on. For instance, increased corporate power, and increased inequalities both undercut efforts to reduce greenhouse gas emissions or pollution levels. Unfortunately, the very complexity of these interrelations, in addition to ideological and special interest resistance, have so far prevented major political engagement at most national, at European and at global levels. The only ray of light is the fact that the United Nations Sustainable Development Goals at least contains some relatively strong social goals, and that political engagement towards sustainable development is increasingly developing at local, urban and regional levels.

In this first policy report, we focus on those policy recommendations that should be implemented rapidly and in any case should do so in the next five years if sustainable development, as defined in the United Nations Sustainable Development Goals, is to be achieved in the long run. These are policy actions which can be taken in the term of the next European Parliament and Commission from 2019 to 2024. Transforming our societies towards real sustainable well-being for all will, however, be a longer term process and will require additional, more far-reaching, policies. Such policies will be a more radical shift away from the existing policy routine, and require further clarifications as well as additional research and debate. Some of them will therefore be only briefly indicated under “Further steps” in the relevant sections, to be explored further. A second policy report to be released by April 2019 will address this.

Policy Chapters

Our vision of a society of sustainable well-being for everyone can be expressed by five broad and joint headline goals:

1. **POWER TO THE PEOPLE:** People are involved from the local to the European levels as active citizens, economic actors and consumers, and with trade unions reempowered, to all play a key role within a vibrant participatory democracy and a vivid civic space (chapter 3)

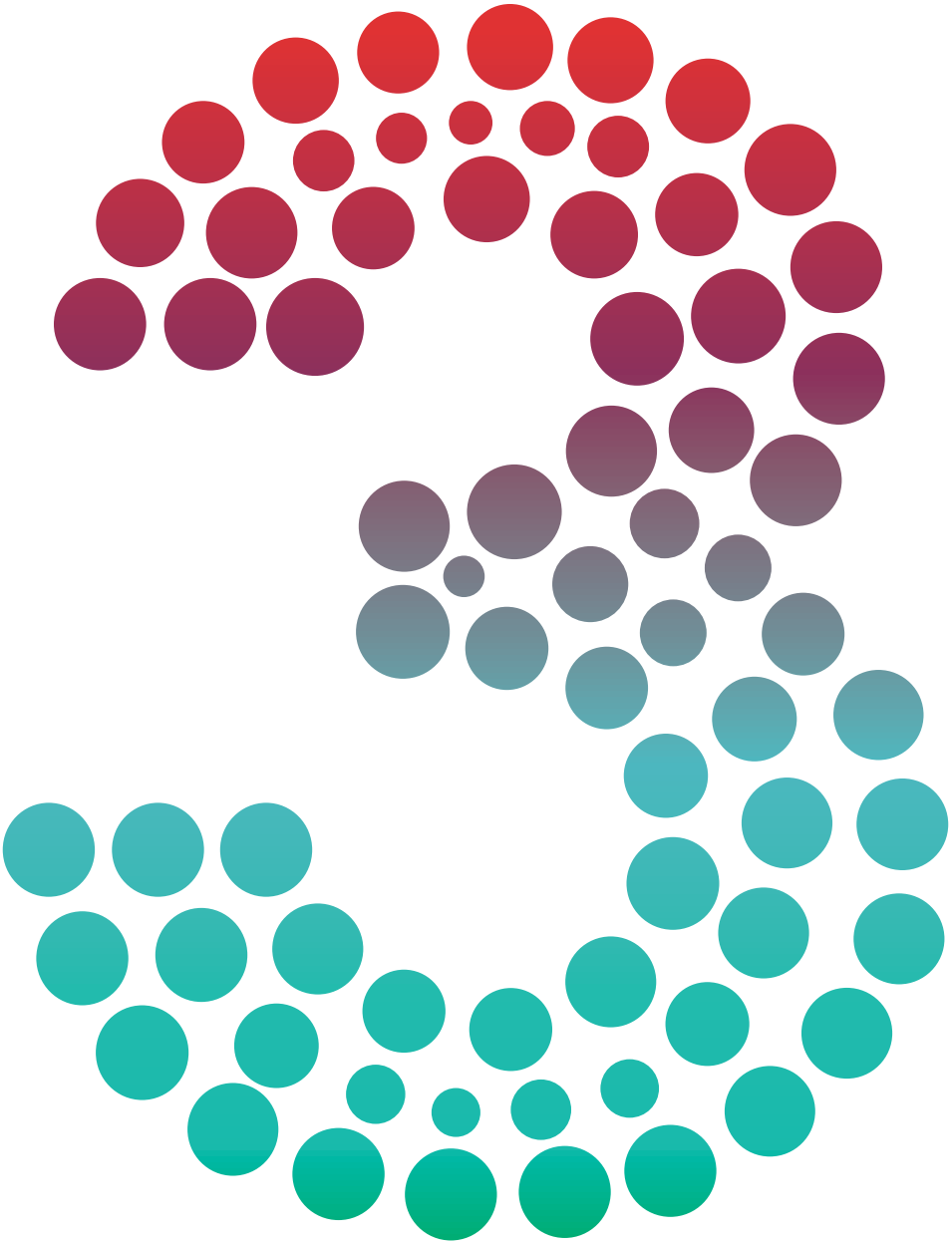
2. **RESHAPING CAPITALISM:** Markets are made sustainable, companies are made accountable and responsible to society, particularly in the financial sector, and the social & solidarity economy is far more important within the private sector than today - gearing the system towards serving the many not the few (chapter 4)

3. **SOCIAL JUSTICE FOR ALL:** Society is embedded in fairness and solidarity within and between generations and among territories, from the local to the European level, and in gender equality. No person and no place are left behind (chapter 5)

4. **SOCIAL-ECOLOGICAL PROGRESS:** Interrelated social and ecological risks and opportunities are identified and harnessed as the economy transitions towards sustainable development (chapter 6)

5. **ENABLING CHANGE:** The outdated policy frames and processes prevailing at the combined European and national levels, in particular the European Semester, are profoundly reformed to offer new and compelling governance and a framework designed to achieve sustainable well-being for all as the ultimate aim (chapter 7)

WELL-BEING FOR EVERYONE IN A SUSTAINABLE EUROPE
ENABLING CHANGE
SUSTAINABLE EUROPEAN GOVERNANCE
FINANCING A SUSTAINABLE TRANSITION
A SUSTAINABLE EUROZONE
POWER TO THE PEOPLE
A VIVID & BROAD CIVIC SPACE
ENGAGED SOCIAL PARTNERS & STRONG TRADE UNIONS
VIGOROUS DEMOCRACY
RESHAPING CAPITALISM
A PLURAL, DIVERSIFIED ECONOMY
ACCOUNTABLE & SUSTAINABLE CORPORATE RESPONSIBILITY
EFFECTIVE CORPORATE TAX COLLECTION
AN ACCOUNTABLE & INCLUSIVE FINANCIAL SECTOR
TECHNOLOGICAL CHANGE FOR THE BENEFIT OF ALL
SOCIAL JUSTICE FOR ALL
A EUROPE WITHOUT POVERTY
GOOD JOBS AND GOOD PAY FOR ALL
GENDER EQUALITY
AN OPEN SOCIETY FOR EVERYONE
NO TERRITORIES ARE LEFT BEHIND
SOCIAL-ECOLOGICAL PROGRESS
A JUST TRANSITION
A SOCIAL-ECOLOGICAL STATE



Power to the people

Vigorous democracy 55
Engaged social partners and robust trade unions 57
A vivid and broad civic space 61

Democracy is under threat. During the course of the last decades, citizens have been silently disempowered as increasingly influential corporate interests and the dominant neoliberal view have gradually advanced their special interests, restricted ideas of what is possible and promoted excessive individualism and insecurity.

The initial democratic dream of active citizens has been perverted as many people have been unable to shape society through the ballot box, in a way that would achieve their sustained and sustainable well-being at scale. Trade unions have seen their influence eroded, and civil society has - despite its dynamism - never been given full recognition by public authorities as legitimate and relevant voices of society, alongside trade unions, with different forms of social dialogue and collective bargaining. Progressive parties have to bear part of the blame. They have not always fought hard enough to deepen democracy in all its forms, when and where they were or are in power. Promises of more participatory forms of democracy, not least enabled by electronic communications, have mostly not materialised, except in some local areas. Digital democracy is at risk and needs to be preserved against the spreading of online disinformation and 'fake news'.

Most recently, democracy has come under even greater threat in certain countries, where populist and authoritarian governments have won elections by manipulating public opinion in very effective but extremely cynical ways. The European Union itself certainly does not stand out in many people's view as the paragon of democracy, as its decision- and policy-making processes remain complex and partly hidden, especially in the Council of Ministers. A dangerous disillusion about democracy and about whether elections make any difference to many people's lives has taken hold among those who have suffered the most from a political and economic system that has just not taken good enough care of their living conditions or engaged them effectively in decision-making.

This process is still at work. The disempowerment of people, the reign of global capitalism and the apparent impotence of politics will continue to grow in the absence of a veritable uprising. Global corporate giants, currently with turnovers between 500 billion and one trillion euros, will grow bigger and bigger - driven by growing market penetration globally, and by new technologies. Others, still smaller today, will follow suit. Amazon, a prime example of these evolutions, is already forecast to double its current valuation to 2 trillion dollars within the next decade. Its current wealth already allows it to invest nearly 30 billion US dollars in a single year in product development - higher than the annual EU research budget proposed for the next Multi-Annual Financial Framework. What this means is that the future of our societies, the way we live, the rights we have, and the freedom we enjoy, will be less and less the result of our political choices through democratic elections, and more and more the result of corporate strategies decided in global boardrooms.

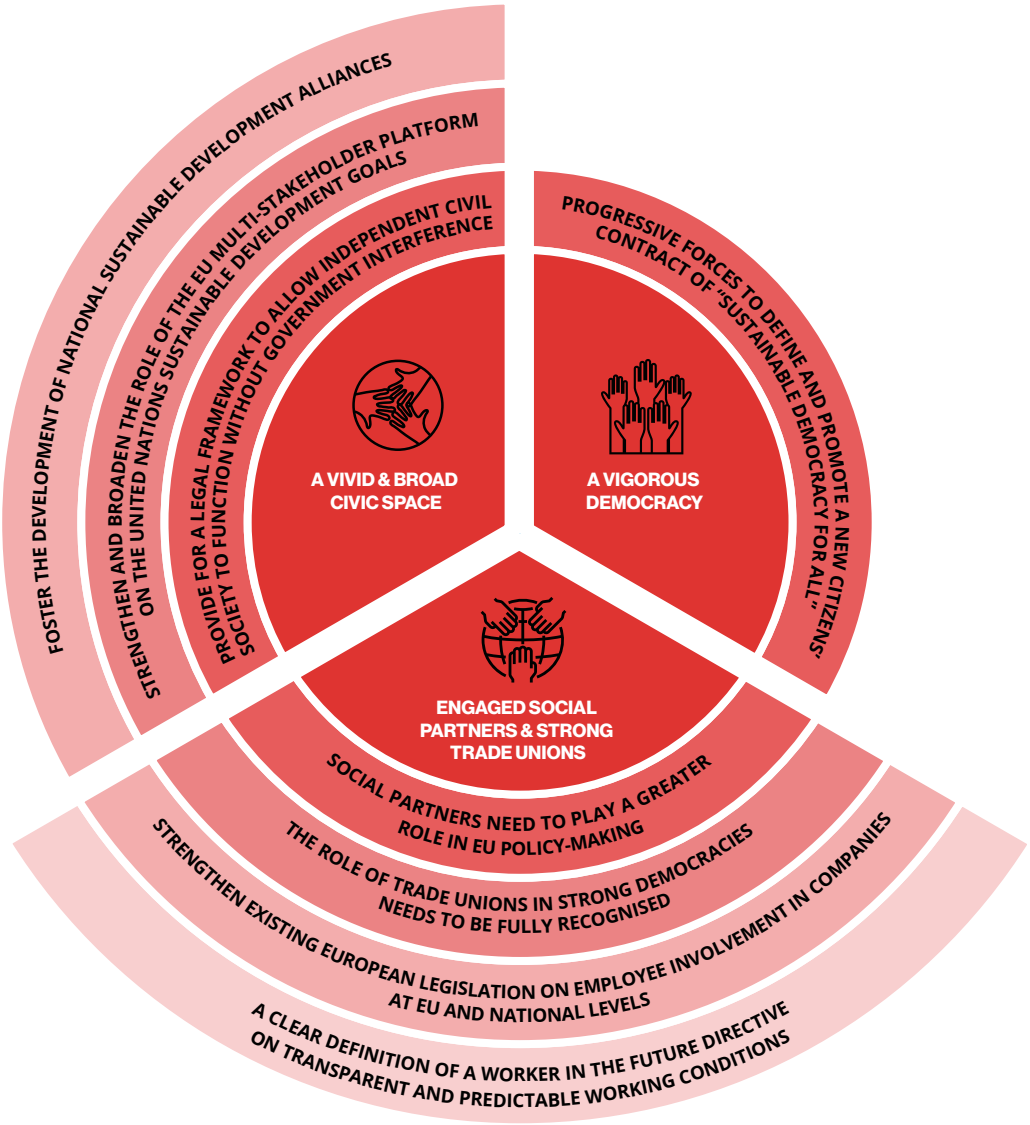
In comparison, countries today carry too little weight to re-define the terms and conditions under which their societies should evolve in future within the global economy. The European Union still has, in this respect, a privileged position which it dramatically underuses. The EU is the world's biggest exporter of manufactured goods and services, and it is the biggest import market for over 100 countries. It is also the world's largest single market area. This is, however, not going to last forever, as other world regions continue to grow in economic importance and will erode this position within a couple of decades at most.

Europeans should grasp what is at stake and reclaim an economic system with a strong democratic dimension, within which the power of private capital and corporations is reigned in and balanced with that of workers, employees, trade unions, and citizens at large. There is no chance that sustainable well-being for all can be achieved, unless citizens and their different associations regain strong civic and political influence through active participation not only at elections, but also as part of decision-making and implementation throughout society, and by engagement with political representatives between elections on a continuous basis. To empower people, forceful action is necessary at three levels:

- Democracy must be vigorous, and collective action in different forms must flourish
- Trade unions need to become robust again, and all social partners must be strongly engaged
- Civil society organisations must play a strong role in a vivid and broad civic space

A dangerous disillusion about democracy and about whether elections make any difference to many people's lives has taken hold among those who have suffered the most from a political and economic system that has just not taken good enough care of their living conditions or engaged them effectively in decision-making.

POWER TO PEOPLE



3.1. Vigorous democracy

The transformation of our societies into communities capable of achieving sustainable well-being for the many cannot and will not be a top-down approach imposed by elites. The essence of sustainable development is participation, empowerment, transparency, involvement and responsibility - from the individual to collective levels.

The dominance of market-driven societies, with their primary focus on individualistic "rights", on citizens as consumers and on the hierarchical employer-employee culture have diminished the role of citizens as actors of democracy. Representative democracy alone is not enough to protect democracy as the backbone of how we organise our societies, especially when economic democracy itself is losing more and more ground within representative democracy. The conjunction between persistent poverty and exclusion and the support given to nationalistic and authoritarian political forces - which appears as the most dynamic, albeit threatening, feature of many of our national democracies today - is, in this respect, alarming.

Re-empowering people as citizens, as employees and as consumers must be a central axis for a sustainable society. We cannot hope to address the complex challenges of environmental and social sustainability without more and wider participatory democracy beyond the ballot box. This requires a range of policies all conducive to this re-empowerment. In different parts of this report, recommendations are brought forward that will enhance democracy while also pursuing other goals. It is the pooling of a number of approaches that will generate a critical democratic mass, reinforced by horizontal approaches aiming directly at invigorating democracy.

Progressive forces to define and promote a new citizens' contract of "Sustainable Democracy For All"

Recommendation

Such a contract would pool the most relevant approaches for strengthening democracy across a broad range of policy actions, elements of which could be:

- Strong trade unions to defend workers' rights, backed up by far-reaching employee involvement in companies
- A vibrant civil society of non-governmental organisations actively involved in political processes on a level playing field with corporate representatives, ensuring a vivid and broad civic space
- A broad and strong culture of transparency with regard to public decision-making processes, parliamentary work, wealth ownership, wages, corporate governance (including on taxation), and product information to consumers.
- Full gender balance in terms of rights, pay and participation in politics and in the economy
- Inclusive territorial development policies including engagement with organisations and citizens on the ground
- Sustainable well-being as the central policy goal instead of GDP-determined policy, backed up by clear and relevant well-being and sustainability targets and indicators allowing citizens to understand and judge public action and performance in relevant ways to their lives
- Strong participatory democracy adapted to all governance levels from local to European
- Media and judicial systems independent from political influence
- Public policies to actively support independent news media and professional journalism and for governments to do more to enable investigative journalism by providing better access to public data, in order to act against the spreading of online disinformation and fake news.

An additional and important dimension of a vigorous democracy should be political parties. They are a core ingredient of representative democracy but should also pro-actively integrate participatory and grass-roots dynamics when defining policy positions and encouraging relevant action. Modern technology makes this easy, but party political cultures remain to a large extent reluctant to move from top-down to bottom-up approaches. Progressive parties committed to building sustainable societies should be at the forefront of such an approach. The traditional boundaries between parties as institutions and the wider networks of like-minded organisations and individuals should be overcome through shared goals pursued by a broad range of entities and individuals.

3.2. Engaged social partners and robust trade unions

We need balanced, pertinent and representative social dialogue and collective bargaining within sectors and across territorial levels fostered by "trade unionisation policies" at national and at European levels (such as tax deduction provisions for union dues), framed within a common European strategy building on the European Pillar of Social Rights (Principle 8).

Levels of union density vary widely across the 28 EU states plus Norway, from around 70% in Finland, Sweden and Denmark to 8% in France, although density is not the only indication of unions' capacity to mobilise workers. In most countries union membership has been falling in recent years, and, even where it is growing, it has not generally kept pace with the rise in numbers employed. Lower employment in traditionally unionised sectors (manufacturing and public sector), the development of non-traditional forms of work and employment (such as temporary and part-time work, and digital work), and government policies and attitudes aimed at undermining the role of trade unions are all factors that have contributed to the weakening of worker and employee representation and collective participation. Although the EU has limited competence in this area, it can and should foster trade unionisation in several ways by making trade unions, social dialogue, and tripartite consultation far more relevant.

Recommendation 1

The role of social partners can be reinforced in the existing European Semester process at EU and at national levels (e.g. institutionalised consultation by both EPSCO and ECOFIN Council formations; social partners can take part in an annual European Parliament plenary dedicated to the European Semester before each March European Council), and should become a strong dimension in a future Sustainable Development Cycle, as proposed in chapter 7.

01

Social partners need to play a greater role in EU policy-making

02

The role of trade unions in strong democracies needs to be fully recognised at the highest political level, leading to a European strategy on worker representation and to ensuing action taken at national levels to reinforce it

Recommendation 2

The European Council should recognise and strongly commit to the importance of strong tripartite and social dialogue, and of strong trade unions, in a well-functioning social market economy (cf. Article 3 and 152 TFEU) and express this commitment through a political declaration, laying the ground for a European strategy aimed at ensuring strong trade unionisation across sectors and territorial levels in all member states (implementation of Principle 8 in the European Pillar of Social Rights). As a consequence, national trade unionisation policies would be recommended to member states and included in national reform programmes, and in future sustainability programmes (such as tax deduction provisions for union dues). As part of this strategy, the number of workers covered by a collective agreement in the EU should increase, providing more support for trade unions in both EU and national policies.

EU policy, investment and legal frameworks that permit mere acceptance by an employer of a worker's right to be a member of a trade union while allowing that employer to prohibit all union activity at the workplace, to refuse to acknowledge or communicate with the workers' union, and to prohibit union officials from coming to the workplace including to represent workers who wish to exercise or defend an EU employment right, fail to vindicate the wider and deeper trade union rights and are a key contributor to stagnating wages and unfair working conditions.

Hence, the European Council declaration recommended here should clearly state that trade union rights, as recognised in the EU Charter of Fundamental Rights, must be real and effective.

At national levels, measures to support collective bargaining need to be developed with the active inclusion of social partners, and include reversing previous EU recommendations to Member States to limit collective bargaining or the right to strike. It means instead to support capacity building so that trade unions and employer organisations can negotiate sector level collective agreements. It also means ensuring that European competition rules stop prohibiting self-employed workers from collective bargaining, and using public procurement rules to privilege tenders from companies and organisations that recognise workers' right to collective bargaining (see recommendation 4 hereafter, and section 4.2, recommendation 3).

Recommendation 3

Several laws define employee involvement within companies. The role of trade unions is partly defined by such legislation. Strengthening the role of trade unions would enhance their relevance in shifting the balance towards stronger representation and economic democracy. The following pieces of legislation should be reviewed and developed in this respect:

- the European Works Council Directive should be revised, to strengthen information and consultation of employees and workers in transnational firms with 1,000 employees or more[11];
- at national levels, legislation should be revised on the general framework for information and consultation, information to workers' representatives in case of collective redundancies, safeguarding employees' rights in case of transfer of undertakings, and involvement in investment decisions;
- A new Framework Directive on workers' information and consultation, co-determination, anticipation and management of restructuring. Legislation has already been called for in 2012 by the European Parliament on anticipating and managing restructuring. The purpose of the Framework Directive should be to promote and facilitate information and consultation in economic change and improve the way in which companies, employees' representatives, public authorities and other relevant stakeholders throughout the Union anticipate, prepare and manage, in a socially responsible way, corporate restructuring.

03

Strengthen existing European legislation on employee involvement in companies at EU and national levels, supporting trade unions and increasing the number of workers covered by a collective agreement

[11] European Works Councils are bodies representing the European employees of a company. Through them, workers are informed and consulted by management on the progress of the business and any significant decision at European level that could affect their employment or working conditions. Member States are to provide for the right to establish European Works Councils in companies or groups of companies with at least 1000 employees in the EU and the other countries of the European Economic Area (Norway, Iceland and Liechtenstein), when there are at least 150 employees in each of two Member States.

04

A clear definition of a worker in the future Directive on transparent and predictable working conditions to end bogus self-employment and to allow millions of workers to unionise

Recommendation 4

The future Directive on transparent and predictable working conditions, which contains several important labour law provisions addressed in section 5.2 (Recommendation 1), should provide a clear and robust definition of a worker, in order to end bogus self-employment. While some self-employed are entrepreneurial, independent workers who decide for themselves when and how to work, others are less fortunate and are stuck in precarious and dependent work situations. A recent study estimates that among the 32 million self-employed across Europe (15% of the workforce), about one quarter are working in vulnerable job contexts and in concealed self-employment - characterised by more precarious situations, with lower levels of income and job security, more dependent and with less working autonomy. They experience, overall, unfavourable working conditions which appears to correspond to lower levels of health and wellbeing. Both the 'vulnerable' and 'concealed' in some respects resemble employees since they are more likely to depend on one client only (especially the 'vulnerable') and have less autonomy (especially the 'concealed')[12].This legislative change would ensure that workers who today have to accept a more socially fragile self-employment status in order to work, would not only benefit from a safer employment situation, but could also join a trade union.

[12] EUROFOUND (2017) The many faces of self-employment (https://www.eurofound.europa.eu/publications/blog/the-many-faces-of-self-employment-in-europe)

3.3.
A vivid and broad civic space

As defined by the global civil society alliance CIVICUS[13], civic space is the bedrock of any open and democratic society. When civic space is open, citizens and civil society organisations are able to organise, participate and communicate without hindrance. In doing so, they are able to claim their rights and influence the political and social structures around them. While in the majority of European countries the civic space is considered to be open, it is regarded as too narrow in several, and obstructed in one - Hungary[14]. Since 2017, Hungary, and Poland have introduced laws designed to restrict and undermine civil society, notably in terms of their funding. The right to peaceful protest has been curtailed in countries such as France and Spain.

Civic space should not just be regarded as fundamental to any strong democratic system. For progressives, a vivid and broad civic space represents an indispensable and powerful agent for change. Across Europe and at all levels, non-governmental organisations (NGOs) are at the forefront of many vital battles to achieve a sustainable society of well-being for all. Dynamic and positive interaction between progressive political organisations and parties, trade unions, academia and NGOs provides the most powerful driver for change, and will often make the difference since neither of these actors alone is powerful enough to succeed.

Achieving this vibrant civic space is ever more relevant when advancing a transformative policy agenda such as the one we recommend, due to the many resistances to its achievement and to the sheer complexity of the underlying policy strategies concerned. Hence, it is critical for progressives to ensure a vivid and broad civic space across our nation states and at the European level, as well as to develop highly productive, mutually stimulating and supporting interactions between all these groups of actors.

[13] https://monitor.civicus.org
[14] See the CIVICUS Monitor that tracks civic space across the world (https://monitor.civicus.org)

01

Provide for a legal framework to allow independent civil society to function without government interference across the whole of the European Union

Recommendation 1

A broad reflection is necessary on the future protection and strengthening of civic space across the EU. In its Charter of Fundamental Rights, Article 12 on Freedom of assembly and of association, the EU is committed to ensure that "Everyone has the right to freedom of peaceful assembly and to freedom of association at all levels, in particular in political, trade union and civic matters…". The recent limitations, and in some cases outright attacks, on this civic space in several countries, as well as the need to involve civil society organisations much more in the design and implementation of sustainable development policies at the different governance levels, make it necessary to define more clearly the necessary conditions and practices needed to ensure a vivid and broad civic space everywhere in Europe, including through legislative means.

The European Commission needs to further study how to create the necessary legal framework to allow independent civil society to function without government interference. At present, the Commission has only a bare minimum of resources to investigate the impact of NGO laws and to protect civil society. A good start would be for the Commission to undertake an overall assessment of any new national NGO legislation to ensure compliance with both EU law and the Charter of Fundamental Rights. All EU institutions should engage with lawyers and organisations with expertise in protecting civil society. At the highest political level, the European Council could, in the form of a political declaration or specific charter on civic space, provide a clear vision and the basic terms of European political engagement in favour of a thriving civil society.

Recommendation 2

The Platform, launched in early 2017, brings together a range of stakeholders including progressive NGOs allied through SDGWatchEurope. However, this Platform's role is limited to peer-learning and exchange of best practice. The role of the Platform should be broadened and strengthened. This would also respond to Goal 17 of the UNSDGs which seeks to strengthen global partnerships to support and achieve the ambitious targets of the 2030 Agenda, bringing together national governments, the international community, civil society, the private sector and other actors.

In this respect, we fully endorse the proposals made by SDGWatchEurope in their recent position paper[15], which recommends the enlarged role of the Platform to nine functions ((i) Advising on policy issues, both internal and external; (ii) Ensuring that the key principles of the 2030 Agenda such as policy coherence for sustainable development, leave no-one behind and respect for planetary boundaries are taken fully into account in the planning, implementation, monitoring, review and follow-up of the 2030 Agenda; (iii) Advising on communications and public outreach; (iv) Advising on EU budgetary policies and the future MFF; (v) Ensuring that Agenda 2030 principles and priorities are mainstreamed across the EU research agenda, and proposing appropriate research topics; (vi) Engaging in peer learning and the promotion of best practice; (vii) Advising on the monitoring and reporting of EU and MS SDG implementation; (viii) Facilitating effective and ongoing liaison with national SDG Platforms; (ix) Reflecting and Innovating on effective long-term governance for sustainable development.

A further step should be to connect the Platform to the implementation of a proper (and already overdue) future European sustainable development strategy within a reformed European Semester (see section 7.3), with a stronger role vis-à-vis the three European institutions, not only the European Commission. In particular, the European Parliament should take the initiative to regularly hear and consult the Platform on its own parliamentary work related to sustainable development policies, including as part of an annual plenary debate on the implementation of SDGs in Europe. This approach would be greatly strengthened and supported by a better connection to national sustainable development alliances or platforms, see recommendation 3, below.

02

Strengthen and broaden the role of the EU Multi-Stakeholder Platform on the United Nations Sustainable Development Goals, in line with UNSDG 17

[15] SDG Watch Europe Position Paper on establishing a new EU Multi-Stakeholder Platform https://docs.wixstatic.com/ugd/09175c_047ef35bf97f4cdf85b820e881e3e96f.pdf

03

Foster the development of national sustainable development alliances among stakeholders across society and involve them in meaningful civil dialogue with public authorities (national/regional/ local governments and administrations) on the design, implementation and monitoring of public sustainable development strategies in the framework of the UNSDGs and in connection with the design and implementation of a future Sustainable Development Cycle

Recommendation 3

The pursuit of an ambitious sustainable development agenda across our nation states is greatly enhanced when broad and active mobilisation emerges across a wide range of social groups and stakeholders. The Italian example of a national alliance for sustainable development (ASviS[16]), launched in 2016, is remarkable in this regard and plays an increasingly strong role as a driver for change in the country, in multiple ways.

We very much encourage progressive actors across our countries to develop similar initiatives adapted to national circumstances and characteristics. A European-wide tissue of strong national alliances for sustainable development would unleash amazing energy and knowledge to fuel proper policy action both at the national and European levels. Such alliances should include organisations and networks tackling one or more of the sustainable development concerns, such as those active on social justice concerns or those on ecological concerns. It would also provide indispensable two-way transmitters between the national and European levels to support an effective conception and implementation of a future sustainable development strategy, an approach which past initiatives such as the Lisbon strategy and Europe 2020 badly lacked.

Civic space at local and regional levels would also be strengthened through a proper implementation of the European Code of Conduct on Partnership and the Partnership principle in Cohesion Policy, as recommended in section 5.5, recommendation 4.

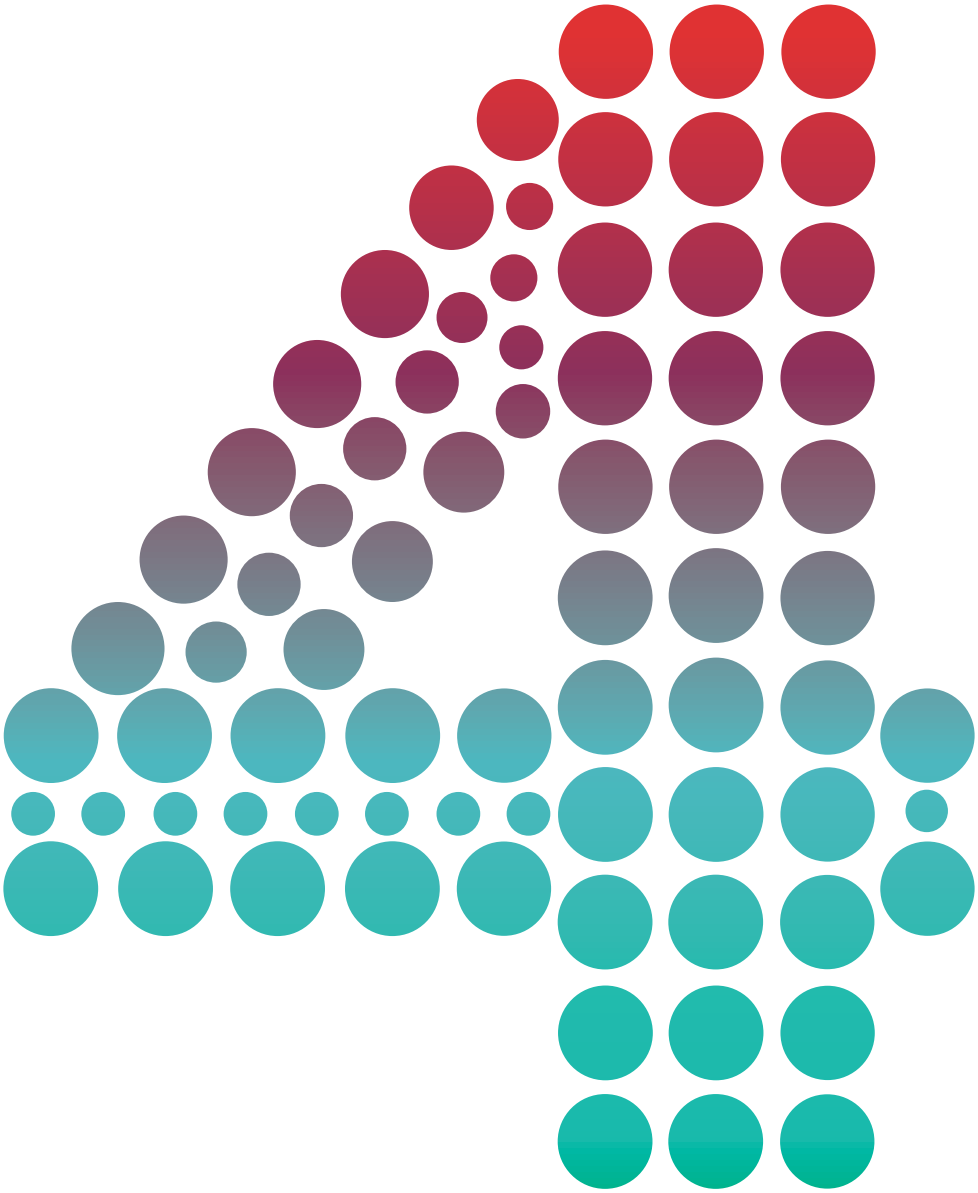
[16] http://asvis.it/l-asvis/

Further Step >>

The Treaty of Lisbon advocates active involvement of citizens and civil society organisations as participating actors in the governing structures of the European Union. Article 11 of the Treaty on participatory democracy signals a transparent and regular dialogue of EU institutions with representative associations and civil society. However, there are as yet no minimum standards for civil dialogue at EU level, preventing clear and predictable practices from emerging. The European Commission could provide a proposal for such standards based on the Lisbon Treaty, in order to ensure that civil society organisations are adequately consulted and can duly participate in European policy processes in a way that is clearly established, efficient, inclusive and transparent.

>>

Minimum standards for civil dialogue at EU level



Reshaping capitalism

A plural, diversified economy 73

Accountable and sustainable corporate responsibility 80

Effective corporate tax collection 85

An accountable and inclusive financial sector 90

Technological change for the benefit of all 96

Although private companies create value and jobs, and provide products and services that meet people's needs, their business strategies, defined within essentially self-interested profit-maximising and short-term logics, also cause major problems to society as a whole. Companies can still easily externalise environmental costs as much as social costs in multiple ways. Pollutions generated by corporate activity are transferred to society, whether they damage the environment or affect people's physical health.

Employees and workers suffer difficult living conditions due to low pay or bad working conditions and are forced to turn to the public health system to tackle the physical or psychological illnesses which result. Society as a whole has to support the costs of today's profit-driven markets. One may argue that by paying their taxes, companies compensate these costs through financial transfers. However, the private sector, and especially larger firms, also evade tax and use sophisticated tax engineering schemes to reduce their fair tax contribution; moreover, an economic system that generates large-scale external damages and costs which then need to be resolved (and partly cannot be resolved) is a very ineffective system, compared to a system that would prevent such damages and costs from happening in the first place.

The financial sector is one that has particularly acted against societal interests by actively embracing and facilitating tax evasion strategies at a global level, and has fuelled the biggest economic and social crisis of the Post War era by engaging irresponsibly in wide-ranging speculative activities.

During the past few decades, the concentration of companies into mega multinationals in a range of key sectors has increased due to free trade and capital movements across large parts of the world. Many of these companies have aggressively sought to gain access to cheaper labour and lower labour standards this liberalisation wave has provided, to build global value chains that fuel social exploitation and environmental damage. Although this pattern of production brings some immediate economic benefits to poorer countries, there are negative impacts on environmental and social conditions, including poor workplace conditions, occupational safety and health, and job security. The relative ease with which global companies can relocate their production (often to lower cost countries) also creates additional risks for jobs in Europe.

The economic power that has emerged from these trends is having an increasing impact on democracy. Larger companies use influential lobbies to work to defend their special interests, often against the common interest. There are no real countervailing powers except the ballot box. Citizens are often not sufficiently informed, if not manipulated, when they try to define their own views. Trade unions, a traditional counterweight to corporate interests, have been losing ground in a lot of countries, both due to the erosion in membership and due to public policies and government approaches aiming at weakening their role. Bigger companies also prey on smaller ones, extracting excessive margins and practising late payment, thereby channelling additional value to the top of the corporate wealth scale.

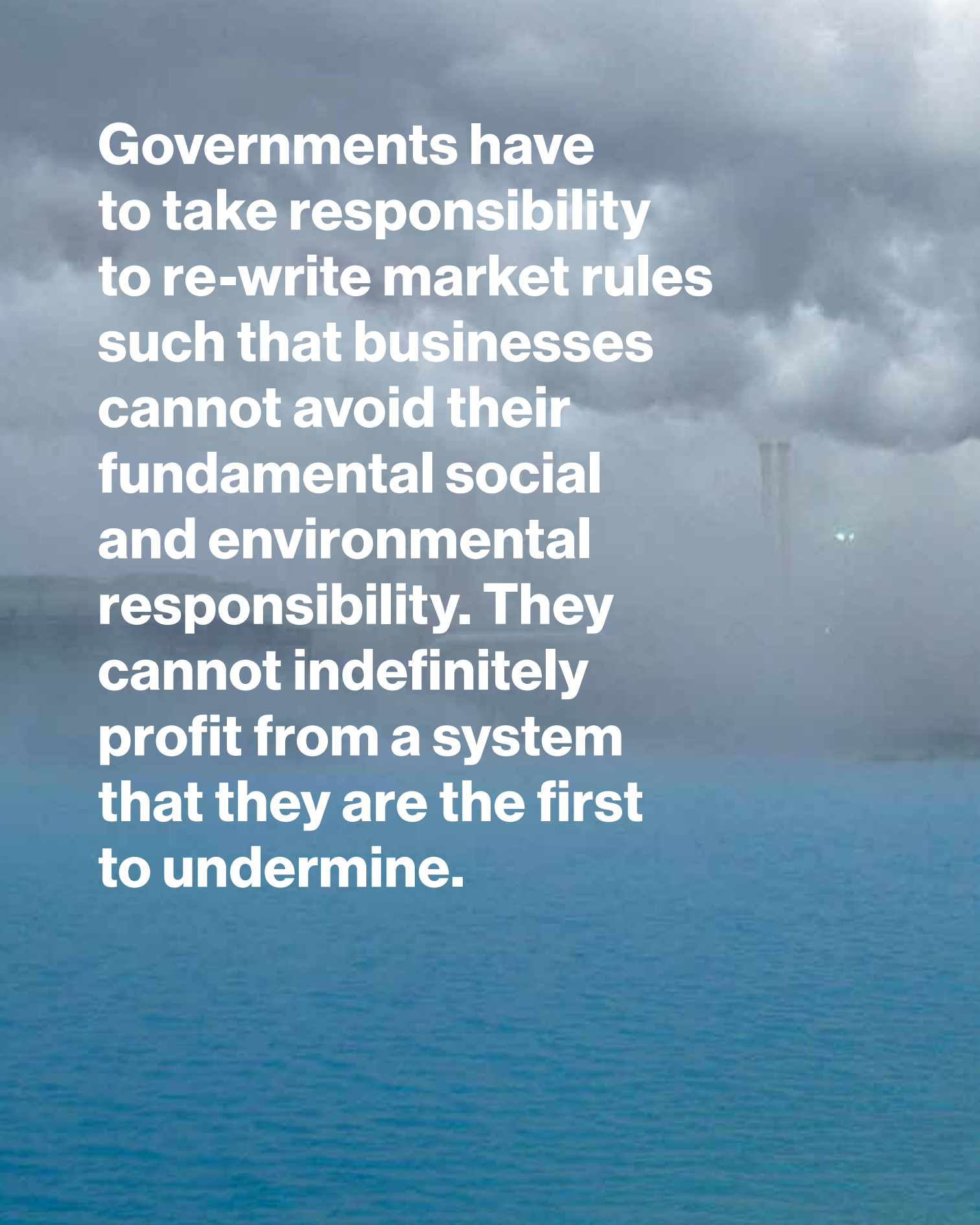
The accumulation of corporate wealth is unprecedented. A mere 147 global corporations, far less than 1% of companies, control 40% of the world's wealth[17]. Latest data shows that there are now already two global companies - Apple and Amazon - with around one trillion US dollars in market value. This economic power questions the future capacity of society as a whole, of all of us, to retain control over our common destiny.

Market value and corporate wealth are not the only concerns. A range of multinationals are engaged in far-reaching research programmes relating to artificial intelligence and robotics. Regarding these technological advances only as a new source of prosperity and human progress would be extraordinarily naïve. If governments and society at large do not harness these powerful changes in the interest of all in coming years, they will lead to more exploitation and more wealth concentration, leaving society even more divided, and threatening the fundamentals of democracy.

[17] The network of global corporate control, ETH Zurich, 2012; https://arxiv.org/PS_cache/arxiv/pdf/1107/1107.5728v2.pdf

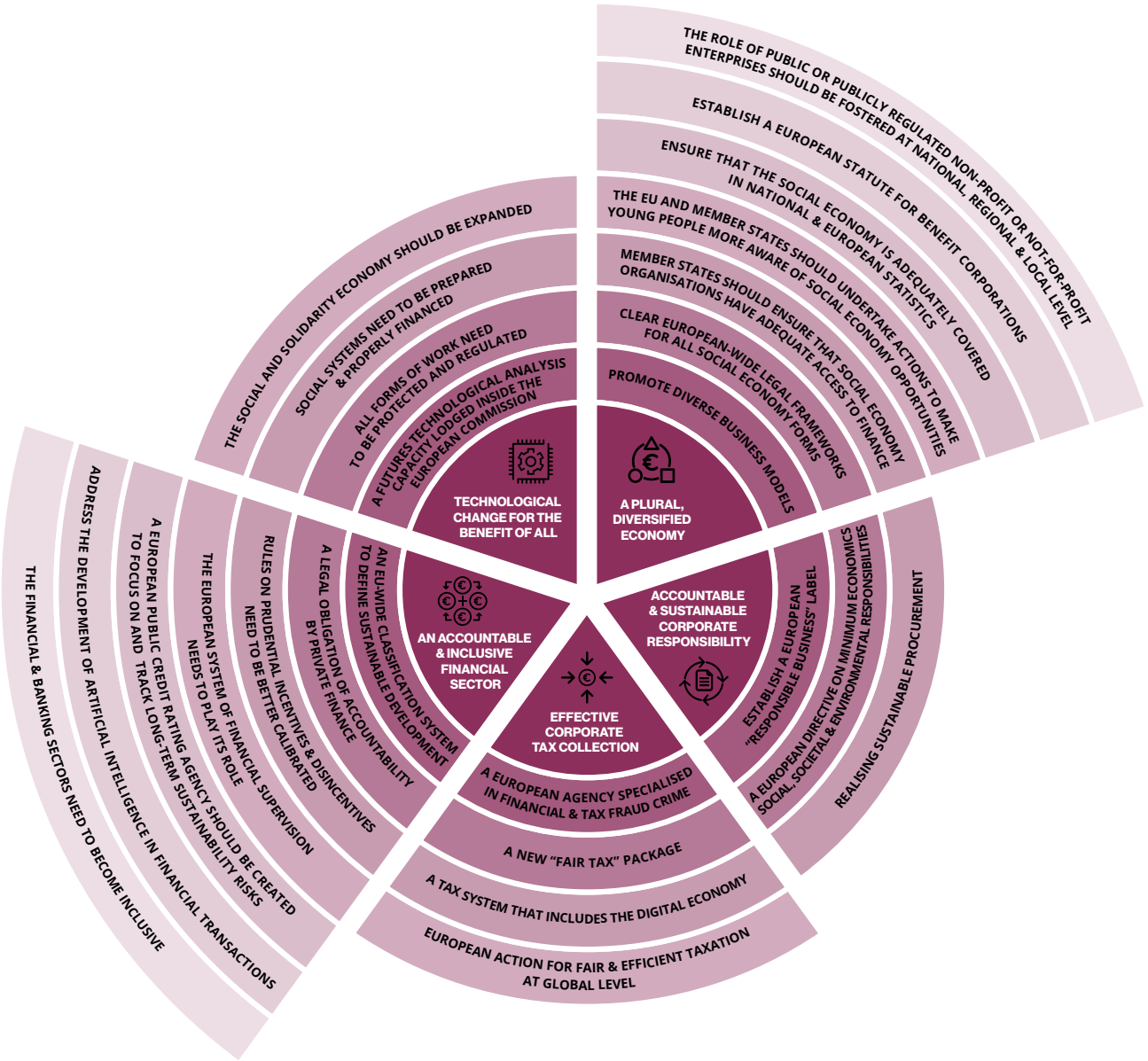
Corporations are key players in shaping the type of society we all live in. In order to build a truly sustainable society, they have to play their part. Some will naturally be more inclined to do so than others, and some larger companies have by now already engaged in more socially and sustainably responsible forms of corporate activity. However, this is by far not yet the norm. Time is running out, and it is too late to hope for good intentions to materialise, at some distant point in the future. Governments have to take responsibility to re-write market rules such that businesses cannot avoid their fundamental social and environmental responsibility. They cannot indefinitely profit from a system that they are the first to undermine.

In this regard, the current dominance of profit-seeking and capitalist businesses forms is not the most suitable form of economic structure for a sustainable society. Other forms of collective economic activity have shown their capacity to provide products and services, whether at local or higher levels, in effective ways while using different ownership structures, respecting wider social and sustainability responsibilities, and sharing the gains from their economic activity in fairer ways. They have also shown stronger resilience during the economic crises, notably in terms of safeguarding jobs. We believe that a truly sustainable economy can only be one in which a broader range of different, even hybrid, business forms develop and co-habit so that the essentially profit-seeking logic becomes less dominant in our markets and may, in the very long run, no longer anymore prevail as the main economic form.



Governments have to take responsibility to re-write market rules such that businesses cannot avoid their fundamental social and environmental responsibility. They cannot indefinitely profit from a system that they are the first to undermine.

RESHAPING CAPITALISM



4.1. A plural, diversified economy

In order to ensure that private economic activity takes far better account of social and environmental considerations beyond profit-making, and contributes better to a fair distribution of wealth and incomes[18], alternative forms of business should be fostered where possible, making the economy more diverse, more cooperative, less focused on short-term concerns and profit-maximisation, and more responsible towards the external costs a company's activity generates for society as a whole. Expanding the social and solidarity economy is an obvious way to do so, and is crucial, as detailed below. However, certain parts of the traditional mainstream economy are also evolving, experimenting with other forms of corporate governance while retaining a profit-making (albeit often moderated) approach.

[18] For instance, pay ratios in cooperatives or social enterprises are considerably less than comparable businesses and well below those in multi-national firms

01

Promote diverse business models including co-operatives, employee ownership, multi-stakeholder ownership models, trusts or other forms to foster more diversified economic business structure which incorporate social and environmental externalities better than today and fairer distribution of income and wealth

Recommendation 1

Today, there are more than 2 million social economy enterprises in Europe, representing 10% of all business in the EU. More than 14 million people, about 6.5% of the European workforce, is employed by social economy enterprises. This is up from 10 million a decade ago. Within the social economy, different approaches co-exist, such as foundations, associations, mutual societies or co-operatives. The latter employ over 5 million people and have 123 million members - owned by one in five Europeans.

Key features of the social economy, which distinguish it from the dominant business model, include[19]:

- the primacy of the person (people over capital)
- sustainable growth (profit is not the ultimate goal)
- social and economic balance (social aims are central)
- democratic governance and ownership (democratic, transparent and participatory decision-making culture)

The social economy is present in a broad range of sectors, and spreading further. It is an engine for social innovation, solidarity and social investment. It often plays a key role with regard to territorial and local development, in particular in countries where it is most developed, such as Italy. National situations are, however, very different as some Member States have important and vibrant social economies, such as in France, Germany, Spain, Italy, the UK and Poland counting for 80% of all jobs in the social economy; and the highest job shares in Italy and France, around 10% of total employment), while in others the sector is under-developed, such as in most Eastern European member states.

Employment in social enterprises, co-operatives and employee-owned businesses seems to be more stable during recessions. For co-operatives there is evidence that the reason is because employees tend to trade off pay for job security since their incentive structures support employment solidarity and hence pay restraint or reduction in a downturn. Other social economy organisations may well have suffered. For example, organisations dependent on government contracts for delivering public services have been severely affected by austerity. There seems to be, however, relatively greater overall job satisfaction and hence well-being in all social economy organisations.

[19] Different sources use different definitions to characterise the social economy, although they all converge. This characterisation is taken from the European Parliament study on the Social Economy, 2016

The European Union tried to foster the social economy by providing it with unified legal frameworks in the 1990s, comprising several Council regulations for its sub-sectors, but due to resistance in Council the Commission finally withdrew its proposals in 2006. Only the Statute for a European Cooperative was agreed in 2003. However, the case for a common legal frame remains equally clear today. The current lack of a European statute for mutuals, associations and foundations constitutes a legislative obstacle, with negative consequences on these social economy actors' capacity to operate in a cross-border way, especially in and with those Member States where legislative recognition is not provided by national law.

In a sustainable society, the social economy should not be regarded as an add-on, or as a limited alternative to the dominantly profit-seeking business model, but as a long term mainstream model for a truly sustainable economy, in both social, environmental as well as democratic terms. The social and solidarity economy should be supported with this goal ahead - seeking to expand its activities well beyond the less than 10% employment share it achieves, as well as allowing for more hybrid business models to develop. This will require a much more ambitious strategy than what prevails today. Social economy businesses, cooperatives, mutuals or associations should also play a leading role not only in social but also in ecological terms, being at the forefront of both. In 2015, the conclusions of the Employment and Social Affairs Council under Luxembourg Presidency[20] already provided an important set of proposals.

[20] The promotion of the social economy as a key driver of economic and social development in Europe, Council Conclusions (7 December 2015): http://data.consilium.europa.eu/doc/document/ST-15071-2015-INIT/en/pdf

02

Clear European-wide legal frameworks for all social economy forms

Recommendation 2

Different legal frameworks, and in some countries the absence of specific and adapted rules, hamper the development of the social economy, for instance with regard to state aid, public procurement, access to finance and the development of transnational activities. A level playing field with other business forms is vital. Regulations should be adopted defining a European statute for mutuals, associations, and foundations, in addition to the existing statute on cooperative societies. Both social and environmental purposes should be recognised.

03

Member States should ensure that social economy organisations have adequate access to finance, including through public banks and supportive public financial schemes, and through innovative financing sources

Recommendation 3

Access to finance needs to be improved by setting up, at local, regional, or national levels specific guarantee schemes geared to meeting investors' high risk aversion, satisfying the sector's needs for long term capital, and supporting both existing social economy enterprises and socially-innovative start-ups. Such guarantee schemes should be supported by European instruments such as InvestEU, and other EIB activities. The financial needs of the social economy should also be addressed in Europe's sustainable finance plan.

Recommendation 4

The social economy is an expanding part of our economy and offers a multitude of opportunities. Young people, including in particular young people who are unemployed, should be made aware of such opportunities and be able to rely on public support initiatives to help them set up or join a social economy enterprise, and raise capital. European programmes should support such schemes, notably through Cohesion Policy finance. Teaching and information about social economy models should be front loaded in schools and universities. At EU level, Erasmus+ and other programmes for internship across Europe should encourage social economy enterprises to use the opportunities provided by these programmes.

04

The EU and Member States should undertake actions to make young people more aware of social economy opportunities, including in educational programmes, and facilitate social economy start-ups

Recommendation 5

Stronger evidence is needed on the value of social economy organisations and businesses and on the contribution they make to society. This will better highlight how important it is to expand this form of activity and better inform relevant policies. The lack of a unified legal framework and the absence of harmonised and high quality data are closely related. Also, traditional indicators such as GDP and employment disregard key characteristics of the social economy. National accounts and statistical data rules need to be reviewed in order to obtain comparable and authoritative pan-European statistics. The transformation of the existing European Semester process into a Sustainable Development Cycle (section 7.3), by integrating alternative indicators on well-being and sustainable development, would in this respect also provide a more appropriate frame of data collection, analysis and policy formulation, particularly well-suited to the nature and contribution of the social economy to the wider well-being in our societies.

05

Ensure that the social economy is adequately covered in national and European statistics

06

Establish a European Statute for Benefit Corporations

Recommendation 6

A complementary way to change the way our markets operate - additional to a European corporate responsibility passport for major corporations, a fair business logo, reforms in the financial sector, and an expansion of the social economy - should be to create a legal EU-wide framework for Benefit Corporations, following recent experience in the USA since 2010 (the statute now exists in over 30 states) and recently in Italy ("Società Benefit", a legal statute voted in December 2015 by the Italian Parliament).

The Italian format creates a statute for companies which pursue one or more "common benefit" purposes as well as an economic activity. They are therefore different from many social economy enterprises, as they retain a profit distribution purpose, which is however balanced against more societal purposes. Although it is inspired by the US approach, the Italian Benefit Corporation was not created to protect directors; rather it was created to promote a completely new model of conducting business, which seeks to pursue an economic and a social purpose. In the Stability Act defining the statute, the Italian Benefit Corporation is defined as *"aims at the distribution of profits, but, at the same time, pursues one or more common benefit goals in favour of other stakeholders in the business, including people, communities, territories and the environment, cultural heritage, social activities, entities and associations, by working in a responsible, sustainable and transparent manner"*. What is particularly interesting is that a "Società Benefit" company is required not only to report, but more importantly to measure the impact generated by their activities using an external standard assessment, independent, credible and transparent, taking into account the areas related to corporate governance, employees, environment, etc[21].

The Italian experience should ideally lead to a Europeanisation of the approach, through a European legal statute which would avoid the type of obstacles faced by social economy actors (different national legal specificities hindering transnational expansion). In the absence or in the run-up to a European-wide approach, the Italian approach should inspire other EU Member States facilitating its spread and, consequently, promoting companies with strong positive impact measured with verifiable standards for overall social and environmental performance, public transparency, and legal accountability. Progressive governments across the EU should grasp this opportunity and define national statutes for benefit corporations without waiting for a European legal framework, while also calling for it as the best ultimate solution.

[21] For a discussion of the Italian approach see "The first European benefit corporation: blurring the lines between social and business", Pelatan & Randazzo, European Social Enterprise Law Association (ESELA), 2016 (here: https://www.bwbllp.com/file/benefit-corporation-article-june-16-pdf)

Recommendation 7

Public, or publicly regulated not-for-profit enterprises such as drinking water companies, energy distribution system operators (DSOs), hospitals, multi-utility "Stadtwerke", public housing companies, or public transport companies can play an indispensable role in tackling inequalities and promoting sustainability. This can, for instance, relate to the role of drinking water companies in free of charge publicly accessible filling points/drinking water fountains, or the tasks DSOs are undertaking in the field of energy efficiency, district heating, pre-financing of e-novation projects, or collective renovation of buildings. DSOs/Stadtwerke are particularly well suited to conduct that kind of activities: publicly owned or under public control, capable of attracting low-cost capital (because of regulated operations), and often working on a not-for-profit base. Their role could be critical in relation to some of the most far-reaching changes recommended in this report, including for Common Wealth (see further step at the end of chapter 5) and for building social-ecological states (chapter 6).

07

The role of public or publicly regulated non-profit or not-for-profit enterprises should be fostered at national, regional and local levels to contribute to economic diversification, and to build new eco-social public services that can tackle inequalities and improve eco-efficiency

4.2. Accountable and sustainable corporate responsibility

In a sustainable economy, companies do not only act in a maximising profit way, but take proper account of general interest concerns which shape the economic, social and environmental conditions within which they operate. Today's companies must become positive actors for change towards a society of sustainable well-being, which will eventually enhance their own longer term viability. However, past approaches based on voluntary corporate social responsibility and on sustainability concerns have been very unequally integrated by different corporations and clearly do not provide a sufficiently strong and fast dynamic for such change. European public procurement rules, while creating a level playing field for tender procedures, do not cover social or environmental concerns, which remain voluntary. A multi-level approach towards strong corporate responsibility is advocated here. The European Directive in recommendation 1 would provide common minimum standards, which would be enhanced through a complementary certification and labelling approach (comprising additional and more ambitious - but voluntary - requirements). In a second phase, and depending on the success of the Responsible Business certification, an additional way forward would be to impose stronger requirements on the largest firms operating across the Single Market, through a Single Market Corporate Responsibility Passport, envisaged as a further step.

Recommendation 1

A "Responsible Business" label should be set up through a public certification system managed jointly by the European Commission and national agencies (existing public bodies should be identified in each Member State) by which companies that respect a set of non-binding corporate governance principles, social and equality rights, and environmental standards, could be easily identified by citizens, including through their services and products. A specific certification should be developed for the financial sector due to its specificities, to set up a "Responsible Finance" label. The OECD guidelines for multinational enterprises[22] already agreed by OECD member countries provide valuable elements to define a Responsible Business label at European level. Certification requirements should be adapted according to company size to be relevant and avoid unnecessary administrative costs for medium- and smaller businesses.

01

Establish a European "Responsible Business" label to allow citizens to buy goods or services from, or work at, or invest in, companies that meet a set of social and equality rights, and environmental criteria

[22] http://www.oecd.org/corporate/mne/

02

A European Directive on minimum economic, social, societal and environmental responsibilities of companies

Recommendation 2

The wider responsibility of companies, beyond their shareholders and employees, towards society is increasingly reflected in national laws. Legal approaches to such wider responsibility notably exist in Germany, the Netherlands, the UK and a new law (PACTE) is being finalised in France. In other countries such responsibility remains in the field of soft law or of best practice approaches.

There is a strong case to bring together a set of minimum common standards in this field within a European Directive, to safeguard the necessary level playing field for European companies operating in the Single Market. Existing and on-going legal approaches and their experiences will usefully inform such a European approach. It would not prevent individual Member States from reaching beyond such minimum standards of corporate responsibility.

03

Realising sustainable procurement: Public authorities need to drive sustainable development goals through their public procurement contracts by pro-actively applying environmental and social procurement criteria as defined in the new European legislation

Recommendation 3

Public procurement of goods and services represent a huge part of our economies, adding up to 2 trillion euros per year, and representing 14% of EU GDP. Today's rules, which only came into force in 2016, now integrate a vast range of social and environmental criteria which can now be taken into account, although in a non-binding way, and the latter being specified in a tailor-made fashion for a range of different sectors. About half of all procurement results in lowest-price contracts being awarded, instead of those that take good account of social and environmental dimensions. But the new legislation now emphasises that the "economically most advantageous offer" does not mean the cheapest, but rather it should take into account the whole life-cycle costs. However, all criteria are indicative, and public administrations or agencies may select to use none, some or all of them in their procurement approaches.

Public authorities at all levels should be encouraged and supported in applying the social and environmental criteria offensively, and proper monitoring is needed to understand the extent to which they will effectively be used. Key criteria in both the social and environmental fields, and demonstration of their achievement and compliance, should be made compulsory in future procurement legislation, alongside a wider range of criteria that may remain indicative. For now, regional and national authorities should take initiatives to make the use of social and environmental procurement criteria the norm, not an exception.

Further Step >>

Recent decades have witnessed the emergence of increasingly large companies, in particular multinationals, whose economic but also political influence has grown into proportions which our democracies have to question. Their responsibility in shaping a sustainable society and economy is beyond doubt, and their concentrated corporate power should be used to leverage positive change. As with power comes responsibility, they should be called upon to make a stronger contribution to this change due to the impact - positive or negative - they can have on multiple dimensions of sustainability and considering the resources they can rely on to integrate sustainability concerns in a systemic way into their modes of production, organisation and distribution. However, while doing so, there will also need to be safeguards to prevent larger firms from transferring non-sustainable approaches to smaller subsidiaries, to subcontractors or to outsource the most problematic parts of their activities to smaller external companies. Ensuring proper chain responsibility will be key.

In order to achieve a breakthrough in corporate responsibility towards sustainability and to ensure strong accountability, clear enforcement, easy monitoring and proper transparency, key responsibilities could ultimately be defined for larger corporations within a single law which links rights and obligations, if soft law approaches fail, including the proposed Responsible Business label. Corporations with more than 500 million euros in annual revenue would be required under European Single Market law to obtain a corporate responsibility passport requiring them to respect a set of corporate governance, social and environmental exigencies[23]. A European regulation would define the relevant conditions and would, in several areas, fix these conditions beyond general law applicable to the private sector as a whole.

Such exigencies should include:

- Obligations in terms of worker representation on boards, social dialogue and labour contracts
- Obligations in terms of gender equality (such as on equal pay, the share of women on the company board, valid harassment procedures and work-life balance company policy)
- Obligations in terms of wage gap limits and management bonus practices, including transparency on wage levels and gaps, and meaningful employee representation on remuneration boards

... >> see next page

>>

A legally binding Corporate Responsibility Passport introducing a licence to operate in the single market for larger corporations, including in the financial sector, with more than 500 million euros in annual revenue

[23] US Democrat Senator Elizabeth Warren has recently introduced a federal bill entitled "Accountable Capitalism" which would introduce legal obligations for larger corporations in the field of corporate governance. The bill would require corporations with more than $1bn in revenue to apply for a corporate charter from the federal government. To get this charter, the companies would effectively have to become benefit corporations – companies that recognise that their duties extend beyond maximising profits for shareholders. In addition, 40% of the board would be elected by employees, top executives would have to hold stock for five years (or three years if there's a stock buy-back), and three-fourths of the board and shareholders would have to vote before the company used funds for political purposes.

- Chain responsibilities with regard to subsidiaries and sub-contractors;
- Restrictions on the sale of company shares by company management
- Full country-by-country reporting information on where they make their profits and where they pay tax (EU and worldwide)
- Obligation not to hold any financial or non-financial wealth in non-cooperative jurisdictions for tax purposes as included in the EU list
- Obligations in terms of the company's impact on the environment (obligations such as carbon and water footprint limitation, waste and resource management, environmental impact of company activity on immediate surroundings (noise, water, air or soil pollution))

By making these exigencies legally binding, they become enforceable and companies run the risk of having their CRP revoked. In order for companies to reasonably adjust to such legislation and avoid a disruption in economic activity, a transitional period to move towards full conformity should be included in the law by a set of obligations (some could enter into force without delay, and others following specific transition periods).

4.3. Effective corporate tax collection

Endless tax scandals linked to both tax evasion and tax fraud, and involving both corporations, financial institutions, and wealthy individuals - the most recent of which being the 'CumEx' tax fraud scandal by major European banks which deprived public coffers of more than 50 billion euros - have illustrated that today's tax systems are incompatible with an agenda of sustainable development. Massive financial resources that should contribute to ensure well-functioning public policies and services, including essential infrastructure and social investments such as quality education and quality health services, are continuously evaded and and, instead, foster ever increasing concentrations of wealth and inequalities. Rapid globalisation and the digitalisation of the economy have taken place to the advantage of large multinational firms and of wealthy individuals.

In order to move towards sustainable well-being for all, a renewed - fundamentally fair as well as efficient - European tax system is indispensable. The European-wide fight against tax evasion must be continued and completed, and the race to the bottom between national tax regimes has to be halted. Policy action can largely be deployed at European level, building on what has already been achieved in the last few years. But action is also necessary at national levels as well as at global level.

01

A European agency specialised in financial and tax fraud crime

Recommendation 1

Progress has already been achieved in the last few years on illegal forms of tax evasion and tax fraud, which now needs to be vigorously reinforced. The latest tax scandals exposed not only the need for strong legislation (see in recommendation 2), but also the dire need for truly effective controls and investigation capacity, and greater tax cooperation, at EU level.

New enforcement capacity is needed, which needs to be highly specialised given the complexity of major fraud schemes, especially where they are organised or rely on complex financial and banking schemes. Specific new bodies are needed, as detailed below, the work of which will need to be effectively coordinated. There is also a need to ensure close coordination with the work of Europol, where investigations may overlap and/or reinforce each other. A new European agency specialised in financial and tax fraud crime should provide an overall coordinating role, and be closely connected to Europol. It should build on and coordinate three new structures:

- A European Tax Policy Coherence and Coordination Centre. This body would have a role to strengthen the cooperation and coordination of national tax authorities in the fight against tax evasion, tax avoidance and aggressive tax planning, and tax fraud[24];
- A European Financial Intelligence Unit, to ensure effective networking and coordinated action between existing national financial intelligence units;
- A joint dedicated permanent task force to be set up by Eurofisc[25] and the European Commission aimed at supervising the enforcement of adopted tax legislation, notably through the issuance of detailed guidelines and regular reporting analysing the current situation in different Member States and proposing recommendations for improvement.

[24] It must thereby be ensured that when one Member State suspects international fraud, all Member States will be immediately alerted and a full, coordinated and international investigation can begin at once. This should be a highly specialised unit, focusing on financial markets, banks and tax fraud between Member States, and ensuring a common framework for cooperation between Member States' tax administrations;

[25] Eurofisc is the EU's network of Member States' VAT fraud experts

02

A new "fair tax" package

Recommendation 2

Repeated revelations show that large companies and wealthy individuals pay very low taxes in Europe by using legal tax avoidance schemes available in several Member States. This demonstrates to ordinary people how unfair and ineffective the tax system is. This situation must end. A combination of strong legislative and non-legislative measures must be rapidly taken at EU level to equally tackle tax evasion, and tax avoidance, to achieve a truly fair and efficient tax system across the EU:

- Full public country-by-country reporting, including fully disaggregated accounting from all countries where a multinational corporation operates. Increasing transparency as regards matters of cross-border taxation is crucial to ensure that taxes are paid where profits are made. Therefore, the Council must put an end to the current deadlock over the European Commission's 2016 proposal on public country-by-country reporting by big multinationals and start negotiating with Parliament to reach an agreement that forces big players to publish crucial information, as Parliament requested
- A common consolidated corporate European-wide tax base (CCCTB), that also covers the digitalisation of the economy. The CCCTB should, in the long run, lead to a common minimum corporate tax rate across the EU to avoid a fiscal race-to-the-bottom
- A minimum effective corporate tax rate, letting each Member State set its own corporate income tax rate while limiting tax exemption schemes, so that large firms pay at least 18% of effective tax on their annual profits[26]
- A harmonised EU-wide definition and a ban of dodgy tax schemes that allow large firms to drastically reduce their tax dues, including through the use of patent boxes flourishing across the EU
- Clear rules on the transfer of a company's headquarter within the EU[27]
- A long overdue Financial Transactions Tax[28]
- Increased resources to be given to national tax administrations, so they are better equipped to detect and end tax fraud. This means employees in numbers and qualification as well as tools (adequate software, etc). This is not a waste of public money: tax administrations are there to collect what is due and limit fraud.

[26] The corporate tax ate in the European 26 Union currently stands at 21.3%. The rate averaged 26.5% from 1996 until 2018, reaching an all time high of 35.2% in 1997 and a record low of 21.3% in 2018.

[27] A growing number of developed economies have recently implemented patent box regimes. Those grant preferential tax treatment to corporate revenues from intellectual property (see European Commission paper https://ec.europa.eu/jrc/sites/jrcsh/files/JRC96080_Patent_boxes.pdf

[28] Like digital businesses, the financial sector, must do more to live up to its societal responsibilities. To this end, Member States participating in the enhanced cooperation procedure need to agree on the adoption of a financial transaction tax, something that Parliament has been requesting since 2010. The hardship caused by the financial crisis of 2008 has clearly shown that harmful speculation needs to be curbed and that the financial industry must contribute to the immense cost of the crisis.

03

A tax system that includes the digital economy

Recommendation 3

Today's tax rules remain based on concepts designed many decades ago, before the Internet, software development and at a time when economic activity was easy to locate. The digital revolution must benefit everyone; but the larger players in the digital economy have actively and successfully sought to avoid paying their fair share, adding to rising inequalities and to excessive wealth concentration. To change this situation, the following measures and initiatives would complement a new European tax package:

- An interim Digital Service Tax, as proposed by the European Commission should be rapidly agreed among Member States, until CCCTB rules and provisions will be in place. If properly implemented, this measure will prove an effective short-term remedy to the current injustice that is the abnormally low levels of taxation in the digital services sector. In parallel, an agreement is needed in Council on the proposal on Significant Digital Presence that would be a cornerstone of a fair and permanent regime for the taxation of the digital economy.
- an informed public debate is needed on how to tax new technologies to avoid the situation where a reduced number of players capture the majority of value added generated in our economies, for instance through a robot tax, and to provide for public financial resources to support economic and social policies made necessary to respond positively to the consequences of such technological change in our labour markets.[29]

[29] South Korea is the first country to now have introduced such a tax, by limiting tax incentives for investments in automated machines

Recommendation 4

The European Union can already do a lot to limit tax evasion within its own borders regardless of how third countries address the challenge. However, a truly efficient way to resolve tax evasion will need global action. The following measures and initiatives would usefully complement Europe's own new tax package:

- The EU should include tax-dodging clauses in all EU trade agreements with third countries
- The EU should not conclude any trade agreements with jurisdictions defined by the EU as a tax haven and should wait until a grey listed jurisdiction is delisted before signing a trade agreement
- The EU should promote the creation of a transparent and well-resourced Tax Commission in the UN framework to coordinate efforts to fight tax havens, start a needed debate on fair allocation of taxation throughout the world, and ensure that all countries participate on an equal footing

Further Step >>

The EU should also promote the creation of a Global Financial Registry to establish ownership of Financial Assets. Such a registry would make it possible to both fix the loopholes of the corporate tax and make personal tax evasion much more difficult.

04

European action for fair and efficient taxation at global level

>>

Global Financial Registry

4.4. An accountable and inclusive financial sector

A sustainable society requires a sustainable financial sector, serving the real economy and geared towards providing the financial backbone for the transition to a fully sustainable economy in ecological and social terms.

The financial crisis that started in 2007 exposed the inadequacy of the regulatory framework for financial services. In the years preceding 2007, financial lobbies rode the free market wave that dominated Western culture in order to remove the important legal and regulatory barriers which had prevented the system from being too risky and too opaque. Financial markets quickly became crowded, deeper, complex and globally interconnected. Broader participation and higher risk-taking attitudes by an increasing number of financial actors such as pension funds or insurance funds and the aggressive behaviour of equity and hedge funds resulted in risks being widely spread throughout the whole economy.
On the one hand, in the last decade key improvements were achieved with regard to prudential requirements, leverage, resolution frameworks, transparency and clearing of derivatives, credit rating agencies, hedge funds and shadow banking. However, the incentives of asset managers and those of investors are still misaligned. Those incentives also remain largely out of line with those of society as a whole. The basic reason is that sustainable development concerns and related risks are currently not part of the legislative and regulatory framework for financial services.
By moving financial rules in line with sustainability goals, this would have a wider substantial impact on the private sector as a whole. The focus should therefore be on the specific role the finance sector should play to contribute to the transition by moving to a low carbon, more resource efficient and circular economy, to the protection of biodiversity and the fight against natural resources depletion, and to the need to develop fair, inclusive and resilient societies. We are therefore recommending five lines of action for policies to achieve this:

Recommendation 1

This taxonomy framework should bring together environmental factors including climate change risks, bio-diversity risks, waste, pollution, water security and deforestation, and more generally the concept of planetary boundaries; social factors including human rights (Free, Prior and Informed Consent of local communities), customary rights, workers` rights, women's and children's' rights, health and safety; governance factors – corporate governance, tax strategies, remuneration and measures to tackle corruption, data protection, tax avoidance and evasion and money laundering.

01

An EU-wide classification system to define sustainable development

Recommendation 2

Private finance should be held accountable towards society: all investors and asset managers should integrate financially material social, environmental and governance risks in their investment decisions, and should at least also consider substantial societal risks. They should have a duty of care to identify, prevent, mitigate and account for all environmental, social and corporate governance (ESG) factors and risks and be held accountable if they do not comply. To address the misalignment of incentives between managers and investors the fiduciary duty to act in the best interest of the company that managers have should not be a pure maximisation of shareholder value in the short term - rather, it should specifically recognise the creation of long term value.

02

A legal obligation of accountability by private finance

03

Rules on prudential incentives and disincentives need to be better calibrated

Recommendation 3

A better calibration of prudential incentives and disincentives would contribute to the adjustment to a low-carbon economy: banks' investments and credits shape our society, but the incentives and the disincentives are not calibrated in a way to take into account sustainability. Specific capital surcharges for 'brown investments' and specific capital discounts for 'green investments' would shape the way credit flows to business and households. Moreover, as a gradual dismissal of brown assets is needed to tackle the massive systemic risk they are associated with, a sustainability stress test for banks can make these risks visible, and help to accelerate the gradual dismissal of stranded assets. Supervisors should be responsible for running these stress tests.

04

The European system of financial supervision needs to play its role

Recommendation 4

Supervisors should play their part, too. ESG risks and factors should be included in the mandate of the European System of Financial Supervision - the European Supervisory Authorities should assess relevant material risks, including the ones related to the valuation of stranded assets, and should put in place the corresponding long-horizon monitoring systems. This should also be reflected in their use of mandatory Union-wide 'carbon stress tests' designed to measure the exposure of financial firms to climate change risk and to energy intensive sectors where assets are more subject to reprising.

Recommendation 5

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 are 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 tackled by the European Regulation on CRA adopted in 2012. Even if the situation has improved and CRAs are better regulated, 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 the 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.

05

A European public credit rating agency should be created to focus on and track long-term sustainability risks

06

Address the development of artificial intelligence in financial transactions through a review of the MiFID II / MiFIR legislation with a view to take into account new trading techniques and financial innovations, and put pressure on the Council to swiftly finalise the Regulation on CCP recovery and resolution

Recommendation 6

With the revision of MiFID, the legislative cornerstone of European financial markets regulation, a combination of measures and specific risk controls for algorithmic trading were introduced. The regulatory goal was that of curbing high frequency trading (HFT) techniques that exploit price formation differences across markets. By competing solely on the basis of speed, HFT can cause sharp and dangerous price fluctuations. Therefore, in addition to setting up internal control and business operations requirements for firms engaging in algorithmic trading to limit operational risks, MiFID imposes a regulated market temporarily halts or constrains trading if there is a significant price movement in a financial instrument. These requirements are called market halts and circuit breakers. Considering the huge lobby against these provisions both inside and outside the Parliament, this can be considered a great success. However, it is well known that market innovations go much faster than regulation and the world we are living in now is already different from that of MiFID II.

The use of Artificial intelligence by an increasing number of investment firms poses dangers due to the "herd behaviour" that a certain event could trigger. For example, if a blue chip stock dips below a certain price, most artificial intelligence systems will automatically sell resulting in a destructive feedback loop: selling pushes the price down further, which triggers more selling, and so on - in a cascading effect. Not all market platforms have trading halts and circuit breakers requirements so contagion could spread very fast. A revision of MiFID is therefore important to ensure that regulation is up-to-date with market innovations.

Moreover, a key part of the market structure legislation is currently blocked in Council. Clearinghouses (CCPs) clear a higher proportion of trading since the financial crisis; as a consequence, more and more credit, liquidity and operational risks are concentrated in these institutions, which have become potential sources of systemic risk. The Regulation on Central Clearing Counterparties' (CCPs) recovery and resolution approved by the European Parliament addresses this risk specifically. The lack of a Common Approach by the Council delays the finalisation of this legislation exposing markets to an additional element of risk.

Recommendation 7

Small and medium-sized firms, micro-firms and millions of consumers, especially if they cannot provide adequate guarantees or collateral, are deprived of access to finance at affordable rates. Similarly, many young Europeans who want to start their own company or pursue creative activities cannot do so because of lack of credit. Innovative financial instruments such as micro-credits, crowd-funding, venture capital funds and supply-chain financing are important instruments for promoting financial inclusion. They can be promoted through the development of appropriate guarantee mechanisms and/or the creation of "Social Entrepreneurship Funds" at the EU and national levels to enhance financial inclusion and social entrepreneurship.

Further Step >>

Not all of banking activity is today better regulated and supervised than before the financial crisis. A whole universe of non-banks such as investment funds, financial vehicle corporations, money-market funds, hedge funds, mutual funds, investment banks, and other non-banking financial institutions thrive and prosper outside proper regulation and supervision. These institutions comprise the shadow banking system.

Unlike commercial banks, no regulatory body monitors the lending functions of financial intermediaries or aids them in times of distress, which makes them vulnerable to shocks. As they are not required to maintain high reserves relative to their market exposure, they can have a high level of leverage and debt to liquid asset ratio. Shadow banking institutions interact with commercial banks, pension funds, insurance funds and investment firms that are the main interlocutors for households, SMEs and larger companies. This level of interconnectedness between the two sectors poses an enormous threat to the financial stability of an economy.

Regional supervisors and regulators such as the SSM (Single Supervisory Mechanism), EBA (European Banking Authority) or national authorities cannot cope with such an interconnected system, which also has important global ramifications that are out of the scope of proper regulation and supervision. Proper European-wide regulation and supervision of shadow banking must be developed, as well as proper global governance capacity in this sphere.

07

The financial and banking sectors need to become inclusive

>>

Shadow banking

4.5. Technological change for the benefit of all

While our societies have to resolve the full range of challenges deriving from our unsustainable production and consumption patterns, they also have to ensure that new technologies have positive effects on collective well-being rather than causing disruption. The rise of artificial intelligence, robotics as well as other scientific and technological changes in biotechnologies, genetics and others, hold both significant opportunities as well as risks. They could vastly improve our lives, or take our societies to levels of inequality unseen since the 19th Century. None of this is pre-determined, but we should not be naive about the potential dangers while pursuing the promised benefits.

In a number of areas, such as health or enabling good quality of life and opportunities in remote regions, these new technologies could provide breakthroughs for well-being. However, within the existing economic system, these technologies will lead to a further concentration of wealth and economic power. Given the current high-profile examples, it is likely that they will end up in the hands of a tiny fraction of mega firms - some of whom currently invest billions of euros each year. As a result that, consumers' options might be restricted or the cost of services, namely in the area of personalised DNA-based cures, could be so high as to be accessible only to wealthy citizens. In the same way, machine learning algorithms, which can be used to improve the quality of public services, can also be used as a way to anonymously discriminate consumers or workers. However, different approach are possible, including more mission-oriented research and innovation policies that start from societal demands, and public funding of research and innovation through equity, instead of grants, allowing for a collectively fairer future public return on investment. It may no longer be only universities, industry and research centres that determine where to spend public research and innovation funds, but public authorities, including the EU, that should decide what kind of research and innovation is required to meet particular societal needs and to address market failures, such as research and innovation focused on challenges with high societal costs but limited private sector interests, like in the health field for rare diseases.

Current predictions about the impact of new technologies on jobs are worrying, if not alarming. Some anticipate the disappearance of many routine jobs of today, in a wide range of sectors, which the new jobs to be created in the new technologies will not be able to match. Somewhat less alarming forecasts of net job outcomes insist nevertheless on the huge shifts from old to new jobs - not necessarily affecting the same people, nor the same territories. Major risks are generated by labour-linking technologies, which are spreading fast[30]. At best, therefore, today's active labour market policies and territorial policies will have to develop far greater capacity - in volume and quality - to assist people to move safely across labour market segments, and create new jobs in affected regions. At worst, millions of today's jobs are set to disappear and we will witness a very significant fall in the total number of jobs available - again, if nothing far-reaching is done to address this.

Beyond the economic and social challenges this poses, democracy itself will be tested in our nation states, but also globally. The misuse of personal data, the spreading of misinformation techniques, of fake news, and the manipulation of electoral processes is already now an extremely worrying fact of life, with which lawmakers and government agencies have to struggle more and more. This is not only a threat for political reasons, but also with regard to the way markets operate. Sophisticated technologies risk increasingly being used in commercial strategies, to attain a level of consumer manipulation yet unseen. Whether as a citizen, or only as a consumer, we are all vulnerable in the absence of very strict regulation protecting our private data, and prohibiting abuse. Laying down strict rules will increasingly test the political capacity of our democracies as tech giants and other corporations continue their seemingly unstoppable rise into stratospheric market valuation and economic power spheres.

We cannot let the private sector decide on fundamental societal evolutions essentially based on profit-maximising grounds and take the full economic advantage of these new technologies, while externalising all the costs. This should not only be seen as an ethical principle, it is a political and democratic one. The technologies that ultimately feed into the profits of private corporations have often initially been made possible and developed through public research funded by taxpayers' money. Moreover, the leading corporations in this field are among the world's champions of tax evasion, and therefore do not even contribute their fair share to the good function of our social systems. Hence, those firms that will benefit from these technologies as they access the markets should also contribute fairly and proportionally in financing the necessary public policies that will be required to ensure that such technological change will truly be for the benefit of all, and will not provoke new inequality, unemployment and exclusion.

[30] For example, Cornell University Professor Kaushik Basu (2016), Senior Vice President and Chief Economist of the World Bank, argues that "although labour-saving innovation has been with us for a long time, the pace has picked up. Global sales of industrial robots, for example, reached 225,000 in 2014, up 27 per cent year on year. More transformative, however, is the rise of 'labour-linking' technology: digital innovations over the last three decades now enable people to work for employers and firms in different countries, without having to migrate. […] As the march of technology continues, these strains will eventually spread to the entire world, exacerbating global inequality – already intolerably high – as workers' earnings diminish. As this happens, the challenge will be to ensure that all income growth does not end up with those who own the machines and the shares."

01

Technological change needs to be properly understood, anticipated and steered at both national and EU level. A Futures Technological Analysis capacity lodged inside the European Commission should be designed

Recommendation 1

The speed of technological change and significant advances, such as in artificial intelligence, robotics or genetics, remain poorly understood by policy-makers and elected representatives. The result is a high risk that such changes will not be properly anticipated and steered through appropriate policies. The expected social and environmental impact should be taken into account when financing research on the basis of mission-oriented strategies coherent with the UNSDG framework. Member States should also make full use of their still widespread control of corporations in order to steer technologies in a direction which increases equality of opportunities. The European Commission is ideally placed to provide for a technological capacity, which should interact with external stakeholders including social partners and civil society organisations, providing expertise and policy advice to all European institutions and national public authorities, as well as to the general public on a regular basis and in a transparent manner.

02

All forms of work need to be protected and regulated, leaving no grey zones in our labour markets: new legal rules on transparent and predictable working conditions and on platform work

Recommendation 2

The rise in platform jobs, of crowd-working, Uber-type jobs and bogus self-employment generate regulatory grey zones and do so partly so the expense of higher quality jobs in terms of social protection or wages. Inside the EU, there should be no such grey zones. Strong labour market regulations must apply across the board. In particular, the EU should agree on a strong *Directive for transparent and predictable working conditions* (currently in the legislative process). It should also establish new legislation on platform work, to complete this legal arsenal by laying down standards for the protection of platform workers across the EU in order to provide workers and employers with legal certainty and to avoid a race to the bottom in terms of social rights and working conditions.

Recommendation 3

Our social system will come under major strain once significant numbers of existing jobs are crowded out by new technologies through artificial intelligence and robotics. In order to assist the transformations in our labour markets to protect people and living standards, these systems need to be properly financed and organised. This needs to start now. Training and re-training schemes are not high quality in many countries, and need to be upgraded. Education systems need to be adapted to prepare children and young people for the growing importance of new technologies in education , and also in terms of skills. Financial reserves (social transition funds) should be constituted by governments and notably financed by a digital tax. This process should become part and parcel of the European Semester, and of a future and broader sustainable development governance process (chapter 7). The eurozone's unemployment insurance scheme recommended in section 7.3 will also need to be developed in a way as to be able to assist in case the labour market transformations spiral out of control at some point, which cannot be ruled out.

03

Social systems need to be prepared and properly financed to protect people through the technological transition and to enable them to grasp technological changes ahead

Recommendation 4

The future role of the social and solidarity economy is very important, and is covered in a separate section (4.1). However, it is important to mention here, because this is an area where - if policies succeed in organising this shift - new technologies could benefit society as a whole by allowing for the creation of new jobs in activities that will foster a more cooperative and sustainable way of organising many of our production and consumption patterns.

04

The social and solidarity economy should be expanded in a variety of sectors to provide new work possibilities, thereby also making a far-reaching contribution to fostering sustainable well-being for all

Social justice

A Europe without poverty 106

Good jobs and good pay for all 116

Gender equality 123

An open society for everyone 126

No territories are left behind 128

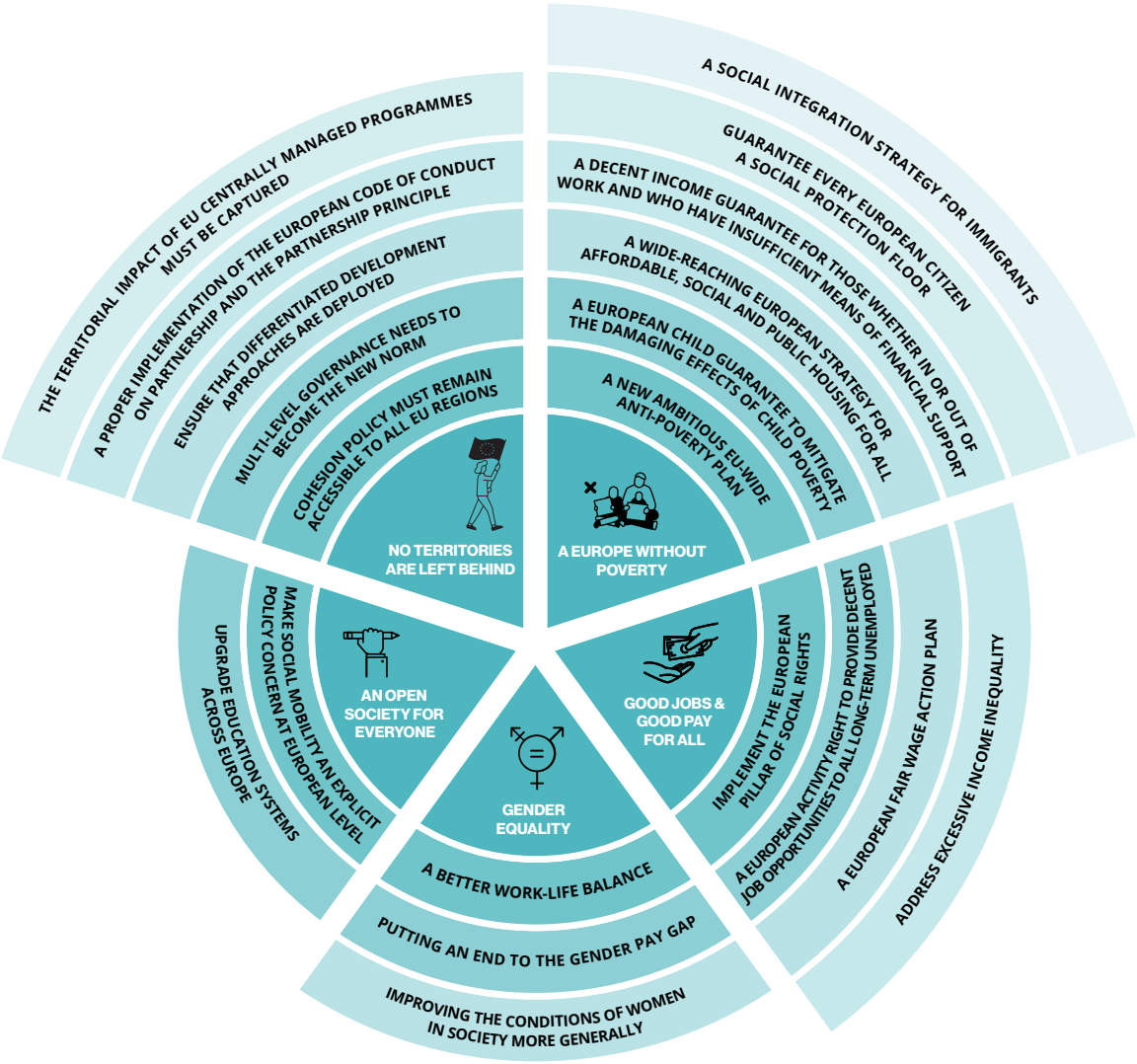
A society truly embedded in social justice is one in which a strong sense of belonging together arises from a common and shared sense of responsibility and interests, hence of destiny - as opposed to the growing sense of isolation and of “everyone for themselves” that increasingly characterises our current societies. It is a society in which ‘no one is left behind’, and in which it is understood that we are all less well off if not everyone has a decent life, and enjoys sustainable well-being.

It is a society naturally inclined to ensure equal rights and opportunities, of which gender equality is a central element. It is a society which is naturally disposed to sustainable development, which has an in-built capacity to address sustainability challenges well, whatever they are. Its sense of belonging together in union relates to relations between individuals, but also between territories, nations and the EU as a whole, as well as with regard to the economy - by giving workers and trade unions a stronger voice, by broadening and strengthening the civic space, by diversifying the economic actors in our markets, and by driving corporations to take on greater responsibility towards society, as recommended in the previous chapter.

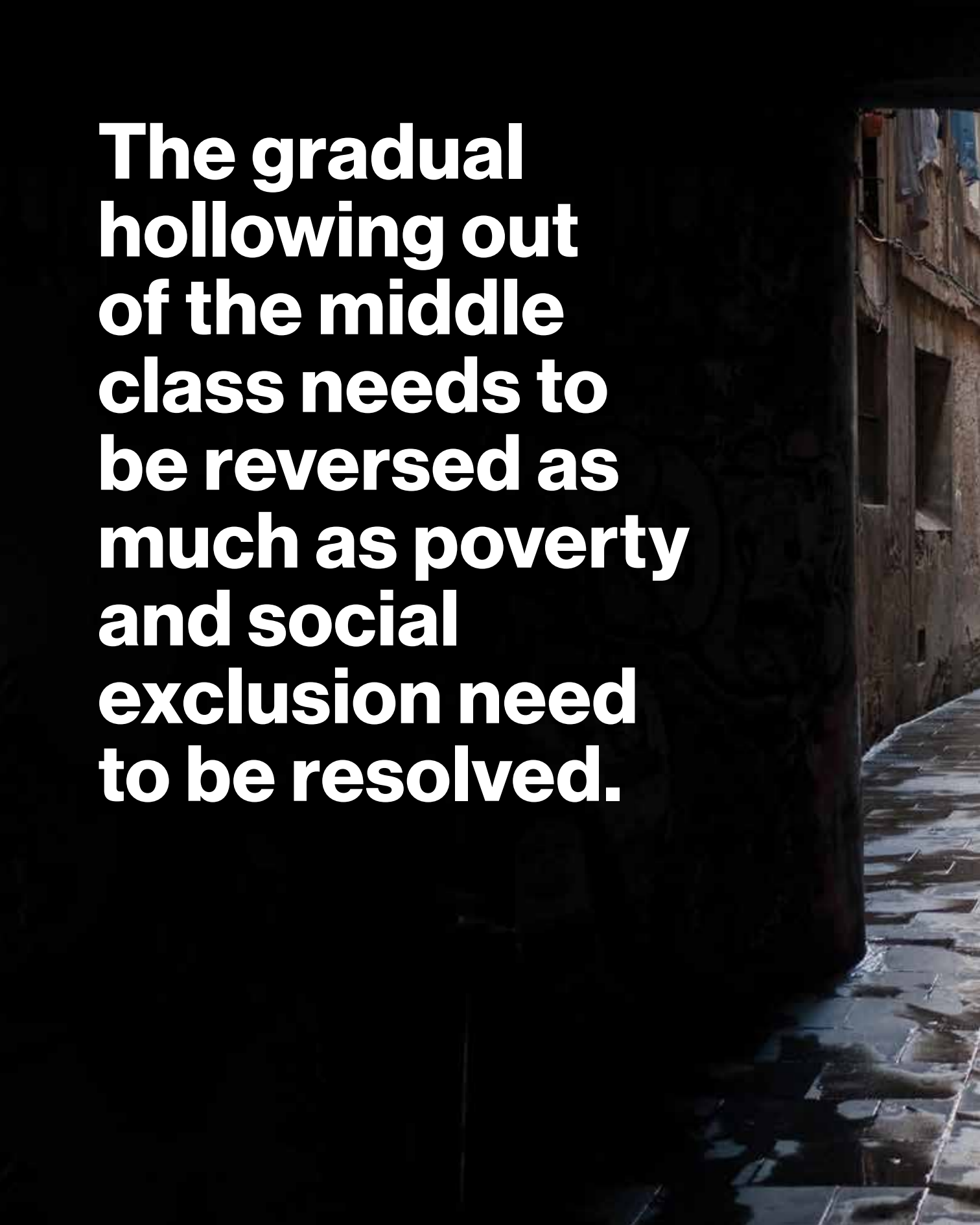
This is not a new concept. In fact, the European Union already rests on important legal and quasi-legal principles and rights that provide a good basis to develop this society - in particular, Treaty Article 3, the Charter of Fundamental Rights, and the European Pillar of Social Rights. We are not starting from scratch. The EU and its member countries already include many features of a society embedded in social justice. However, these features are yet insufficient. Some have been eroded over the past, and they are constantly in conflict with neoliberal and purely individualistic dynamics, which prevent them from developing further - despite the fact that this is indispensable if sustainable development is truly to be achieved. The EU's principles and rights need to activated more forcefully, through existing and new policies, and through legally enshrined rights where this is the best way forward.

The approach we recommend takes account of both the need to address the traditional forms of poverty and social exclusion, as well as the social difficulties that affect a larger part of our populations, notably due to the rise in precarious forms of work, in-work poverty, the insufficient recognition of equal rights between women and men, and the socio-economic difficulties faced by a growing part of our middle-class. The gradual hollowing out of the middle class needs to be reversed as much as poverty and social exclusion need to be resolved. The middle class experiences a variety of threats and difficulties, such as stagnant income, the fear of job instability or loss, and a growing fear that the future will be worse than the present or past, in particular for their children.

SOCIAL JUSTICE



The gradual hollowing out of the middle class needs to be reversed as much as poverty and social exclusion need to be resolved.



5.1. A Europe without poverty

The main measure of monetary poverty included in the EU list of indicators is a relative one (net income less than 60% of the national median), known as the "at-risk-of-poverty" rate. Since the EU Council of Ministers in 1975, poverty in the EU has been conceived of as relative to a particular country at a particular time. There was and is strong justification for this approach rooted in social science understandings. Poverty in the post war period has been understood as a relative concept that went beyond the notions of poverty as a lack of basic physical needs but aspired to social participation standards or human functioning.

In June 2010, the European Council adopted the Europe 2020 Strategy which is the EU's growth strategy for the current decade, aiming at developing a smart, sustainable and inclusive European economy. In this context, the European Council adopted a social inclusion target, namely lifting at least 20 million people from the risk of poverty and exclusion by 2020. However, this target has not been met to a great extent, and the number of people at-risk-of-poverty is nearly the same level as in 2010.

To monitor progress towards this target, the 'Employment, Social Policy, Health and Consumer Affairs' (EPSCO) EU Council of Ministers agreed on an 'at-risk-of poverty or social exclusion' indicator, "AROPE". This indicator defines the share / number of people who are at-risk-of-poverty or severely materially deprived or living in households with very low work intensity.

More precisely it includes people that are at least in one of the following three categories:

- People at risk-of-poverty, who have an equivalised disposable income below the risk-of-poverty threshold, set at 60 % of the national median equivalised disposable income (after social transfers).
- People who suffer from severe material deprivation and have living conditions severely constrained by a lack of resources. They experience at least 4 out of the 9 following deprivations items. They cannot afford: i. to pay rent or utility bills, ii. keep home adequately warm, iii. face unexpected expenses, iv. eat meat, fish or a protein equivalent every second day, v. a week holiday away from home, vi. a car, vii. a washing machine, viii. a colour TV, or ix. a telephone.

People living in households with very low work intensity aged 0-59 land where adults worked less than 20% of their total work potential during the past year.

At present, 118 million people in the EU, equivalent to 23.5% of the entire population, are at-risk-of poverty or social exclusion. Among them, 14 million are both at-risk-of-poverty and living in households with a very low work intensity, about 13 million are at-risk-of-poverty and severely materially deprived, a bit less than 3 million both severely materially deprived and in households with a very low work intensity, and 8 million are experiencing all three poverty and social exclusion situations.

The indicator plays a crucial role in identifying the extent of poverty and its evolution over time, as much as it frames the need for and nature of policy actions. The 60% threshold is an arbitrary one, but is meant to represent the level of income that is considered necessary to lead an adequate life. However, it does have certain shortcomings. In particular, it does not necessarily reflect actual living conditions on the ground, and may underestimate actual poverty in certain countries. The at-risk-of-poverty line represents very different levels of purchasing power in different countries, and it is not at all obvious that an income at the level of the threshold indicates a similar or comparable situation in terms of poverty or social exclusion. Also, when evaluating the adequacy of minimum income support, or when entering into a public debate about an appropriate level of the minimum wage or minimum income support, the arbitrariness of the level of the threshold can be problematic. The poverty threshold can also change from one year to another due to the evolution of the general level of income and its distribution in a country.

In these cases comparable reference budgets can be helpful. Although these are difficult to calculate, and be made comparable between countries, recent research has been focusing on obtaining some clarity[32]. Such research indicates that, in particular in Southern and Eastern European countries, the 60% median income threshold may significantly underestimate the actual state of poverty. For instance, research indicates that for a couple with two children living in Budapest and being tenants, income would need to be 1.5 times higher than the 60% threshold not to live at risk-of-poverty. Living in Athens, this couple would need an income roughly twice as high as the median income threshold, and in Barcelona an income 50% higher than this threshold. In comparison, figures estimated for cities such as Antwerpen or Helsinki indicate that the threshold adequately estimates the at-risk-of-poverty limit. In other words, if there were reliable data based on reference budgets to better measure actual poverty, the number of people living at-risk-of-poverty would be significantly higher than the current 118 million shown in Eurostat data. A first common methodology for reference baskets has been developed as a pilot project by a network of academics, with the support of the European Commission[33].

[31] The 1975 European Council defined poverty in the following terms "People are said to be living in poverty if their income and resources are so inadequate as to preclude them from having a standard of living considered acceptable in the society in which they live. Because of their poverty they may experience multiple disadvantages through unemployment, low income, poor housing, inadequate health care and barriers to lifelong learning, culture, sport and recreation. They are often excluded and marginalised from participating in activities (economic, social and cultural) that are the norm for other people and their access to fundamental rights may be restricted."

[32] See notably Goedemé, T, Penne, T, et al (2017), What does it mean to live on the poverty threshold?, Lessons from reference budget research, CSB Working Paper series

[33] http://ec.europa.eu/social/main.jsp?catId=1092&intPageId=2312&langId=en

Tackling poverty effectively requires to take account of the different types of social groups who are disproportionally affected when designing effective policies - migrants, Roma, children, women, single-parent families, elderly, young and long-term unemployed, etc, as well as adopting a territorial approach, combining horizontal policies with territorially grounded policies, as detailed in section 5.5. It requires placing the fight against poverty in the wider frame of increasing income and wealth inequalities, and of regional and national differences in the provision of public services, whether they are free or not, and their quality. Last, but not least, it requires a budgetary policy strategy geared towards supporting the fight against poverty, notably by allowing sufficient social investment to be made within a revised set of fiscal rules (section 7.1).

Recommendation 1

The plan would build on an approach based on reference budgets to fine-tune the measurement of people at-risk-of-poverty (monetary poverty).[35] The plan should become an integral part of the existing European Semester governance process, and of a future Sustainable Development Cycle (chapter 7).

This commitment may seem unrealistic considering Europe's track record in the field. However, we are convinced that without a new strong political commitment, inspired by an ambitious aspiration, the fight against poverty will become even less of a political concern than it is today, especially once the Europe 2020 strategy formally comes to an end, and will have failed to achieve anything in this field.

Drastically reducing poverty will have very substantial and multiple positive effects on our societies as a whole. We must consider this fight against poverty as one of the best long-term investments our societies can possibly undertake. As authors such as Kate Pickett and Richard Wilkinson[36] have shown, reducing poverty (and thereby also reducing inequalities), will free our societies from many ills that plague it at present, whether at the level of physical and mental health, crime, or the solidity of our democratic systems. Less poverty will also improve the fight against environmental degradations, and will increase our collective resilience against future environmental disruptions, notably climate change.

Europe can already act now to give new and concrete substance to the fight against poverty in at least five areas through new initiatives on children, housing, minimum income, basic social protection and policies aimed at the social integration of migrants. Policies in these five areas should form the backbone of Europe's anti-poverty strategy, and would be supplemented by additional policy action in other fields, as detailed in sections 5.2 to 5.5, focusing on jobs and wages, gender equality, social mobility, education and social investment, and on territorial (regional & cohesion) policies. More far-reaching policy routes should be considered along this road, such as the Common Wealth Charter indicated in further steps we recommend after section 6.5.[37]

01

A new ambitious EU-wide Anti-Poverty plan to improve the situation of all people at risk of poverty or social exclusion while reducing the number of people at-risk-of-poverty or social exclusion by 25 million people for 2030, and by an additional 50 million for 2050, according to the existing definitions (AROPE[34])

[34] At risk of poverty or social exclusion, abbreviated as AROPE, corresponds to the sum of persons who are either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. Persons are only counted once even if they are present in several sub-indicators. The AROPE rate, the share of the total population which is at risk of poverty or social exclusion, is the headline indicator to monitor the EU 2020 Strategy poverty target.

[35] According to Eurostat, 17% of Europeans live with a net income after social transfers below the 60% threshold of median income, corresponding to about 87 million people. As the total figure of 118 million at-risk-of-poverty comprises people who are exposed to at least one of the three AROPE components (below 60% median income, materially deprived, household with low work intensity), a total elimination of poverty measured by this data is not feasible, as in particular reducing to zero the number of people in households with very low work-intensity would imply zero unemployment, zero early retirement, zero disability or zero long-term sickness in the corresponding age group, which is impossible to achieve. However, ensuring decent living conditions for those today at-risk-of-poverty due to very low income (below 60% median income) and/or exposed to material deprivation is theoretically possible and mist become a political reality through a combination of measures as outlined here.

[36] The Spirit Level (2009) and The Inner Level (2018)

[37] In this overall context, it is worth mentioning the OXFAM initiative "Commitment to reducing inequality index", which provides a global ranking of governments based on what they are doing to tackle the gap between rich and poor. The latest report has been released in October 2018

02

A European Child Guarantee to mitigate the damaging effects of child poverty by ensuring that every child at risk of poverty will have access to free quality healthcare, free quality education, free quality childcare, decent housing and adequate nutrition

Recommendation 2

This recommendation is based on a proposal developed by the S&D Group in the European Parliament and supported by a host of non-governmental organisations active in the social field and in the area of children's rights. The proposal is gaining political support in the European Parliament, including in the future Multi-Annual Financial Framework discussion for its future financing.

The motivation behind this proposal is that more than 28 million children are living in families that suffer daily from the lack of income and basic services, such as food supplies, housing, education or healthcare. Among these, 11 million children are also affected by severe material deprivation, unable to afford goods and services considered ordinary or necessary by society.

As a major moral imperative, Europe has to change this situation. But there are also other reasons why this is justified. Children are the future potential of a society, and all children should have fair opportunities to develop their capacities and skills, and to become an integral part of our societies. Leaving nearly 30 million children in social situations that will hinder the adult potential represents a huge hidden cost to society, not only in economic terms, but also in social, environmental and political terms. A society that has the economic resources to overcome this just cannot turn its head away from this reality, and exclude over a quarter of its children from a decent life and from fair opportunity. This concerns mainly children living in single-parent families or in working poor families, children with minority backgrounds, refugee and migrant children, and children with disabilities.

By developing a strategy combining several leverages from nutrition, to housing, from education to healthcare, it reflects the fact that poor children do not leave behind their emotions, their diet, their traumas, their safety fears, their dental problems and so on when they get to school. If you're going to help kids, you have to help the whole kid all at once.

Recommendation 3

Housing is a fundamental right and need. It is a critical determinant of well-being, in particular for more deprived families. However, the tough reality is that well-off groups live in superior housing, while weaker groups live in sub-standard housing. This reality conveys a profound imbalance and fuels inequality, generated by a structural shortage of affordable, public and social housing all over Europe.

Inadequate housing is not only a discomfort. It is known to impede the quality of child development, and contributes to inequalities of opportunity. Badly isolated sub-standard and overcrowded housing has an impact on a household's energy costs, and on health. Several measures can be combined to develop decent housing for everyone, such as:

- The exclusion of social infrastructure investment - like social housing - from the fiscal rules in order to facilitate such investment by member states, and to protect it during times of economic crisis
- The inclusion of affordable and quality housing indicators in a revamped European semester governance process
- The revision of the Eurostat definition of the housing overburden rate, now at 40% to a reference threshold of 25%, taking into account the socio-economic realities of European citizens that are massively affected by the shortage of affordable housing
- Prevention of speculation with land and building ground by zoning regulations and EU funding and financing instruments that encourage affordable rental housing supply, like incorporating a land development/ housing fund for limited profit entities at federal/local levels
- Protection of the primary residence from confiscation by banks in case of over-indebtedness
- A clarification of the treatment of social housing in the European legislation on Services of General Economic Interest in order to provide legal certainty to local, regional and national public authorities with regard to state aid rule constraints and ensuring a broad scope of social housing investment interventions by public authorities

03

A wide-reaching European strategy for affordable, social and public housing for all, using a wider notion of 'social' housing considering socio-economic realities on the ground

- Respecting the principle of subsidiarity when defining the national/regional/local target group of social and public housing by removing the target group definition in the European state aid rules for social housing
- As part of the reform of cohesion policy, define new EU funding lines to support investment projects into affordable, public and social rental housing at regional and urban levels, taking into account the recommendations of the EU urban agenda partnership for affordable housing[38]
- Anti-speculation policies at EU level targeting the explosive growth of short-term apartment rentals to tourists in order to protect the regular housing market
- Prevent 'renovictions' (evictions by renovation) through obligatory participation of tenants. After energy renovation, the cost balance should be positive for the residents, meaning that rent increases are balanced by energy savings[39]
- An EU fund for the energy-efficient renovation of buildings, including multi-apartment residential buildings in the social housing sector[40]. Other funds should also be mobilised, including the European Fund for Strategic Investment (EFSI) and EIB financing. Public subsidies and loans must be combined with rent regulation, rent caps and price caps in order to prevent the capitalisation of these subsidies and to achieve security of tenure for the residents.

Furthermore, a European strategy for decent, affordable and sustainable housing should take into account existing initiatives for empowerment of residents and a fair housing policy like the European Responsible Housing Initiative (ERHIN).[41]

[38] https://ec.europa.eu/futurium/en/housing
[39] See best practice "Dutch covenant for energy savings"
[40] A proposal on a « Renovate Europe » fund to pre-finance energy saving measures in building with on-bill and on-tax repayment is currently being worked out in the S&D Group, under the lead of Vice-President Kathleen van Brempt
[41] www.responsiblehousing.eu

Recommendation 4

This recommendation has originally been promoted and developed by social non-governmental organisations in order to ensure that everywhere across the EU every person has the right to an adequate income in order to integrate into society people who, for different reasons, find themselves excluded form the labour market.

By enshrining this right into legislation, it ensures that Member States establish adequate minimum income schemes for people living under the at-risk-of-poverty threshold of 60% of each country's median national equalised income[43]. These schemes should be completed through the European Child Guarantee with specific allowances for households with children, such as to cover childcare and school costs, support housing or energy costs, health costs and provide food support. The adequacy of the minimum income schemes at national levels are part of the legal obligation deriving from the directive, and should be monitored for compliance by the European Commission on the basis of National Living Wage indexes the Commission should develop based on reference budgets, and which can serve as a benchmark. Minimum income support should be defined as the level from which people are able to live in a manner compatible with human dignity.

The framework directive would need to combine and be coherent with the European legal framework for a social protection floor (recommendation 5 hereafter).

04

A decent income guarantee for those whether in or out of work and who have insufficient means of financial support through a European framework directive on adequate minimum income[42]

[42] The Commission has never been willing to propose legislation in this respect. However, Council Recommendation 92/441/EEC and Commission Recommendation 2008/867/EC already call on member states to ensure sufficient resources and social assistance in their social protection systems, and call for measures to ensure the active inclusion of people excluded from the labour market. However, their are non-binding.

[43] Equivalised median income: a household's total disposable income divided by its equivalent size, to take account of the size and composition of the household and attributed to each household member

05

A European legal framework in line with the related ILO recommendation to guarantee every European citizen a social protection floor with universal access to health care, basic income security and access to goods & services defined as necessary at the national level

Recommendation 5

Social protection floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum that, over the life cycle, all in need have access to essential health care and to basic income security which together secure effective access to goods and services defined as necessary at the national level. National social protection floors should comprise at least the following four social security guarantees, as defined at the national level:

- Access to essential health care, including maternity care;
- Basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
- Basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
- Basic income security for older persons.

Such guarantees should be provided to all residents and all children, as defined in national laws and regulations, and subject to existing international obligations. In order to ensure such protection floors are available across the EU, and in conformity with existing Treaty and Charter of fundamental rights obligations, a European legal framework should lay down such provisions, in coherence with an EU framework directive on minimum income (recommendation 4 above). This would be complementary to and coherent with policy recommendations 1 and 3 in this section.

Recommendation 6

06

A social integration strategy for immigrants

Culture erosion, threats to national identity and notions of "us vs. them" often figure directly or indirectly in the discourse of opponents to immigration. The extent of these non-economic concerns largely depends on both the speed of migration into an area as well as how well immigrants can integrate socially, where social integration can be understood from two perspectives. For immigrants, it means developing a sense of belonging to the host society. This often involves accepting and acting according to that society's values and norms and, if necessary, building up the social capital that is deemed necessary by the host country's institutions, including basic income resources and decent housing, as well as education and skills relevant to the host country's labour market. The role of the native population is equally important: social integration is only feasible once immigrants are accepted as members of the society. Such mutual recognition, apart from improving individual well-being, leads to better social cohesion and has considerable economic implications. In the absence of effective integration policies, migrants remain trapped in poverty and social exclusion. The share of migrants among Europe's poorest is disproportionally high.

Following on from the Action Plan on the integration of third-country nationals, the European Commission should provide a comprehensive strategy for the next parliamentary term, including targeted measures and adequate funding across a broad range of European instruments and programmes, and develop integration indicators to measure progress and to define European-wide and national goals. Integration policies should be inserted into the European Semester and be explicitly included in Country-Specific Recommendations.

Further Step >>

>>

Binding goals for poverty reduction

Non-binding goals for poverty reduction may, despite a solid backbone of policy initiatives, not be enough to ensure that Member States will contribute effectively to their realisation. If by the end of the next parliamentary term (2024) progress were to be far from satisfactory due to a lack of commitment from national governments, these goals should be made binding for the EU based on Treaty Article 3, and should be backed up by annual national targets, as is the case in the energy and climate legislation.

5.2. Good jobs and good pay for all

Our societies, despite a host of labour market regulations, have seen low quality and under-paid jobs increase over the last years. Some countries have seen a surge in working poor, which twenty years ago was a term only attached to the US labour market. Different business practices have come to exploit legislative loopholes to create different kinds of jobs that do not guarantee proper rights and proper income. Internships are increasingly abused as young people find it harder to find their first proper job, precarious and a-typical jobs grow, and many people have to work in part-time employment or with short-term contracts unwillingly. New forms of work coming from the online sector are also growing, and often use bogus self-employment where a proper employment contract with adequate social and pension rights should exist. Certain sectors come under direct attack, such as taxi transport or lorry drivers because of unfair posting practices led by letter-box companies in low wage member states. This model of social exploitation has managed to take root in what is meant to be a well-regulated system which protects people from such practices, often also thanks to permissive or even actively supportive governments.

The economic crisis has also taken its toll on jobs across much of the EU, and levels of unemployment remain far too high in a range of countries, including major economies such as Italy (10%) or France (9%), affecting nearly 17 million people. Several million people remain trapped in long-term and youth unemployment. To bring such high unemployment levels down without dismantling labour protection rules, which may provide short-term relief but would over time build major social liabilities, economic growth would have to be sustained above at least 2.5 to 3% in real terms over a long period. However, this may not be feasible for such countries, and is in any case not sustainable in environmental terms. Countries which have achieved relatively stronger economic growth, such as Germany, are seeing their greenhouse gas emissions being much less reduced than planned, thereby threatening to undermine European and global efforts to limit greenhouse gas emissions within set limits to avoid a climate disaster. Sustainability requirements call for a different approach to this impossible trade-off between growth, job creation and environmental protection.

Working people have suffered from stagnant and, in some places, from falling wages - with especially low skilled workers suffering wage falls. The middle class has been eroded. Figures show that during the last decade, only higher skilled employees in growth sectors have seen their wages increase. In many areas, productivity increases have far outstripped wage increases[44]. Research conducted by the European Trade Union Confederation has found that wage increases in the EU over the last 16 years would have been four times higher if they had fully reflected productivity increases. Between 2000-2016 productivity in the EU rose by 10% but wages only increased by 2.5% - in some countries productivity even increased while wages fell. Wages are also falling as a proportion of GDP, a decline started nearly half a century ago to the benefit of profit shares to capital owners.

Last, but not least, minimum wages do not guarantee a decent living across the EU. As compared to the 60% threshold of the national median income, half of Member States have minimum wages below this threshold, which corresponds to the at-risk-of-poverty line. Ten member states even have statutory minimum wages at or below only 50% of the national median income[45].

[44] ETUC, Europe needs a pay rise, 2018
[45] ETUI Benchmarking Working Europe 2018

01

Implement the European Pillar of Social Rights into legally enshrined labour rights and protection to achieve high standards for all types of employment, and develop a comprehensive and ambitious implementation strategy for all of the Pillar's principles and rights

Recommendation 1

Following the adoption of the European Pillar of Social Rights (EPSR) in 2017, several proposals have been made by the European Commission in the field of work. They have now entered the political process, and the initial proposals need to live up to high standards, seizing them as an opportunity to reinforce workers' rights across the single market and in the face of changing types of jobs. The most important pieces of legislation under discussion are the proposed Directive on transparent and predictable working conditions ('written statement directive'), meant to guarantee every worker access to a core set of rights[46], and the Commission proposal for a Council Recommendation on access to social protection for workers and the self-employed.[47]

The proposed Directive on transparent and predictable working conditions should be reinforced in the ongoing co-legislative process to ban all abusive work arrangements, such as zero hour contracts and unpaid internships (leading to a general EU-wide ban of work on demand), to provide a clear legal definition of a worker (to put an end to bogus self-employment), and to set down minimum standards for all types of work, including digital jobs. If the efforts to strengthen the initial proposal in such ways were to fail, a more ambitious Directive on decent working conditions, as initially requested by the European Parliament as part of the EPSR, would become necessary.

The EPSR contains a large number of other principles and rights on which new progress should be made, such as on gender equality, wages, social dialogue, children, minimum income, housing or access to essential services. In a range of these areas, we recommend specific policies or legislation. The next European Commission should at its outset provide a comprehensive and ambitious strategy for the full implementation of all of the EPSRs principles and rights by the end of the next parliamentary term in 2024.

[46] Core set of rights including equal treatment, social protection, protection against dismissal, health and safety protection, provisions on working/rest time, freedom of association and representation, collective bargaining, collective action, access to training and lifelong learning.

[47] The objective of this Recommendation is to support people in non-standard forms of employment and self-employment who, due to their employment status, are not sufficiently covered by social security schemes and thus are exposed to higher economic uncertainty.

Recommendation 2

02

A European Activity Right to provide decent job opportunities to all long-term unemployed

Inspired by the existing European Youth Guarantee (which in effect is an employment, continued education, apprenticeship or training guarantee within a period of four months of becoming unemployed or leaving formal education), a "European Activity Right" is recommended along similar lines, and should eventually encompass the Youth Guarantee as part of a wider and common frame. Both schemes would function as a commitment by all Member States to ensure that all long-term unemployed receive a good quality offer for either employment or traineeship. It would apply to all people unemployed for at least 12 months. It would function as a voluntary scheme, as a right not an obligation. The European Activity Right would represent a significantly more ambitious scheme than the Youth Guarantee, as there are currently about 12 million long-term unemployed, compared to 3.5 million young people without work. Remuneration could vary according to job characteristics, but should be at least established at the applicable minimum wage level according to national situations. As countries would gradually move towards proper living wage levels (see recommendation 3), this would also extend to the European Activity Right. Countries should be encouraged to set the minimum wage level for EAR-linked jobs at a living wage level as soon as possible, thereby putting upward pressure on minimum wages to rise above legally or collectively set rates.

A comparable, although not identical, proposal has recently been brought forward by US Senator Bernie Sanders, in the form of a "US Jobs Guarantee", except that our proposal combines job and training options, and focuses on the long-term unemployed. This is due to the differences in European and American social systems. It could take as an inspiration some of the successful practices undertaken by Member States involving local municipalities and social economy actors (see for example the "Social Jobs Programme" initiated in Greece in 2012).

The European Activity Right should, as is the case with the Youth Guarantee, be partially financed by national public resources and partly by European resources, through the European Social Fund and through a future Just Transition facility for jobs directly related to just transition labour programmes. Another source of European financing could be through the cohesion fund, in cases where the European Activity Right creates jobs related to territorial development initiatives. The range of financing options could be completed by resources from a future Unemployment Insurance or Benefit Scheme, in cases of economic shocks affecting eurozone countries. The experience of the Youth Guarantee has shown that benefits clearly exceed initial costs[48].

The EAR should particularly encourage Member States to provide training and to create jobs in areas of direct relevance to environmental and social sustainability, such as in the field of energy-efficient renovation of buildings, or care services. The scheme should also be designed to act primarily as a springboard into non-subsidised employment, aiming to become a permanent solution.

[48] Recent research 48 estimates the benefits of establishing a national Youth Guarantee scheme much higher than the costs. The total estimated cost of establishing Youth Guarantee schemes in all Member States of the European Union is around 50 billion a year, or around 0.39% of GDP (Source: EUROFOUND - Social Inclusion of Young People).
However, inaction would be much more costly. Young people not in employment, education or training are estimated to cost the EU €162billion (1.21% of GDP) a year – in benefits and foregone earnings and taxes (Source: Eurofound - Mapping youth transitions in Europe).

03

A European Fair Wage Action Plan

Recommendation 3

Insufficient wage growth over the years, and low minimum wage levels in many countries have fuelled rising inequality across our continent. Although there is a diversity of situations between countries, and even within countries among territories, the EU needs to find a way to address this major problem. Positive wage dynamics enabling upward wage convergence are necessary both for stimulating the European economy and for rebuilding a fairer society. Our recommendation is to group five important lines of action into an ambitious fair wage action plan:

- The UNSDGs contain a precise target as part of goal 10: calling to ensure that the lower 40% wage group grows faster than the national average up to 2030, in order to catch up with the past. Member states should pursue this target and it should already become part and parcel of the existing European Semester and of country-specific recommendations.

- It is time for a U-turn: the next 2018/2019 cycle of the European Semester should take a more offensive stance on the need to ensure higher real wages in many sectors and countries after years during which wages have lagged behind productivity increases, and to recommend sectoral collective bargaining in country-specific recommendations. The European Semester and country-specific recommendations play an important, while still controversial, role with regard to wage developments. Only recently, the European Commission has taken a more positive approach to wage developments, by starting to recognise that 'too modest wage developments' can be counterproductive, leading to 'weaker aggregate demand and growth'.This time the mantra 'aligning wages with productivity' was interpreted in a direction that might lead to positive wage dynamics. In particular, it was stated that wage-setting systems – beyond being able to better respond to productivity changes over time – should ensure 'real income increases'. Furthermore, the Commission highlighted that, when fixing the minimum wage, a new element should be taken into consideration by governments and social partners, namely the impact on in-work poverty[49]. However, this positive signal was not sufficiently reflected in the ensuing country-specific recommendations.

- Minimum wages should not be established below living wage levels. Today, in-work poverty affects a massive 10% of European workers. To achieve living wages in future is a crucial goal but will have to be a gradual process, in order not to disrupt labour markets and to respect wage setting practices in each Member State. As a start, there needs to be an EU-wide definition of a living wage, using the existing AROPE methodology and a common methodology[50] for calculating reference baskets in each Member State, in order to evaluate

[49] 2018 Annual Growth Survey, November 2017
[50] See section 7.1.

correctly the level of income necessary to live a decent life in each country. This should then lead to the establishment of national living wage indexes by Eurostat[51]. These indexes can remain indicative for governments and social partners to use as a benchmark, but may have to become binding within a transitory period during which Member States are to progressively move towards their national living wage index. Trade unions should be fully involved in such a gradual process from the start at European and national levels.

- European equal pay for equal work legislation should cover all sectors of the economy
- A European directive on pay transparency, instead of a Commission recommendation to enforce highest standard transparency practices, with a justification for wage scales and pay ratios to also limit excessively high pay

We also welcome that the European Trade Union Confederation has invited European institutions, national governments, and social partners to join a European Alliance for Upward Wage Convergence, as part of their "Europe needs a pay rise" campaign[52]. As a part of this campaign, efforts are also being made to narrow the wage gaps between Western and Eastern European labour markets, which negatively affects labour markets and economies in the East, notably by encouraging younger and more skilled citizens from Eastern European countries to move into higher-wage Western labour markets, provoking a 'brain drain' detrimental to the economic and social development in Eastern European countries.

[51] An inspiring example in this respect is the initiative for a living wage in Ireland: https://www.livingwage.ie
[52] www.payrise.eu

04

Address excessive income inequality: Move towards best performing European countries in terms of income inequality by rendering national income tax systems more progressive

Recommendation 4

Income inequality has widened in recent decades across Europe, and it did more so, and is higher, than is generally thought[53]. While not being the only way to reduce income inequality, more progressive tax systems can do a lot - by taxing higher incomes proportionally more than lower incomes than is the case today, they would re-distribute incomes more fairly than at present. Limiting income inequality would also partly over time limit wealth inequality, which is also growing. In particular, more progressive taxes should serve to gradually build up living wage levels for those who today work for minimum wage levels that, in many countries, are too close or even at the at-risk-of-poverty levels. Lowest wage levels could be topped up by governments by re-distributing some income from highest to lowest earning groups through the tax system.

As recommended in chapter 7, new European governance for sustainable development should include an income inequality objective among its indicators and targets. This would allow the governance and policy coordination at European level among Member States to be used to accompany national progress towards fairer wage distribution by notably using more progressive taxes. Member States should be encouraged to move towards the three best performing national average income distribution as measured by the Gini coefficient, which would be around 0.25[54] (apart from the three best performing Eastern European member states, this is what all three Scandinavian countries are very close to already).

[53] As shown in chapter 3 and in its annex, the Gini coefficient has deteriorated across Member States in recent decades, even in the traditionally more equal states such as Sweden. The EU aggregate Gini coefficient is now higher than in the US. A few European countries achieve very good results in terms of reduced income inequality, with a Gini coefficient of only 0.25 (world standard) or close to it (the five best performing countries are Slovenia, Slovakia, Czech Republic, Finland and Denmark). Several countries have relatively more income inequality, with the worst performers being (in descending order) Lithuania, United Kingdom, Latvia, Spain and Greece.

[54] The Gini income coefficient measures the distribution of income. A society that scores 0.0 on the Gini scale has perfect equality in income distribution. Higher the number over 0 higher the inequality, and the score of 1.0 (or 100) indicates total inequality where only one person corners all the income.

5.3. Gender equality

One of the most entrenched forms of inequality in our societies is inequality based on gender. Women find it harder to succeed in their professional life when they have to bear most of the burden from maternal and parental responsibilities as well as household tasks, 16% of women working across Europe still get paid less than men for equal jobs, which also translates in lower pensions, and women suffer disproportionally from domestic violence and harassment at work. However, determined policies can be put in place to achieve gender equality.

Recommendation 1

The EU is currently discussing legislation on paid paternity, parental and carer's leave. This legislation is particularly necessary to prevent women from being put at a disadvantage in the workplace, including in terms of pay. It should ensure non-transferable parental leave of at least 4 months, access for all to flexible working arrangements for a better work-life balance and paid leave that is non-discriminatory and at a level which will allow families to afford the scheme and ensure that fathers are encouraged to use it. No new legislation has been proposed on paid maternity leave, following the deadlock in Council that led to the withdrawal of the previous proposal in 2015. However, large differences remain across the EU, and new ambitious legislation on paid maternity leave and improved maternity leave rights should remain a target for the future.

01

A better work-life balance for working parents, to enable a fairer share of paid and unpaid work between men and women, with the goal to achieve an "equal earner-equal carer" model, and to help closing the gender pay gap

02

Putting an end to the gender pay gap

Recommendation 2

Wage differences between women and men for equal work remain a significant source of inequality, and current initiatives, in particular the 2014 Commission recommendation on pay transparency, has so far had very little impact. Also, about half of EU countries have not yet taken corresponding measures. This gender pay gap should be overcome through targeted legislation, combined with supportive measures and with sufficiently ambitious work-life balance legislation. This would lead to a combination of binding measures on pay transparency, establishing wage mapping to create a culture of awareness on the pay gap, developing specific job evaluation tools with comparable indicators to assess the 'social value' of jobs or sectors (to help raise wages in sectors where women make up the majority of the workforce, such as care, paramedical, early childhood education, etc, and gender equality plans in private companies.

03

Improving the conditions of women in society more generally

Recommendation 3

Women face disproportionally more difficulties in private and professional life than men, including domestic abuse and violence, and moral or sexual harassment. Public policies need to intensify with the aim to bring these difficulties to an end. Measures must be taken to:

- eradicate violence against women by urging Member States and the EU to ratify and implement the Istanbul Convention[55];
- ensure that public and private organisations and companies enact effective policies against sexual and psychological harassment;
- guarantee sexual and reproductive health and rights. The right to access to safe and legal abortion must be considered as a fundamental right at the EU level, and be covered in the EU Health Programme, including comprehensive sexual education for adolescents and access to affordable contraceptives and support services;
- tax and social security policies should incorporate a gender perspective, in particular with regard to public spending priorities in crisis times.

Women also continue to be much less involved in decision-making in corporations and in political life. The Directive on women on company boards, proposed by the European Commission in 2012 proposing a 40% share for women, and supported by the European Parliament in 2013, remains blocked in the Council of Ministers. A new political initiative is required to unblock this proposal, and to move on, as experience in more advanced countries on gender matters shows that a legal obligation to comply with gender balance in this area is often the only and an effective way forward. Political participation of women continues to be unbalanced. Measures are necessary at the different political representation levels to reach gender parity.

More generally, in order to ensure that in a vast array of policies not directly related to gender issues but relevant to foster gender equality, gender mainstreaming and gender budgeting approaches should become systematic.

[55] This Convention was introduced by the Council of Europe in 2011 to make Europe a safer place for all women by recognising all forms of gender-based violence, taking measures to prevent it, protect victims and persecute perpetrators.

5.4. An open society for everyone

An important dimension of inequality is related to social mobility - of individuals as well as of social groups. Social mobility must be considered from an intra-generational as well as from an inter-generational perspective, and in both absolute and relative terms. Different factors contribute to determine social mobility, including education, the type of job opportunities that are available, wealth distribution, and wage levels between different types of employment.

Across Europe, although less so in Scandinavian countries, social mobility is too limited. Across European countries covered by an OECD analysis there is a substantial wage premium associated with growing up in a higher-educated family, whereas there is a penalty with growing up in a lower-educated family[56]. Educational achievements tend to be closely related to the level fo education of parents.

Public policies are either not sufficiently aware of social mobility deficiencies, or the policies they deploy remain ineffective. Quality of childcare services and of education systems stand out as the best instruments to increase opportunities and foster social mobility, but indicators and analyses on social mobility across the EU, including at regional levels, remain too limited[57]. Other factors determining social mobility are also very important for more deprived individuals and families, including the living conditions for children in poor families, dealing with very concrete aspects such as living space or food.

Increasing upward social mobility should be an important part of the fight against inequalities, with a special focus on the most vulnerable groups. The recommendations made on poverty in section 5.1, including in particular the European Child Guarantee, have the capacity to increase social mobility. However, childcare and education services also need to intervene in such a way as to create equal opportunities regardless of social and family backgrounds.

The EU should pay more attention to the contribution social mobility makes in terms of fighting inequalities. Back in 2011, the UK Labour government laid out a first national social mobility strategy in Europe, stating that 'A fair society is an open society, one in which every individual is free to succeed. That is why improving social mobility is the principal goal of the Government's social policy'.

[56] OECD Economics Department Working Paper 709 on Intergenerational social mobility, 2009
[57] For recent data on social mobility in Europe, see: Social Mobility in Europe, Eurofound, 2017 https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1664en.pdf

Recommendation 1

Eurostat collects relevant indicators to measure social mobility and Eurofound, the EU Agency for the improvement of living and working conditions, has recently produced a first comprehensive analysis, including policy recommendations.[58] The European Commission should harvest these facts and expertise and propose a European strategy for social mobility, also pointing to which role different European policies, instruments and financial means can be better mobilised to foster social mobility, including at regional levels through cohesion policy support. Member States should start to participate in a political process in this area, providing national plans and benefitting from best practice sharing. The Employment and Social Affairs Council should take an initiative to kickstart the process.

01

Make social mobility an explicit policy concern at European level and integrate national social mobility action plans into the European Semester governance process and country-specific recommendations

Recommendation 2

It is well understood and known that education is a very powerful instrument to create equality, fairness and opportunity. However, today's education systems across Europe are mostly falling short of this. Lack of social investment, ineffective educational concepts, insufficiently trained teachers, or socially polarised schools contribute to perpetrate inequalities in different ways.

02

Upgrade education systems across Europe to the highest standards in a way to ensure that every young person has access to high quality education from early age onwards regardless of social or ethnical background, and of the place of birth or residence

[58] A groundbreaking contribution in this respect has been a study by Eurofound in 2017 on Social Mobility in Europe: https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1664en.pdf

5.5. No territories are left behind

Increased inequalities have been mostly characterised in academic work or in political discourses by interpersonal inequality, i.e inequality of individuals in terms of income and revenues, access to capital, social protection or opportunities. However important they are, interpersonal inequalities are one side of the coin. Interpersonal inequality does not take place in a "vacuum" in spatial terms. Economic, social and environmental inequalities are anchored in territories, where people live and evolve. As recognised by a number of recent academic articles, persistent poverty, economic decay and lack of opportunities are at the root of considerable discontent in declining and lagging behind areas. Poor development prospects and an increasing belief that these places have "no future" - as economic dynamism has been posited to be increasingly dependant on big and competitive cities - have led many of these so called " places that do not matter" to revolt against the status quo.

This revolt has translated into a wave of authoritarian populism with a strong territorial rather than merely social or economic foundation. Recent expressions of public choice from the Brexit referendum to general elections in many EU countries provide strong evidence on how the rise of authoritarian populism has - so far at least - been concentrated particularly in certain territories that feel "left behind".

This is undoubtedly a strong call for action: Inequality has to be addressed by starting where people live, and in a way that ensures territorially-rooted economic development is both socially progressive and sustainable in environmental terms.

Opportunities can be fully spread out all over the European Union's territories so that "lagging as well as falling-behind territories" can fulfil their development potential in a fully sustainable way. Leaving these places behind by presuming that such areas should naturally decline is not only politically dangerous (since it might further accelerate the rise of authoritarian populism) but it does not make sense in the long run, since it leaves a huge amount of potential development untapped and environmental degradation unaddressed. Experience has already proved that "once lagging behind" and declining areas can turn into leading regions while former leading territories have, at times, become economic backwaters. "Tapping into unused potential in intermediate and lagging areas is not only not detrimental to aggregate growth

but can actually enhance both growth at local and national level"[59]. Territorial development, however, must nowadays be framed within comprehensive sustainability patterns.

Moreover, there is mounting evidence that the shift from the prevailing growth paradigm to a sustainable development paradigm can be stimulated - and does already take place - at local and regional levels[60]. Some regions in the EU have already put in place policies to translate the seventeen United Nations Sustainable Development Goals (see for example Région Haut-de-France, Wales, Basque Country, North-Rhein Westphalia, and the initiative taken by the conference of Italian Regions). Local and regional authorities can play a major role to redirect urban and rural territories, central and peripheral ones, towards a genuine sustainable development path.

Sustainable development, however, cannot be solely pursued by public authorities and through top-down policy approaches. Broad societal mobilisation is key. It entails reaching out to the people and involving citizens' organisations. Such participation is not just about consensus-building. Its main purpose is to construct "spaces for public discussion "at the most relevant level, where people's knowledge, wishes and desires on how to design policies can be confronted, where a common elaboration of public choices can take place.

To achieve that overall objective, the EU budget - even if its overall size is too limited - and a new EU governance process can be powerful triggers of change and social innovation. They can provide strong incentives and support to local and regional actions, provided that they are properly framed and implemented towards the achievement of sustainable development.

[59] Barca F, Mc Cann P and Rodriguez -Pose .A (2012) , The case for regional development intervention : place based versus place - natural approaches, Journal of Regional Science, 52 , pp 134 -152
[60] See examples of local best practices through which economical transformation is also used as a social level on www.progressivesociety.eu

01

Cohesion policy must remain accessible to all EU regions. The overall financial allocation for the years 2021-2027 should be maintained at an adequate level, if not increased

Recommendation 1

Withdrawing or downgrading investment-based intervention from cohesion policy in some EU regions would be counter-productive if we want to steer the whole EU towards a sustainable transformation. This should be a red line in the ongoing negotiations on the next EU budget frame (the Multi-annual Financial Framework 2021-2027). Convergence (as enshrined in article 3 TFEU) rather than competitiveness and races between regions must remain the cornerstone of EU cohesion policy. Undoubtedly concentrating the majority of resources on the most vulnerable regions makes sense but criteria for determining the type and weight of EU budget should in future not rely exclusively on GDP factors anymore. This criterion will be complemented by an additional set of social, environmental and demographic indicators to better tackle the different types of inequalities between territories that have emerged in Europe in the last couple of decades.

Recommendation 2

There is a growing temptation from some national governments as well as from the European Commission to make a stronger link between the European Semester and the cohesion /regional policy. For those arguing in favour of his linkage, cohesion policy is to provide financial resources to finance space-blind structural reforms, all focused on fiscal consolidation and supply-side reforms. As underlined in chapter 7, the European Semester and the accompanying Country Specific Recommendations need instead to be overhauled towards a Sustainable European Governance model. As a consequence and in the same spirit, cohesion policy (including support to rural areas) must work as the main tool to transform our societies. Its implementation must therefore start from the needs/ features of places and people, on the basis of decisions taken through genuine participatory mechanisms that are "bottom-up" rather than "top-down" and centrally-based measures that are essentially imposed on regions.

This is why any form of "macro-economic conditionality" is not acceptable. Likewise, the European Commission's proposals of May 2018 on the cohesion policy for the years 2021-2027 as well as the so called "Reform Support Programme" 2021-2027 (ie. a EU budget support instrument to implement Country-Specific Recommendations and National Reform Programmes) do give far too much prominence to the respect of "sound economic governance" over the Partnership principle that is to say the elaboration and design of territorial strategies supported by the EU budget through a genuine participatory dialogue between all relevant people at local, regional, and national levels. Finally, the European Agricultural Fund for Rural Development should be governed by the same general rules as the other structural funds (ESF+, ERDF, Cohesion Fund, European Maritime and Fisheries Fund).

02

Re-centralisation and dis-empowerment of municipal, local, as well as in some cases regional, authorities in the implementation of cohesion policy, that has taken place in recent years, has to be halted. On the contrary, multi-level governance needs to become the new norm

03

Ensure that differentiated development approaches are deployed according to each region's specific context

Recommendation 3

Structural reforms supported by EU Cohesion funding are too often presented as uniform approaches for all regions of the EU, driven by the quest for greater competitiveness. Moreover, these reforms are framed by other specified procedural rules (tendering procedures, audit, management requirements, performance indicators...etc), which in effect totally overlook the very different impact that the same rules have in different spatial contexts (peripheries vs urban centres, rural vs urban areas etc...), As a consequence, the lack of differentiation does not enable the most innovative sections of society to be really involved in the design and implementation of these territorial strategies. The political challenge nowadays is less to "share best practises" between EU territories than ensuring that "best practices are shared by the whole society"[61]. To achieve this:

- greater attention should be given to "Community-led local development" initiatives, to the role of "local action groups", including through financial support, and to territorial strategies for urban and rural areas (such as in Brandenburg, Germany and the Inner Areas Strategy in Italy), where financial support and tendering procedures are linked to the needs and goals established place by place;
- EU programmes such as Interreg, which are founded on more flexible governance and foster cooperation between neighbouring regions, should be supported and reinforced;
- Macroregional strategies of the EU can help to establish policy coherence across funds and programmes, linking cooperation and investment programmes and enhancing multi-level governance. Their potential to foster synergies between social and territorial cohesion needs to be better exploited.

[61] Statement by Frédéric Vallier, Secretary General of CEMR, Conference organised by Progressive Society , 5/9/2018, Brussels

Recommendation 4

Cohesion policy is a key policy instrument in stimulating and in accompanying sustainable development strategies at national, regional and local levels. Cohesion Policy thus becomes the policy tool through which EU-wide objectives and institutional changes get translated into place-by-place space-aware objectives built through people's participation.

Partnership agreements (i.e. the act by which each Member State sets out arrangements for using the different European structural and investment funds) are a very important innovation introduced under the current (2014-2020) cohesion policy framework. This corresponds well to UNSDG goal 17 on "Partnership for the Goals". Member States should better involve those partners in the preparation of Partnership agreements and throughout the preparation, implementation, monitoring and evaluation of programmes, including through participation in monitoring committees. The organisation and implementation of partnerships shall be carried out in accordance with the European Code of Conduct. The Code clearly states the need to involve not only representative bodies but all "relevant" organisations affected by policy interventions.

Moreover, the role of the European Commission in the implementation of the Cohesion policy must be restored - rather than a guardian of the austerity doctrine and of Country-Specific Recommendations, the Commission should become a "fair and impartial actor": accompanying all regions in truly empowering local, regional authorities and creating spaces for public debate; promoting capacity building; monitoring the space-aware implementation of institutional changes; and anticipating and correcting weaknesses. In order to effectively and credibly fulfil this role, the Commission should make a major investment in human resources capable to work on the ground and across territories, selected in several disciplines: regional science, geography, economics, law, anthropology, sociology, psychology, engineering, hard sciences. A major investment should also be made in technologies enabling networking across citizens and beneficiaries in different territories. This should go along with a proper development and mobilisation of human resources for capacity-building in local communities.

04

A proper implementation of the European Code of Conduct on Partnership and the Partnership principle - a New Cohesion policy as a central tool within a future Sustainable Development Cycle

05

The territorial impact of EU centrally managed programmes such as Horizon Europe, CEF (Connecting Europe Facility), InvestEU, Digital Europe, Life +, Erasmus +, Creative Europe must be captured throughout the EU. Furthermore, we favour their connection and simplification, including the cross-border cooperation, also with neighbouring countries

Recommendation 5

To achieve cohesion among European regions, place-sensitive solutions are needed - policies that are informed by empirical evidence of the inequalities between territories and at the same time respond to the structural opportunities, potential and constraints of each place. We need to avoid a false trade-off between efficiency and equity and move away from the single focus on competitiveness. On the contrary, it is necessary to seek to enhance the opportunities of most territories, regardless of their level of development and economic trajectory - taking into account local and regional contexts and focus on solidarity with all regions.

Considering that the EU budget is essentially an investment budget (funds are spent in all Member States to support projects on the ground), not enough attention has been given so far to the territorial impact of essential EU financial programmes. Cohesion Policy and the Common Agricultural Policy are managed in close cooperation with regions even if some improvement are indeed necessary. The rest of the EU budget (roughly 20-25%) is managed at central level, mostly driven by supranational goals, and is too limited in volume to trigger and support the transformation towards a sustainable society. Therefore, all EU financial and policy instruments must be used to foster innovation and boost investments in transformative community based services which support the achievement of the SDG by 2030.

Accordingly, the European Commission should propose without delay detailed territorial impact assessment of its proposals for the main EU financial programmes 2021-2027. The new InvestEU proposal for 2021-2027 could partly respond to that, even if there is room for improvement. Likewise, synergies and complementarities between cohesion policy instruments and the other EU programmes must be further developed and anchored in a strong territorial dimension.

The Partnership principle and the idea that regions, communities, and NGOs must be fully involved in the design, the implementation, the monitoring and the evaluation of these measures are central in the new EU initiatives and instruments this report recommends, such as for a Just Transition, a European Child Guarantee or proposed measures to support the transformation of social systems To be effective, these initiatives will need to be translated in space-relevant ways across territories.

Further Step >>

To achieve sustainable well-being for all requires more than a better wealth or income distribution among individuals. First of all, there are political and economic limits to how far changes in tax systems can make society much fairer. This does not mean that income tax systems should not become more progressive, or that a wealth tax is not justified. It certainly is, but it should and cannot be the only route. Not least because a sustainable society cannot possibly be one that would essentially be about increasing purchasing power for the many, in a never ending and un-sustainable race towards economic growth. There is an imperative to move away from today's excessively materialistic and consumerist economic system. to do so requires a different approach to tackling inequalities, than one only focusing on monetary inequality.

Also, for a given government to make the income tax system more progressive may generate rapid re-distributional effects, which is fine. But such a policy can easily be reversed by the next government, making a sustained reduction of inequalities over time too dependent on fluctuating electoral outcomes and therefore fragile.

In order to address these two concerns, re-distributional tax policy should be combined with a more far-reaching, less potentially volatile and less politically temporary, approach which should aim at developing a common/collective base of non-monetary wealth accessible to all, rooted in sustainability and acting as a driver for sustainable development goals. Such an approach would also provide significant support to the fight against poverty, as recommended in section 5.1. We would frame such an approach in a concept of "common wealth". It would ensure that every person would have a guarantee of free-of-charge access to a set of essential services, such as education, medical treatment, public transport, or culture, and an access at low cost to a set of essential goods, including food and water, energy, land and housing.

In order to frame such a guarantee, a Common Wealth Charter could grant a set of sustainable well-being rights to all citizens, which could include:

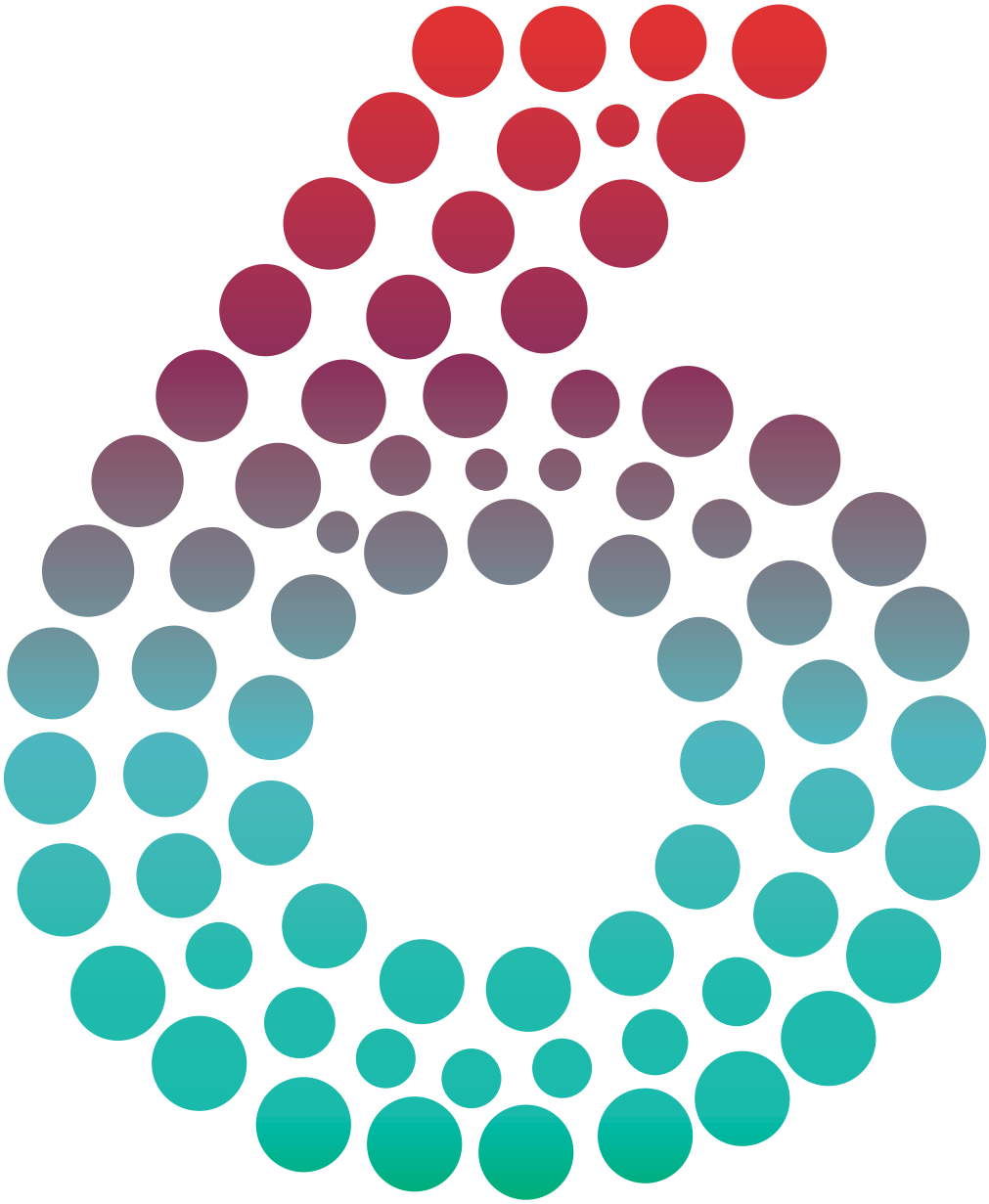
- Free quality education and training from early childhood throughout life
- Free quality healthcare
- Energy-efficient decent housing, land, clean energy and healthy food at low cost
- Affordable and non-polluting public transport
- Free of charge access to the Internet, including via Wifi

>>

A Common Wealth Charter

Ideally such a Charter should be proclaimed at EU level and co-signed by all heads of state and government, as was the case for the European Pillar of Social Rights. It would be a way to translate into concrete commitments significant parts of the UNSDGs they all signed in 2015. However, this is politically unrealistic in the foreseeable future. We would therefore suggest that progressive governments adopt and implement such a charter in their nation states, inviting others to join.

This recommendation is to be seen in connection to several other recommendations made by the Independent Commission in different parts of this report, such as the Europe without Poverty Plan, the European Activity Right, the Child Guarantee, the range of measures needed in the tax field, and also more generally the need to move gradually towards social-ecological welfare states. The combination of interrelated and mutually reinforcing policy measures is what will trigger true change.



Social-ecological progress

A just transition 144
A social-ecological state 152

Environmental challenges are partly social problems that arise from income and power inequalities, them being the result of the dominant neoliberal economic system. Thus, inequality is an environmental issue just as environmental degradation is a social issue.

In the introductory part of this report, the missing link in sustainable development between intertwined social and environmental challenges and opportunities has already been stressed. Recent research has brought this increasingly to light and examples abound.

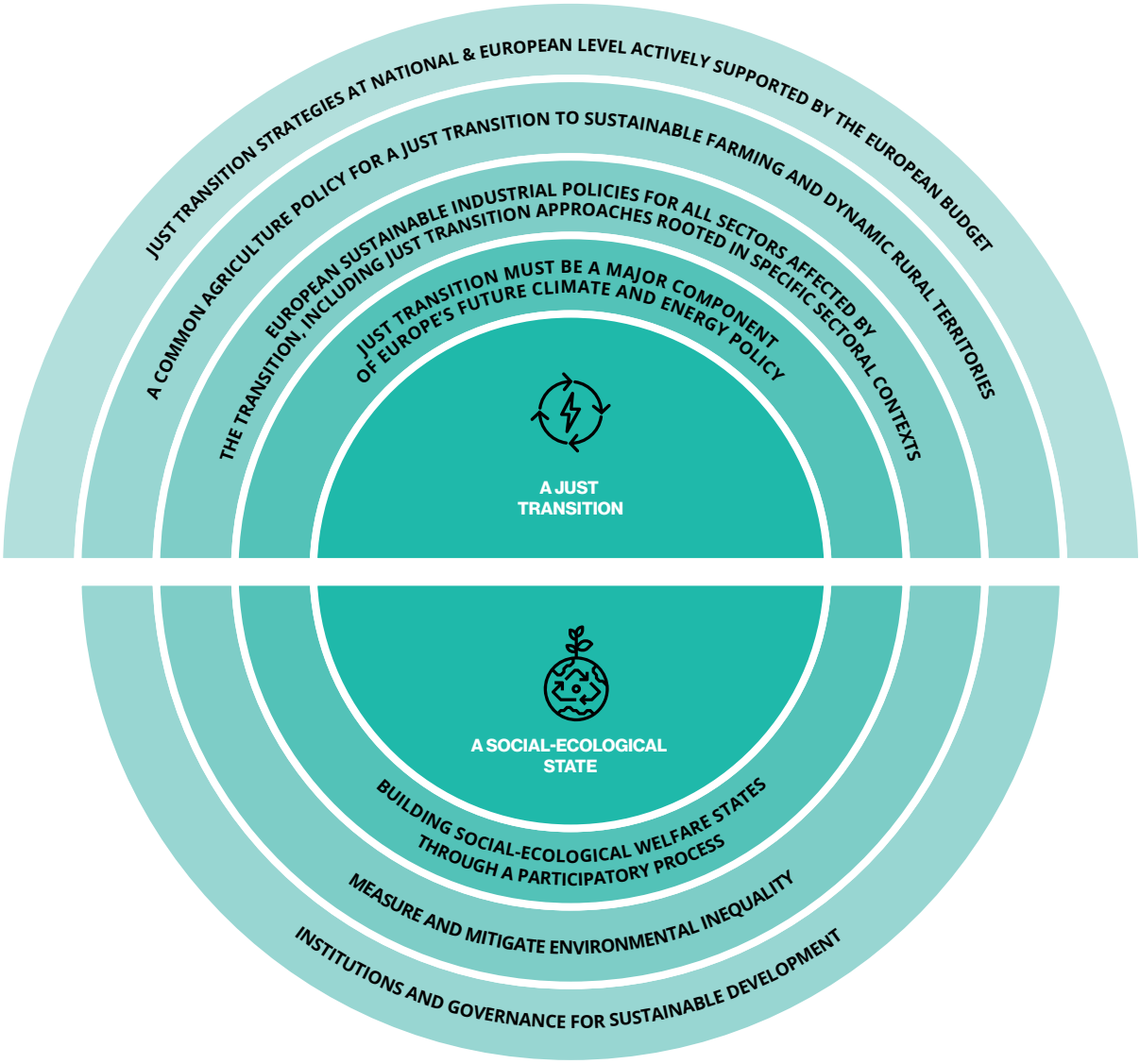
For instance, exceptionally hot and dry weather has had a devastating impact on European farmlands this summer, reducing the harvest of vegetables and driving up their prices for end consumers. This particularly hurts low income families, as food represents a significant part of their monthly family budget. It has been equally shown that poorer families are less prone to change their way of life in terms of waste reduction and re-cycling. In a society in which the hyper-materialistic lifestyle of the wealthy is culturally overwhelming, middle class consumption becomes conspicuous, in an effort to imitate this lifestyle - a heavy environmental toll.

Environmental challenges are partly social problems that arise from income and power inequalities, them being the result of the dominant neoliberal economic system. Thus, inequality is an environmental issue just as environmental degradation is a social issue[62]. Policies must address them jointly through principles and institutions rooted in justice. In this section, we recommend two fundamental policy routes to escape the downward spiral between social inequality and environmental damage, and to enter a virtuous circle of joined up social and ecological progress. First of all, we advance several concrete recommendations within the powerful concept of a "just transition", which should become a central concept for European and national policy-makers. Secondly, we outline the far-reaching transition from today's welfare states - defined in the pre-ecological age of the Post-War years - into 21st century social-ecological states, built to be the powerful public engine of tomorrow's sustainable societies.

By doing so, we do not address policies that directly relate to the greening of our economies, such as resource and waste management policies in the circular economy, emission limits on cars, or renewable energy infrastructures. Not because they would not be essential; they are absolutely critical. In particular, such economic measures to fight greenhouse gas emissions will be vital not only to avoid the disorder of our climate, but also to prevent climate disorder to become a new, and potentially massive, source of inequalities. But the contribution of this report focuses on social and environmental justice - on the relations between planet and people, and prosperity and people - and on policies to ensure these relations are as peaceful and fair as possible.

[62] Social-Ecology: exploring the missing link in sustainable development, Eloi Laurent, 2015, https://hal-sciencespo.archives-ouvertes.fr/hal-01136326/document

SOCIAL-ECOLOGICAL PROGRESS



The sustainable and technological transitions must take everyone along.

6.1. A just transition

The concept of Just Transition emerged in the 1980's, put forward by the Trade Union movement to promote "green jobs" as a necessary component of the transition away from fossil fuels. The concept has, however, evolved since then and has now a much broader meaning.

In 2015, in the run-up to the COP21 (Global Call for Climate Action), the European Trade Union Confederation defined Just Transition as "a long-term plan to achieve ambitious climate action in a way that benefits the whole of society and does not simply pile the costs on the least privileged"[63]

The same year, the International Labour Organisation adopted "Policy guidelines for a just transition" towards environmentally sustainable economies and societies for all, in order to support the transition towards more sustainable means of production and consumption based on social justice criteria[64].

The concept of "just transition" therefore puts the emphasis on social justice concerns as a key element of the much needed transformation of our production and consumption patterns. In that respect, it contrasts with the rhetoric of some governments, companies, institutions or researchers which tend to characterise the process of transformation towards a sustainable economy essentially in terms of economic and investment considerations (diversification of our production model), and of technological aspects. By doing so, they ignore the significance this transformation necessarily has for society as a whole, not to mention neglect for the labour market changes this transformation induces. On the contrary, the "just transition" idea is this: it's about starting from the people themselves as the actors and beneficiaries of the transformation, rather than considering them as victims or passive targets of the transformation that we are already experiencing in the way we move, we heat and cool, we feed ourselves, we consume goods, we work, we organise our leisure, and so on.

In other words, the concept of "just transition" fully incorporates the three concepts of environmental justice, climate justice and energy justice to make it a more comprehensive framework for analysing and ultimately promoting fairness and equity throughout the process of ecological transition.[65]

An instrumental feature of the concept of "just transition" is a focus on the need to ensure the participation of the entire society, and notably of workers, in the

[63] https://www.etuc.org/en/speech/jozef-niemiec-what-just-transition-and-why-do-we-all-need-get-behind-it.
[64] As underlined by the ILO (2015), "Just transition" entails considering 8 aspects at the same time in a holistic and coherent way : 1) Macroeconomic and growth policies; 2) industrial and sectorial policies; 3) enterprise policies: 4) occupational safety and health; 5) social protection; 6) active market labour policies; 7) right at work; 8) social dialogue, tripartisme and skills development.
[65] These three forms of justice can be defined as: (1) climate justice concerns sharing the benefit and burden of climate change from a human rights perspective; (2) energy justice refers to the application of human rights across the energy life-cycle (from cradle to grave); and (3) environmental justice aims to treat all citizens equally and to involve them in the development, implementation and enforcement of environmental laws, regulations and policies. (Heffron and McCauley: What is the 'Just Transition, 2018)'

design and implementation of the transformation to ensure that each and every one can benefit and that no one shall be left behind. Just transition entails by definition a strong and renewed social dialogue between workers, employers and public authorities at each and every level, as well as a strong involvement of local communities in the design and implementation of public policies to steer this transformative process.

The concept is now better recognised, used and accepted by many non-governmental organisations, trade unions, and institutions and even - slowly but surely - by the European Commission itself. However, its concrete implementation remains patchy. In European legislation and policy instruments, it has started to inspire some action. The first integrated national and energy climate plans are expected by end 2018 to achieve the 2030 climate change targets and beyond (implementation of the goals laid down in the Paris agreement on climate change). Although the social impact dimension of these plans is not very precise, some important measures are foreseen and references to "just transition " have been included. Member States are supposed to draft their integrated national energy and climate plan on the basis of public consultations and a multi-level dialogue[66]. Moreover, Member States are explicitly requested to address energy poverty - through a comprehensive range of complementary measures - to guarantee basic standards of living. In the legislation on Europe's emissions trading scheme for 2021-2030, member states are allowed to use part of the national auctioning revenue from the ETS to ensure just transition measures, such as to finance policies aimed at the reallocation of labour (including skills formation necessary for people to move into different jobs). Poorer member states (those below 60% of the average EU gross domestic product) can benefit from the ETS financed modernisation fund to also finance just transition in carbon-dependent regions (in the terminology of this directive, this can cover redeployment, re-skilling and ups killing of workers, education, job-seeking initiatives and start-ups).

Policies in line with a just transition should consider two dimensions:

- an anticipatory dimension to trigger and support the just transformation of our economies and societies; this process cannot only be about "scaling up" disruptive technologies and the level of investments needed. It is about empowering people on the technological choices needed ("a stakeholder logic rather than a shareholder logic")[67], focusing on "demand side" rather than "supply side" investments. It is also about re-endowing public authorities (national governments, regional and local authorities) with a capacity to reform "markets" , statically and in the long term, in dialogue with the citizens instead of "fixing the market and addressing market failures".

- a more reactive dimension to support communities/ territories and workers already impacted by the transformation, including through the adoption of specific, tailor-made legislative and financial measures.

[66] This dialogue shall include local authorities, civil society organisations, business representatives, investors and other relevant stakeholders, and the general public.
[67] See in connection to this also our recommendation on a Futures Technological Analysis Capacity in chapter 5

01

Just transition must be a major component of Europe's future climate and energy policy

Recommendation 1

In connection with the COP24 on climate change in November 2018, the European Commission will come forward with a new long term (2050) strategy on the future of climate and energy policy for the reduction of greenhouse gas emissions. This strategy should identify an in-built just transition strategy building on the few steps already taken, as outlined above.

02

European sustainable industrial policies for all sectors affected by the transition, including just transition approaches rooted in specific sectoral contexts

Recommendation 2

The social impact of decarbonising different industrial sectors and the transformation towards a circular economy are a reality, and their significance will grow further. This needs to be well anticipated and managed by European, national and regional authorities, in close dialogue with social partners and affected communities and territories. Cohesion and regional policy geared towards sustainable development solutions should play a major role here, as well as all other relevant investment policies and instruments that can be mobilised at EU level, provided that the latter are truly made space-aware. Key industrial sectors concerned include the coal mining sector, the steel industry, the construction sector, and the automotive industry, although there are likely to be impacts in every sector.

03

A Common Agriculture Policy for a just transition to sustainable farming and dynamic rural territories

Recommendation 3

The agricultural sector, a high emitter of greenhouse gases, is a key sector in the fight against climate change, but also in the broader fight against air, water and soil pollutions, and against detrimental effects on human and animal health. Farming practices play a critical role with regard to bio-diversity. At the same time, agricultural activity is key for rural areas in economic and social terms. Farmers must have access to decent work and living conditions, and to fair prices for their products. The food provided by farming also plays an essential role in terms of well-being, and access to healthy food is both a major determinant and consequence of inequality. These concerns should be at the core of the new Common Agricultural Policy currently in discussion at EU level. This policy should be designed in such a way as to address long term and intertwined challenges (Horizon 2050), rather than simply being used to fix the system for the seven years to come.

The new Common Agricultural Policy beyond 2020 is being discussed following the European Commission's proposals and should be used as an opportunity to build a sustainable future for farmers, rural territories and consumers alike. Key reform objectives must include:

- Farmers must be able to make a living from their work
- Agricultural market regulation measures need to be in place and effective when markets fail
- The position of farmers in the food supply chain needs to be strengthened
- Farm policy needs to support agriculture on a human scale because profit-driven large businesses do not meet the wish for a balanced and fair rural economy
- A proper food and nutrition policy should be developed that safeguards human health, notably by re-establishing the link between production, food and health, by guaranteeing the precautionary principle, by making organic food and quality products more visible and accessible to all
- The transition of agriculture to sustainable and economically viable agriculture must be speeded up to meet environmental and climate challenges, by making farming an actor in the battle against climate change and by opting for sustainable farming that respects biodiversity and animal welfare
- Farmland has to be protected to ensure that farmers can continue to have access to land at reasonable prices, that young farmers are encouraged to set up in business, and by promoting short supply chains and local purchasing.

04

Just transition strategies at national and European level actively supported by the European budget

Recommendation 4

The European Commission has proposed to earmark 25% of the next long term EU budget 2021-2027 to finance climate actions. The European Parliament has called for a higher percentage (30%). But beyond these figures, what is equally important is that the greening of the EU budget (i.e that all EU financial programs should participate in the transformation towards sustainable production and consumption patterns) takes place in a "just transition" framework. The EU budget can give valuable support to green investments that are needed in all our Member States, but we should go a step further and ensure that these investments are implemented through a just transition strategy at all levels (local, regional national).

The EU has already developed a number of actions and initiatives to address economic change in different ways. Regional initiatives aiming at the development of new activities are supported by cohesion policy resources, such as the over 100 "smart specialisation strategies" and several interregional smart specialisation initiatives that are on-going and include projects in a variety of sustainable development fields. In a number of cases, these strategies can serve to support regional or local industrial transitions towards sustainable economic activities. Other actions exist in specific cases related directly to the climate change agenda. This is the case for the "Platform on Coal Regions in Transition" launched very recently[68]. Within the energy and climate policy, this is also true of the modernisation fund mentioned earlier.

The magnitude of changes ahead, and the obligation to ensure real social-ecological progress for all points to the need for a more structured, comprehensive and powerful approach. The most important argument in favour of this approach is territorial. Transformational industrial policies aiming at the successful change from polluting to non-polluting activities and territorial policies aiming ultimately at sustainable and shared well-being at local and regional levels need to connect. The different financial resources that can be mobilised for these two policies need to be streamlined and optimised for each territory, and in the most relevant EU programmes. This means that the greening of budgetary actions and the just transition must be joined up.

This approach requires changes in the way the European Commission is organised. A Vice-President of the Commission should be directly responsible for this implementation, relying on a specific directorate-general permanently improving and disseminating collectively pooled and shared know-how about the most effective transition strategies, recommending transition solutions at sectoral and regional levels, and coordinating policies and resources at the disposal of the EU

[68] According to the EC, the platform provides opportunities for national, regional and local representatives and EU staff to discuss how these regions can best modernise their economies. It is facilitating the development of long-term strategies to boost the clean energy transition by bringing more focus on social fairness, new skills and financing for the real economy. Currently, pilot projects are underway in three regions: Silesia (Poland), Western Macedonia (Greece), and Trencin (Slovakia). Project initiatives may include building geothermal and hydro energy plants in former coal mines, investing in e-mobility, digitalisation and data centres, creating innovation parks, forming local energy communities, and developing tourism and agricultural activities. Projects discussed in the frame of the Platform may be eligible for existing EU funding (currently or in the future).

- inside the EU budget and through the EIB - in conjunction with national and regional resources. The Vice-President in charge and his/her services should play a key role in feeding into national and regional sustainability programmes within a revamped European Semester Process, i.e. the Sustainable Development Cycle (section 5.6).

By definition, this just transition approach must be streamlined across all relevant EU budget instruments and support both anticipatory and reactive solutions. For instance, the existing European Globalisation Adjustment Fund (which is now under review for the MFF period 2021-2027) could usefully evolve, an idea which in the European Parliament's work on this review has been designated as a "European Transition Support Fund". This would widen the existing scope of the globalisation adjustment fund to include transformational support across the economic, social and environmental spectrum. In the same way as the overall approach to a just transition, such a transition support fund would act both on prevention and reaction, always ensuring strong coherence with cohesion policy and wider territorial strategies.

Our welfare states must protect people against old and new risks.

6.2. A social-ecological state[69]

Today's national welfare states were conceived at a time when environmental concerns, and the mutual interactions between social and environmental challenges and risks were relatively unknown. Indirectly, but to a limited and "unconscious" extent, our welfare systems gradually started to deal with certain social-ecological welfare manifestations, for instance when medical treatments for disease caused by pollution are covered by public social security. By providing social safety nets, welfare systems also indirectly contribute to limit environmental degradation caused by poverty, although this is not part of their explicit mission. As social-ecological dynamics are growing - because pollution increasingly causes diseases, because extreme weather conditions increasingly affect people's livelihood or because growing inequalities induce new environmental damage - welfare states need to live up to what they will have to confront. In certain areas, European welfare functions also exist and are already called into action - for instance as extreme weather damages farmers' revenues and common agricultural funds are mobilised in their support.

Beyond the future challenges our welfare states will need to tackle, a broader challenge calls upon our public institutions as a whole to transform themselves in order to be capable to manage the sustainable transformation in all its dimensions. This raises the need for a new concept of government and of governance, as well as very practical questions. For instance, there is today confusion about how the sustainable development goals should be translated into actual policies at local, regional, national and European levels. Who should lead such a process at government level, for instance? In some countries, heads of government are in charge, while in others it is the environment minister or even the finance minister. At European level, the Commission has not yet even started to address the full extent of the necessary institutional changes called for, nor have the other institutions. The EU's main governance process, the European Semester, remains by and large untouched three years after the agreement on the UNSDGs. There are, nevertheless, interesting first steps in this direction that can be found in the newly agreed governance rules on

[69] The Independent Commission owes this concept to Prof. Eloi Laurent, see notably "Measuring Tomorrow; Accounting for well-being, resilience and sustainability in the twenty-first century", Princeton Press, 2017

energy and climate. They should be further expanded and carefully monitored in terms of their implementation and compatibility with the existing European Semester process. Clear policy linkages should be identified and made between the socio-ecological nexus and policies at local and regional levels, in particular the regional and cohesion policy of the EU.

01

Building social-ecological welfare states through a participatory process

Recommendation 1

European institutions and member states should engage in EU level and national debates about the future of today's welfare states in the age of sustainable transition. Trade unions and stakeholders, and citizens at large, should be encouraged to contribute to these debates in order to shape the contours of new social-ecological welfare states through collective processes across society. Progressives should be at the forefront of this debate to define needs and means in a way that will effectively combine the fight against both social and environmental inequalities, and re-define collective and individual resilience. Environmental protection should become as important as social protection, and the fight against social inequalities should gain additional legitimacy because it will help to limit environmental degradation. Broader welfare functions in different European policies (such as through the European Social Fund or through the Common Agricultural Policy) also need to be re-assessed in this framework.

02

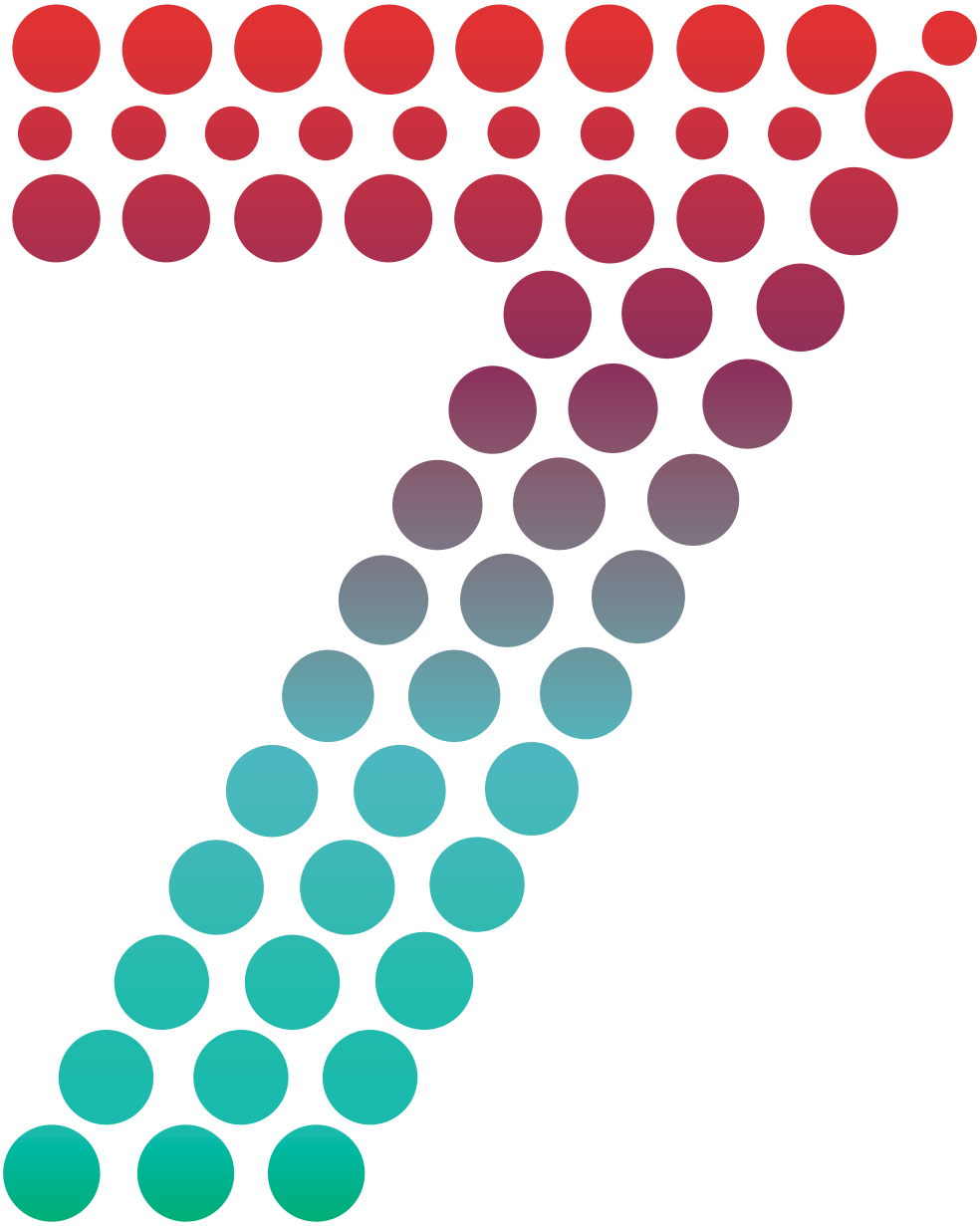
Measure and mitigate environmental inequality

Recommendation 2

In order to properly measure and then mitigate different sources of environmental inequality, significant resources should be allocated at national and European levels to conduct studies that detail as accurately as possible the social consequences of climate change, of the degradation of ecosystems and destruction of biodiversity, by focusing on health and social inequality impacts. The social cost of ecological crises must be made visible in order to reveal the misguided allocation of resources and the extent of inequality to which the current economic system leads. Most vulnerable population groups should be identified and reached out to, such as socially isolated people in urban centres.

Recommendation 3

The history of social institutions highlights the role of institutions as engines of accepted change. Institutions are the central dynamic elements of any human transition because their very purpose is to facilitate social cooperation over time. In the context of the EU, governance matters equally. Without governance processes adapted to organise collective sustainable development efforts across member states, the interplay between national efforts and EU efforts would quickly become dysfunctional. The institutional and governance dimensions would in turn be nothing more than a blind machinery without new indicators of well-being and sustainability to guide them and measure their performance in achieving set goals. Detailed recommendations on a new governance approach for sustainability are brought forward in chapter 7.



Enabling change

A sustainable eurozone 162

Financing a sustainable transition 169

Sustainable European governance 173

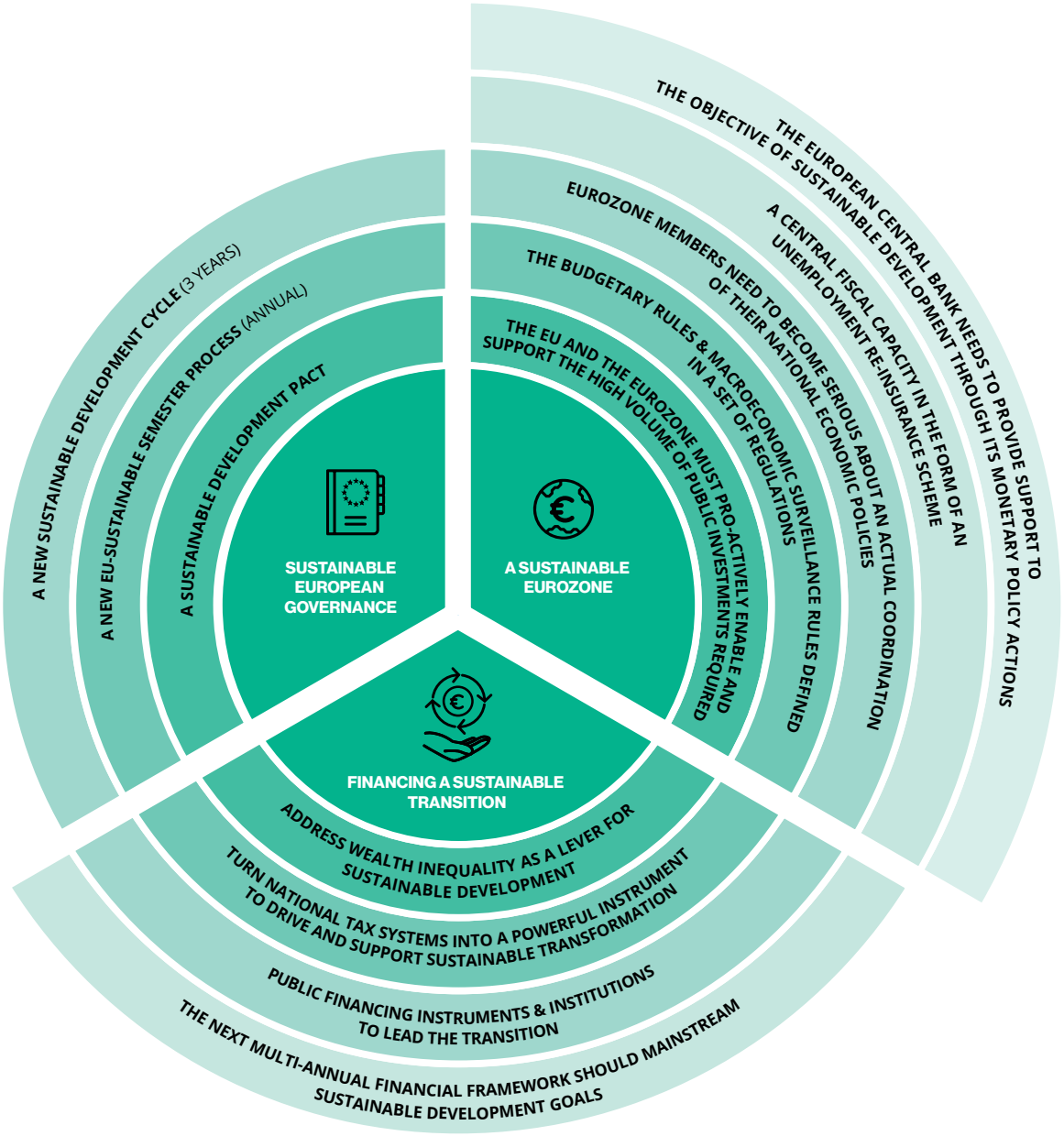
The transition towards a new form of sustainable society will require active and adequate institutions capable of conceiving, supporting and organising it.

When making the case for a new "social-ecological state" in chapter 6, it was recalled that institutions have acted in the past as central engines for change, in particular during the development of modern welfare states.

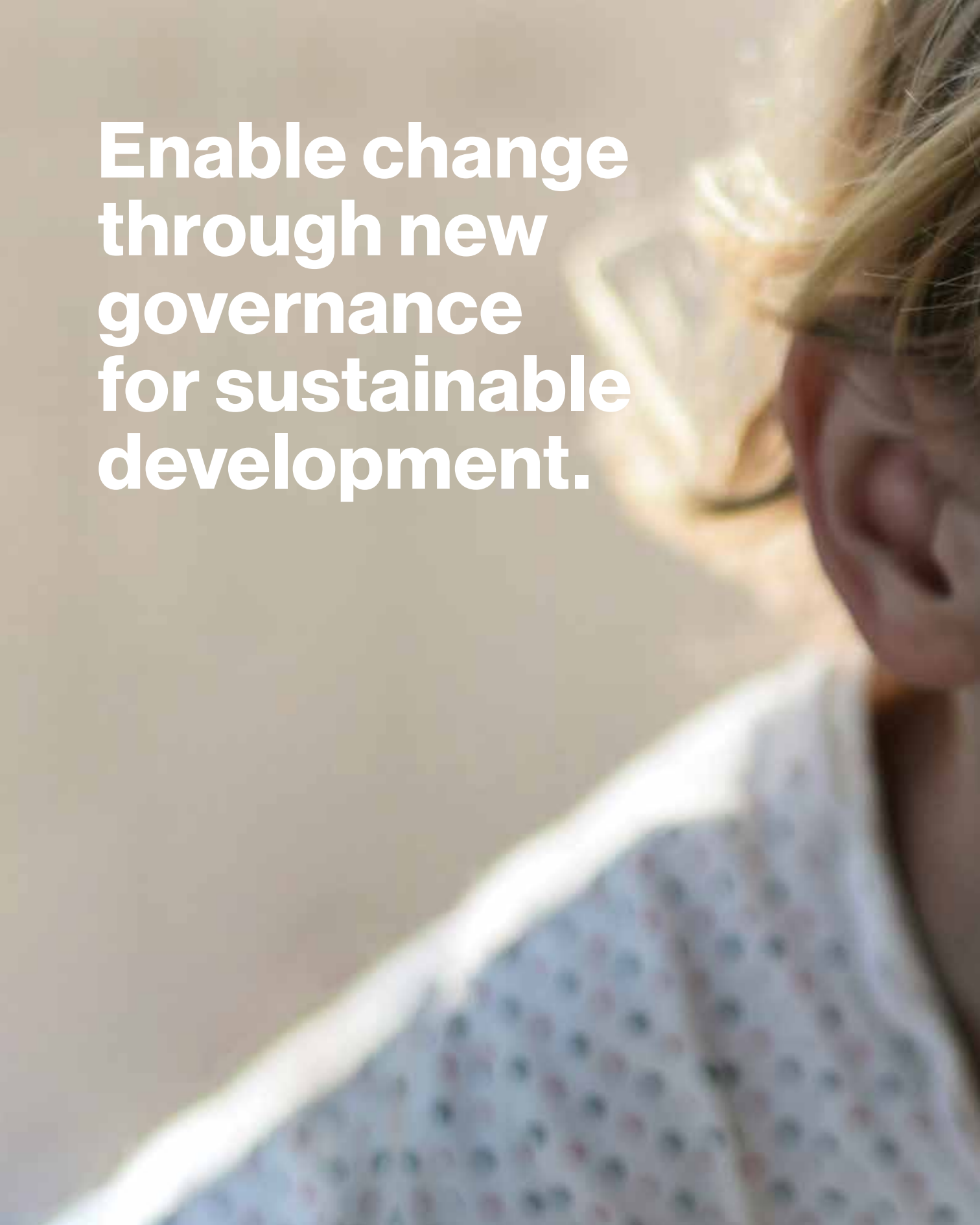
In the European context, this notion should encompass not only the institutions (European Commission, Council, European Parliament…), but also the policies and instruments through which the EU acts as an institutional agent towards, and in interaction with, national and regional levels, as well as the governance processes that organise this broader and multilevel institutional action. In this context, we identify two critical dimensions which are in dire need of change in order not to become obstacles to necessary change:

- the unfinished institutional architecture of the eurozone, and its in-built bias in favour of fiscal rigidity;
- and the outpaced European Semester, the purpose and setup of which are in contradiction with the need to fully integrate social and environmental dimensions and well-being indicators and targets beyond growth objectives into sustainable policy-making.

ENABLING CHANGE



Enable change through new governance for sustainable development.



7.1. A sustainable eurozone

During the crisis years, the eurozone came close to its breakdown. Emergency measures had to be decided to rapidly reinforce its resilience, such as the European Stability Mechanism. Very severe financial assistance programmes and reforms were imposed on countries mostly hit by the crisis. Above all, the rigidity of its fiscal rules provoked a second, self-inflicted, recession which led to a surge in unemployment and poverty.

A number of necessary reforms were identified to complete the eurozone's architecture, including a fully-fledged banking union and a fiscal capacity to alleviate economic shocks, but have either not been finalised or even initiated.The fiscal rules enshrined in the stability and growth pact were not questioned, expect for allowing a temporarily more flexible use of the rules which was finally seen as indispensable to re-ignite growth and job creation after years of economic stagnation. Calls emanating from the progressive camp over the years to add a social dimension to economic and monetary union, to reinforce its resilience in case of shocks, to revise fiscal rules in making them more responsive to economic fluctuations, to ring-fence key public investments in this way, to broaden the notion of structural reforms to areas of social relevance such as education systems or social mobility, to address current account imbalances and wage deflationary dynamics detrimental to the weaker economies, and to strengthen the democratic nature of eurozone political management were so far largely ignored. Whether in the European Commission, in most member states' governments, or at the European Central Bank, a majority of those in charge of the eurozone's functioning and architecture remain essentially conservative and hawkish, preventing the system's evolution.

This is not only a concern because the eurozone remains unfit to tackle important economic turbulences. It comes as a major preoccupation of the eurozone, which represents over 70% of the EU's gross domestic product, is to engage in a long term process towards sustainability as this report advocates. The eurozone, with its current rules, in-built shortcomings and institutional processes will not be able to pro-actively engage in such a process, and its current defaults will push it in the opposite direction.

Hence, the on-going reflections and debates about the completion of EMU need to be addressed anew within the broader frame of sustainable development. The baseline is that the eurozone and more generally European economic

policy making is in need of a profound "regime switch", whereby priorities are rebalanced away from exclusive preoccupation with fiscal consolidation and financial stability towards the promotion of a sustainable economic, social and environmental transformation of the European economy.

01

The EU and the eurozone must pro-actively enable and support the high volume of public investments required to finance the sustainable transition. This makes a change in fiscal rules to protect investment indispensable as a matter of first political priority

Recommendation 1

Investment needs for a multitude of areas that are required to transform our production and consumption modes amount to hundreds of billions of euros. With persistently low growth levels and the need to reduce public debt levels, many countries do not have enough budgetary space to consolidate and invest at the same time at such levels. If a new recession were to emerge, the current rules would further prevent public investment from reaching sufficient levels. The stability and growth pact needs to be revised to exclude public investment for transition from the public deficit calculation, but within a precise framework in order to avoid abusive practices. This framework should be used to characterise transition investments so as to foster this type of investment, in particular. In addition, some level of mutualisation of public debt within the eurozone (Eurobonds) could further support necessary public investment at national levels.

Recommendation 2

The existing rules need to be partly revised and significantly complemented by additional objectives within a broader sustainable development pact. This pact would bring under one roof specific objectives to fiscal policy on debt and deficit, next to other sustainability objectives in the social, employment and environmental field. All objectives would be binding, and submitted to a comprehensive surveillance procedure inside a new Sustainable Development Cycle (see section 7.3. for details). For instance, compared to the current approach by which narrowly framed structural reforms can provide for an extra margin of 0.5% in the budgetary deficit, such margin could in future be generated by measures contributing to the objectives of the Sustainable Development Pact.

02

The budgetary rules and macroeconomic surveillance rules defined in a set of regulations (the six-pack applying to all EU states and the two-pack applying to eurozone countries only) which reformed the Stability and Growth Pact, need to be overhauled and brought into a larger framework - A Sustainable Development Pact

03

Eurozone members need to become serious about an actual coordination of their national economic policies in order to correct or compensate for excessive current account surpluses which fuel growing economic and social divergence between countries

Recommendation 3

Divergences between richer and poorer members of the eurozone cannot just be corrected through cohesion policy if powerful dynamics resulting from the eurozone's failing policy coordination continue to push them apart. Ultimately, this is economically as well as socially unsustainable. The eurozone needs to become an agent for greater equality among its members, which it is not today. Surplus countries should invest at home as well as organise direct and indirect investment through EU funds into diverging economies within the eurozone especially.

Recommendation 4

Such a capacity, without being a system of permanent fiscal transfers, would nevertheless have to be sufficiently endowed to provide meaningful, albeit temporary and automatic, fiscal support to countries facing a shock triggered based on pre-defined thresholds. This twin scheme could be financed in different and possibly combined ways, provided that the overall financing scheme is sufficiently counter-cyclical (financing sources should not dry out when the scheme is most needed). The investment protection scheme could be backed up by a guarantee from the EU budget, complemented by support from the European Stabilisation Mechanism to give it enough potential. The unemployment re-insurance scheme should fully respect the role of social partners at national levels. Both instruments should be embedded in a democratically more legitimate and accountable governance of economic and monetary union, ensuring real parliamentary control by the European Parliament and stable institutional steering capacity through a permanent Eurogroup Chair who should also be a member of the European Commission.

04

A central fiscal capacity - embedded in a more democratic economic and monetary union - in the form of an Unemployment Re-Insurance Scheme, complemented by an Investment Protection Scheme geared towards economic and social convergence, is needed to help tackling asymmetric shocks and contribute to maintaining sufficiently high levels of public investment even during difficult economic times

05

The European Central Bank needs to provide support to the objective of sustainable development through its monetary policy actions, based on an updated mandate as defined in the statutes of the European System of Central Banks

Recommendation 5

The European Central Bank plays a critical role not only with regard to price stability, but also with regard to other economic dimensions. Its actions, if solely defined on the basis of price stability, can have negative effects on broader sustainability goals. For instance, its quantitative easing has not taken proper account of climate goals. At times, its monetary policy can result in maintaining higher levels of unemployment for the sake of lower inflation. The ECB is not obliged to take account of these different goals in a balanced manner. In comparison, the American Federal Reserve's monetary policy goals are to foster economic conditions that achieve both stable prices and maximum sustainable employment.[70] As the European Commission and Member States formulate policy coordination in a sustainable development framework (through a sustainable development pact and cycle as recommended in this chapter), ECB policy should be reframed accordingly ensuring the basis for policy consistency between the monetary and budgetary policy dimensions. The ECB's primary mandate of ensuring price stability needs to be broadened to include the objective of full employment and the objective of supporting the transition towards sustainable development, and the underlying quantitative targets should be democratically defined. This would require a revision of Articles 119 and 127(1) of the Treaty on the Functioning of the European Union. It could then be reformulated as follows in Article 2 of the ESCB/ECB statutes:

Article 2, European Central Bank (Legislation in force)

In accordance with Article 127(1) and Article 282(2) of the Treaty on the Functioning of the European Union, the primary objective of the ESCB shall be to maintain price stability. Without prejudice to the objective of price stability, it shall support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union. The ESCB shall act in accordance with the principle of an open market economy with free competition, favouring an efficient allocation of resources, and in compliance with the principles set out in Article 119 of the Treaty on the Functioning of the European Union.

New Article 2

In accordance with Article 127(1) and Article 282(2) of the Treaty on the Functioning of the European Union, the objective of the ESCB shall be to maintain price stability, to achieve full employment and to support the transition of the Union towards sustainable development. It shall support the policies in the Union with a view to contributing to the achievement of the objectives of the Union as laid down in Article 3 of the Treaty on European Union. The ESCB shall act in accordance with the principle of a sustainable and social market economy in compliance with the principles set out in Article 119 (rev) of the Treaty on the Functioning of the European Union.

[70] In 1977, the US Congress amended the Federal Reserve Act, directing the Board of Governors of the Federal Reserve System and the Federal Open Market Committee to "maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices and moderate long-term interest rates."

7.2. Financing a sustainable transition

The achievement of sustainable development goals will require huge financial resources, in particular in terms of investments, many of which will have a long term horizon. The public financial sector must function as a risk-taker, fixing the inevitable market failures that the private sector alone cannot address. The European Union has at its disposal a range of institutions, policies and rules which it must mobilise. A crucial role in financing the transition also falls on the EU budget, as it plays an important, and in some cases central, role across many economic, social and environmental areas.

The EU needs to give a clear and strong political signal regarding its commitment to engage and to sustain the transition towards a truly sustainable society and economy in all of its domains. This will act as a rallying call for the private sector. Hence, it should define a comprehensive European public finance strategy for the transition, making it clear that this engages all of its available tools. Reducing excessive wealth inequalities, taxing the "bads" instead of the "goods".

01

Address wealth inequality as a lever for sustainable development through a European net wealth tax

Recommendation 1

Member states should also address wealth inequalities more forcefully. Available data and research show that wealth inequality has been rising at a similar pace in Europe and in the US. In the EU, 40% of privately held wealth is in the hands of the top 5%. Wealth concentration needs to be brought down to fairer levels by increasing inheritance taxes and/or by levying a wealth tax, depending on the national contexts. Wealth taxes were widespread until the early 1990s, but several member states have subsequently abolished them, such as Austria, Sweden, Luxembourg, or most recently France. This is not the way forward when wealth concentration is worsening and could become exponential in future decades, as recent research shows.[71]

Along the lines of proposals for a global wealth tax[72], a European net wealth tax should be established, part of which could finance Common Wealth policies as discussed as a further step at the end of chapter 5, part of which could become an 'own resource' for the European budget, notably financing actions in the field of sustainable development and territorial cohesion. An EU-wide implementation of a wealth tax based on harmonised tax provisions would limit the risk of tax evasion which national taxes would be much more exposed to, and create favourable conditions for moving ultimately towards a global tax on wealth. Recent research has indicated that applying a progressive household-based tax with a rate of 1% for net wealth above € 1 million and 1.5% for net wealth above € 5 million yields potential tax revenues of € 156 billion, taking into account the behavioural responses of individuals triggered by net wealth taxation. Given the positive sustainability properties of a net wealth tax with regard to economic efficiency and social inclusion, the study concludes, a European net wealth tax offers itself as an interesting candidate for sustainability-oriented tax-based own resources to finance the EU budget[73].

It is also necessary to explore how excessive wealth inequalities can most fairly and effectively be resolved through taxing the transmission of wealth in the form of inheritance tax and/or other forms of taxation, such as through a gift tax[74].

[71] Thomas Piketty "Capital in the Twenty-First Century", 2013
[72] Piketty, Zucman (2015)
[73] A European Net Wealth Tax, FairTax Working Papers Series N.10, Austrian Institute of Economic Research (WIFO, Vienna), 2014
[74] See notably the UK debate on this issue in www.ippr.org/research/publications/prosprity-and-justuce-executive-summary

Recommendation 2

More progressive taxation of incomes, as recommended in chapter 5., and taxing wealth should be accompanied by a wide-reaching paradigm shift on taxation aiming at taxing the "bads" instead of the "goods". Changing production and consumption patterns to make them widely sustainable must mean that polluting production and consumption needs to be penalised and their sustainable forms incentivised. At the heart of this paradigm shift should lie the taxation of CO_2 (carbon tax), taxes on other major sources of pollution (diesel, plastics, harmful pesticides…) and on resource use, combined with reduced taxation of labour, especially on lower wages, and with the financing or provision of new sustainable public goods or services enabling everyone to avoid the cost of taxed pollution by converting to clean products and services[75]. To the triangle of sustainable development should correspond a taxation triangle between taxing capital and wealth more, pollution more and labour less. Such a paradigm shift will enhance both social and economic justice, and social-ecological progress.

02

Turn national tax systems into a powerful instrument to drive and support sustainable transformation.

Recommendation 3

European financial institutions should lead by example both through a public issuance of green bonds and social bonds, aimed at financing new projects, and through providing initial guarantees to support concrete projects to reach a critical mass. All European Investment Bank activities, including the InvestEU Programme 2021-2027, should support the achievements of the 2030 sustainable development goals, including the Paris Agreement on climate change. InvestEU should reach out to a sufficient number of projects, to support riskier as well as smaller projects (or cluster of projects) that are fully consistent with the UNSDGs and the Paris Agreement

03

Public financing instruments and institutions to lead the transition

[75] This could for instance take the form of a CO_2 tax on heating fuels, with its revenues used to finance 'free of charge' connection to a district heating grid or community solar park supplying a 1.000 kWh clean power for every family at no cost.

04

The next Multi-Annual Financial Framework should mainstream sustainable development goals

Recommendation 4

The next Multi-Annual Financial Framework for 2021-2027 should mainstream sustainable development goals across the wide range of programmes and instruments. Major policies financed by the EU budget, in particular the Common Agricultural Policy, the Cohesion Policy and key programmes such as the European Social Fund (Plus) should now be defined within a sustainability framework, and become engines for change. This should include performance indicators to ensure proper monitoring.

7.3. Sustainable European governance

Here we outline a proposal exploring a change to the current framework of the European Semester by opening up both its narrow fiscal focus and its silo-based governance in order to build an adequate tool to support sustainable development. Changing the Semester is not an abstract or technical fight. It means changing the way Country Specific Recommendations are designed and decided and, as a result, changing the kind of reforms Member States have to deliver. The policy outcome will reach beyond supply-side focused structural reforms and fiscal consolidation measures which potentially widen inequalities, towards sustainable development reforms and investments capable of driving necessary economic, social and environmental transformations. The European Semester currently does not fit with sustainable development in at least three dimensions:

- **Reductionist quantitative paradigm** built on GDP and related indicators, e.g. deficit ratio and debt to GDP, as only reference indicators and policy goals without taking into account social and environmental externalities and needs.
- **Fiscal discipline imperialism** where only fiscal rules have legally binding targets. As a consequence, all other areas are subjected to the dominance of fiscal discipline giving no space for alternative policies. As a result, the Semester remains essentially a vehicle to implement fiscal consolidation.
- **Obsolete governance** defined by silo decision-making, weak national ownership, no dialogue with social partners and a weak role for the European Parliament. Besides narrowing the capacity of the Semester to have a systemic view, this flawed governance harms the popularity of the EU as people perceive the EU economic governance as complex, biased in favour of corporate interests and non-democratic.

Moving from the European Semester to a Sustainable Development Cycle requires a change in at least three dimensions:

- **Horizon and scope.** Sustainable development implies a different timeframe for policy-making, from short-termism to a long-term perspective. Therefore, it is necessary to replace the current annual fiscal and macroeconomic surveillance exercise with a multi-annual sustainable development pact. In order to set a policy direction and to ensure coherence with the other EU policies, the new Semester needs to

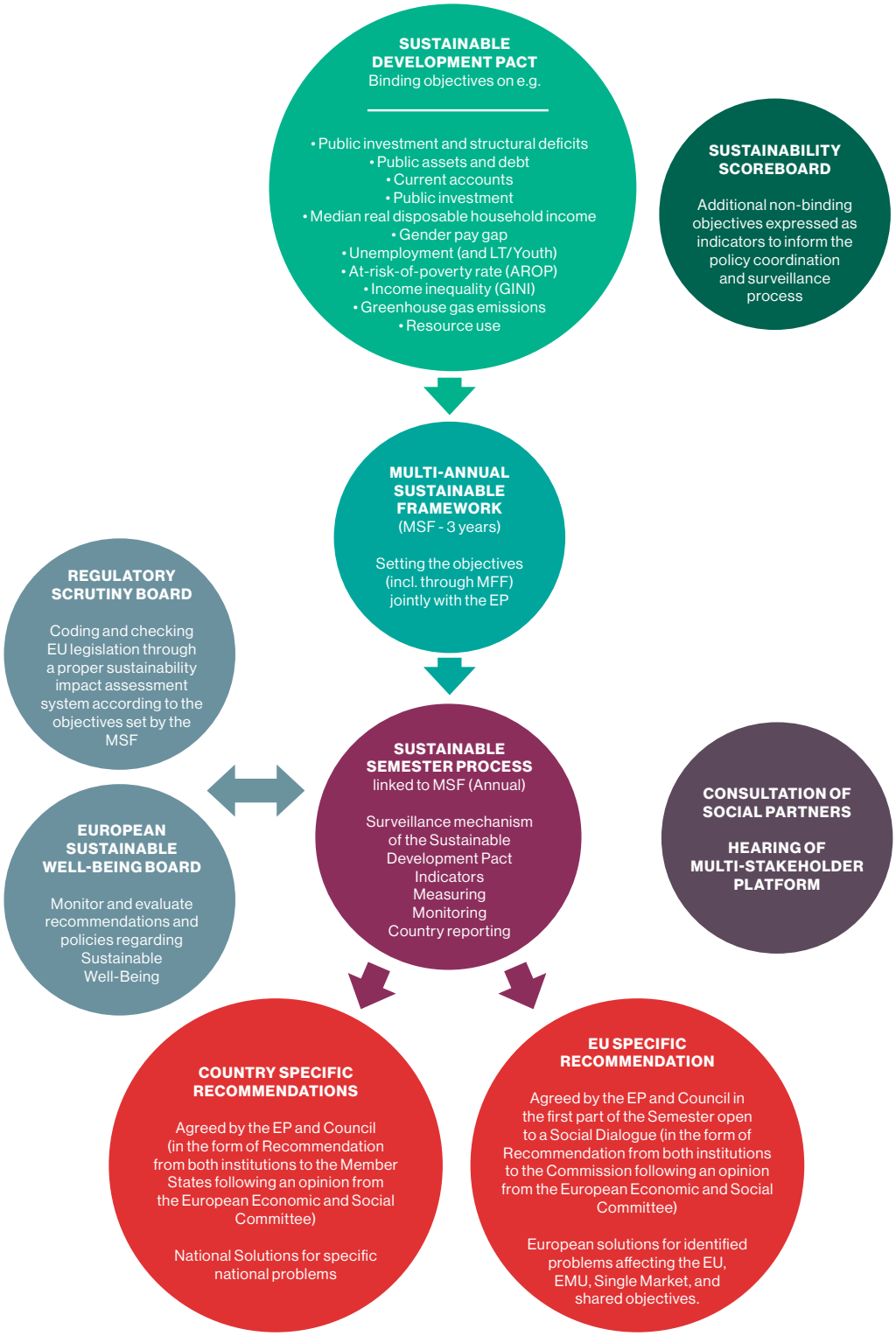
be part of an overarching sustainable development strategy based on the SDGs as policy goals (and intertwined with the MFF).

- **Indicators and targets.** What we measure affects what we do in terms of policy outcome. Referring solely on GDP will design policies that take into account only their economic impact. Therefore, it is necessary to enlarge the reference indicators by including social and environmental ones in order to design truly sustainable reforms, not just structural reforms for public finance sustainability. It is essential that these indicators are also compatible with the UNSDGs (but could go beyond).

- **Governance.** A silo-based governance gives birth only to silo-based policies. Therefore, it is required to open up the current decision-making process both internally (enlarging the ownership of the semester to other Commission services) and externally (promoting structural dialogues with stakeholders). The European Parliament needs to be given a key role to ensure proper democratic control, and social partners and NGOs should be well involved, including the Multi-Stakeholder Platform on sustainable development (see section 3.3, recommendation 2). The Semester must also be community-oriented to adapt to the different national and territorial needs and particularities (see section 5.5, recommendation 4).

With these aims in mind, a new **Sustainable Development Cycle** could have the following structure:

Sustainable Development Cycle



The new **Sustainable Development Cycle** will be a multi-annual exercise aiming at implementing sound fiscal policy on an equal footing with sustainable development policies. The Sustainable Development Cycle will be founded on a new and legally enshrined Sustainable Development Pact which would encompass the existing Stability and Growth Pact in an alternate form (to exclude public investment) next to several other binding objectives which, in turn, both Country Specific Recommendations and the newly established EU specific recommendations will be designed to achieve.
This selection of binding objectives would reshape policy surveillance by enlarging it to key elements of the threefold sustainable development path. The surveillance would, like today's stability pact, include preventive and corrective policy processes. This binding set would be complemented by a selection of additional non-binding objectives expressed as indicators to inform the policy coordination and surveillance process, brought together under a "sustainability scoreboard".
Such a sustainability scoreboard could for instance include:

- Living wage index:[76] above the average of the 3 best performing EU countries
- GINI coefficient of equalised disposable income: below the average of the 3 best performing EU countries
- Public expenditure on Education: above 6% of GDP
- Extreme poverty: 0% of population
- People at risk of poverty or social exclusion: below 10% of population (or at least 20 million fewer people in – or at risk of – poverty/social exclusion)
- Gender pay gap: 0%
- Affordable and quality housing / Housing costs in disposable income (...%)
- Member States' distance to their renewable energy target, energy efficiency target and non-ETS greenhouse gas reduction target as defined in the Effort Sharing Regulation and the Regulation on the Governance of the Energy Union
- Recycling of municipal waste of 65% by 2030; Recycling packaging waste of 75% by 2030
- Resource use targets as part of a circular economy
- People living in household in material deprivation (...%)
- Youth unemployment rate (…%)
- Status of biological diversity ...

Following the same logic as in the SGP, each target will entail Medium Term Objectives to reach the final goal. The selection of the targets will be done in order to build synergies and create coherence with already agreed targets and governance structures such as the

[76] A definition and methodological explanation on how to calculate the living wage is provided by the ILO.
http://www.ilo.org/travail/whatwedo/publications/WCMS_162117/lang--en/index.htm
The MIT has calculated the living wages for US states.
http://livingwage.mit.edu/

Waste Proposal and the Energy Governance.

Taking into account the previously mentioned targets, the Multi-annual Sustainable Framework sets the overarching objectives of the process in order to ensure coherence and synergies with other EU policy tools (e.g. Common Agriculture Policy and Cohesion Policy). To do so, the Multi-annual Sustainable Framework will complement the Multi-annual Financial frameworks by embedding sustainability objectives into it.

The implementation process will pass through the Sustainable Semester Process, an annual surveillance mechanism which will monitor the respect of Sustainable Development Pact binding objectives. A more detailed explanation of the Sustainable Semester Process is presented in the next page. The annual outcome of this process is twofold. First, Country Specific Recommendations. Contrary to the existing ones, they will be more "community oriented" to adapt to the need of each Member State and territory. Supply-side structural reforms will evolve into sustainable structural reforms. Second, EU specific recommendations. Every year the Council and the Parliament will send policy proposals to address issues affecting EU policies.

SUSTAINABLE SEMESTER PROCESS

As mentioned before, the implementation of the multi-annual Sustainable Development Governance Process will pass through the Sustainable Semester Process, the evolution of the European Semester. It will be an annual surveillance mechanism, which will monitor the achievements of the SGP and the SDSP through the following devices:

- **New analytical tools:** Annual Sustainable Development and Well-Being Survey and Sustainability Imbalance Procedure, with broader and deeper measurement system.
  A new system of indicators integrated in the country reporting and general analysis. Given the broader scope, new social and environmental indicators will be included next to the economic and fiscal ones.[79]

- A **new governance structure:**
  A new Sustainable Development Council could be created and placed between sectorial Councils and the European Council. This new horizontal configuration would be composed by 27 nationally appointed representatives which, domestically at ministerial level, are in charge of the policy coherence (monitoring and scrutinising policy proposals) for the implementation of the national sustainable development strategies.
  A similar configuration could be established in the EP, a Sustainable Development Committee.[80]

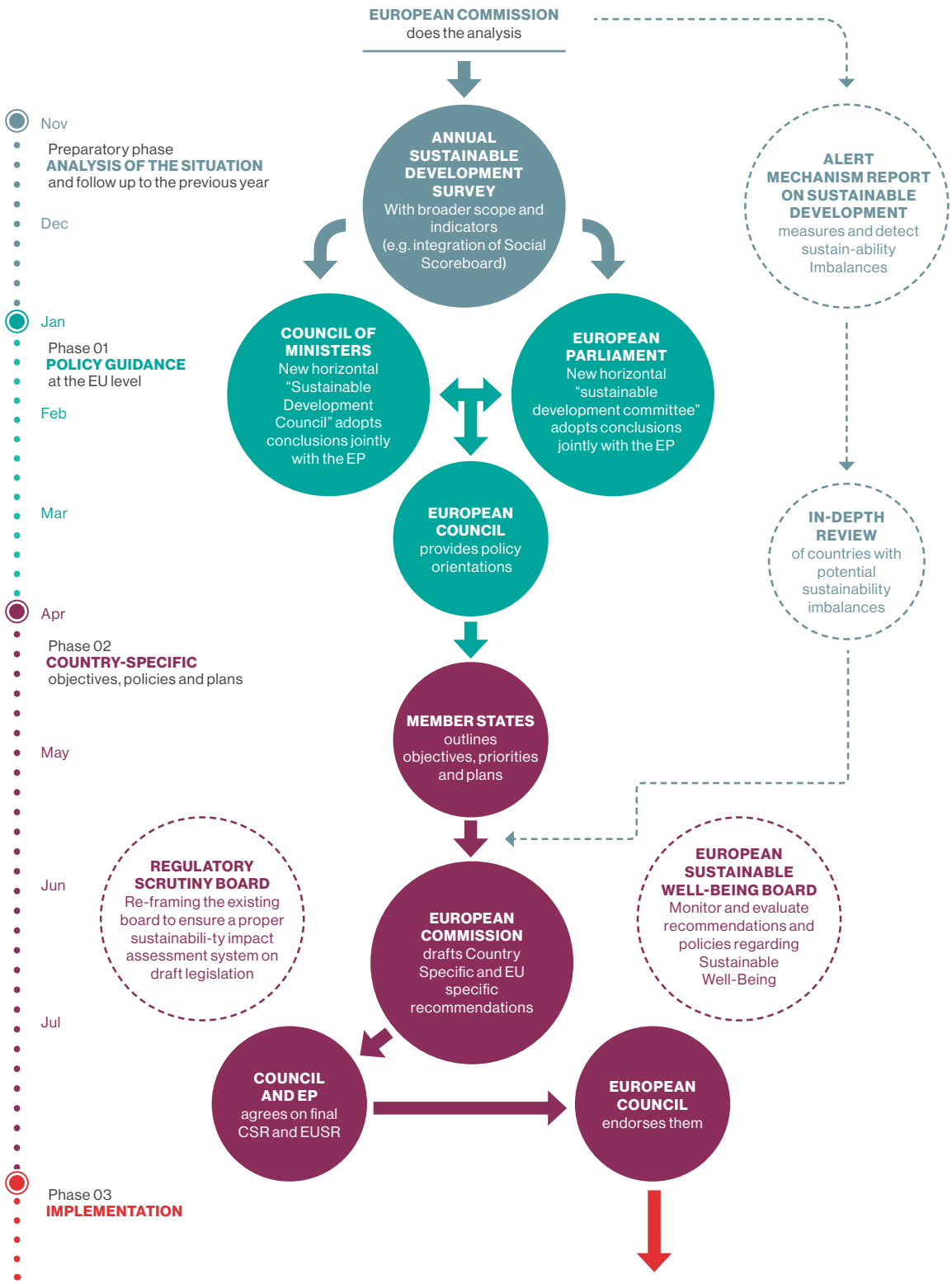
[77] The last one was already agreed for the Europe 2020 strategy
[78] Target already agreed for the Waste Proposal
[79] Progressive Society and 79 the S&D Group support the independent Annual Growth Survey, which from November 2018 evolved into an independent annual survey based ons sustainable development and well-being indicators, analysis and recommendations, see www.progressivesociety.eu or www.iags-project.org
[80] Alternatively to this new configuration, one might consider to put ENVI and EPSCO Councils on equal footing to the ECOFIN Council. The same mechanism shall be followed in the European Parliament by merging the work of ECON, ENVI and EMPL committees when it comes to deliberate the new Sustainable Semester Process.

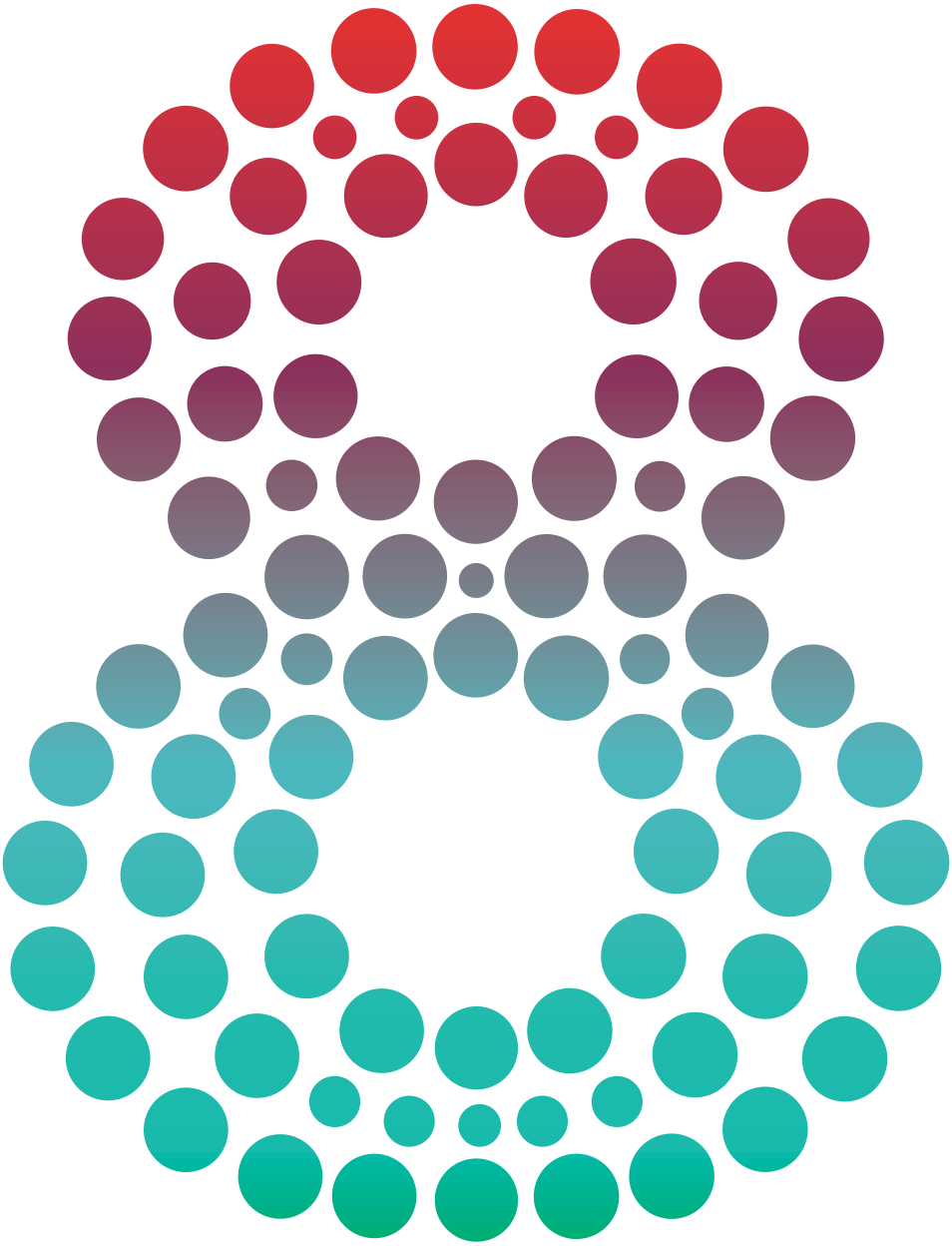
- A newly framed **Regulatory Scrutiny Board in the European Commission**: the existing board's role is to provide a central quality control and support function for Commission impact assessment and evaluation work. The board examines and issues opinions and recommendations on all the Commission's draft impact assessments and major evaluations and fitness checks of existing legislation. This board should receive a clear mandate to ensure quality control on sustainability impact assessments on draft legislation proposed by the Commission - evaluating properly the three dimensions of sustainable development. to check whether the proposed CSR and EUSP comply with the objectives set in the Multi-annual Sustainable Framework (MSF). Its function will not be limited to support the implementation of the Sustainable Semester but goes beyond as it will also check whether all EU legislation and policies comply with the MSF.

- A newly established **European Sustainable Well-Being Board**, mirroring the existing European Fiscal Board, and mandated to provide an annual independent monitoring and evaluation across EU policies and recommendations made in the framework of the Sustainable Development Process as regards their impact on sustainable well-being.

The timeline would be similar to the existing European Semester one, thereby retaining time-consistency with national budgetary calendars.

SUSTAINABLE SEMESTER PROCESS (Annual)





ANNEX
110 POLICY ACTIONS FOR CHANGE
(Chapters 3 to 7)

CHAPTER 3
POWER TO THE PEOPLE

1. Citizens' Contract of "Sustainable Democracy For All"
2. Social Partners are more closely involved in the European Semester (and in a future Sustainable Development Cycle) by the Council and by the European Parliament (including plenary session before March European Council)
3. Political Declaration by the European Council on the importance of strong tripartite and social dialogue in a well-functioning social market economy (cf. Art 3 and 152, TEU)
4. Based on this political declaration, a European strategy to foster trade unionisation across Member States based on Principle 8 of the European Pillar of Social Rights, including policy recommendations on developing trade unionisation to be included in national reform programmes
5. Also based on this political declaration, national strategies should be developed to include measures to support collective bargaining with the active inclusion of social partners (including more sector-level collective agreements)
6. Revision of the European Works Council Directive to strengthen information and consultation of employees and workers in transnational firms with 1,000 employees or more
7. Revision of national laws defining information and consultation, information in case of collective redundancies, and on safeguarding of employee's rights in case of transfers of undertakings where these laws are too weak
8. A new framework directive on workers' information and consultation, co-determination, anticipation and management of restructuring
9. Open the possibility for bogus self-employed to unionise by inserting a clear definition of a worker in the Directive on transparent and predictable working conditions (currently in the legislative process)
10. Provide for a legal framework to allow independent civil society to function without government interference across the whole of the EU
11. Strengthen and broaden the European Multi-Stakeholder Platform on the UNSDG to strengthen its role and the involvement of civil society organisations, as recommended by SDG Watch Europe

12. Involve the Multi-Stakeholder Platform in the future Sustainable Development Cycle (and, in the meantime, in the European Semester process) with regard to the three institutions

13. Progressives to foster and support the development of national sustainable development alliances, such as ASviS in Italy

14. Strengthen civic space at local and regional levels through a proper implementation of the European Code of Conduct on Partnership and the Partnership principle in Cohesion Policy

15. European Commission to submit a proposal on minimum standards for civil dialogue at European level (Further step)

CHAPTER 4
RESHAPING CAPITALISM

16. Promote diverse business models including co-operatives, employee ownership, multi-stakeholder ownership models, trusts or other forms to foster a more diversified economic business structure which incorporates social and environmental externalities better than today and provides for fairer distribution of income and wealth

17. Create European legal statutes for different social economy forms to ensure legal certainty and a level playing field with other business forms, and covering mutuals, associations and foundations

18. Set up financial guarantee schemes from local to national levels to facilitate access to finance for social economy actors, and support these actively through InvestEU and the EIB.

19. Develop policy initiatives and use existing EU instruments and programmes to encourage and help young people to engage with the social economy

20. Adapt national and European statistics to ensure good data is made available on the social economy to better inform, guide and monitor relevant policies

21. Establish a European Statute for Benefit Corporations, building on the recent Italian initiative (Società Benefit)

22. Foster at national, regional and local levels the role of public or publicly regulated non-profit enterprises to build eco-social public services

23. A European "Responsible Business" label to allow people to identify whether a given company ensures social and environmental responsibility, and good corporate governance

24. A European "Responsible Finance" label with the same aim due to the specificities of the financial sector

25. A European Directive on minimum economic, social, and environmental responsibilities of companies, building on existing legal approaches in some Member States

26. Realising sustainable public procurement: Pro-active use and its monitoring of social and environmental criteria in public procurement by public entities

27. Make social and environmental criteria in public procurement compulsory

28. A legally binding Corporate Responsibility Passport introducing a license to operate in the Single Market for corporations with more than 500 million euros of annual revenue (Further step)

29. Create a European agency specialised in financial and tax fraud crime

30. Set up a European tax body (Tax Policy Coherence and Coordination Centre) to strengthen cooperation and coordination of national tax authorities in fighting tax evasion and avoidance

31. Set up a European Financial Intelligence Unit to ensure effective networking and coordinated action between existing national units

32. Set up a joint dedicated permanent task force by Eurofisc and the European Commission aimed at supervising the enforcement of adopted tax legislation

33. Full public country-by-country reporting, including fully disaggregated accounting from all countries where a multinational cooperation operates

34. A common consolidated corporate European-wide tax base (CCCTB), also covering taxation of digital companies (preceded by an interim digital tax)

35. A European legal definition for virtual permanent establishment for digital companies

36. A minimum effective corporate tax rate building on the future CCCTB

37. A harmonised European definition and a ban of dodgy tax schemes that exist in different Member States

38. Clear rules on the transfer of a company's headquarter within the EU

39. A Financial Transactions Tax

40. Increased resources to national tax administrations

41. An interim Digital Service Tax, until CCCTB rules are in place

42. EU agreement needed in Council on the proposal for 'significant digital presence'

43. An informed public debate on how to tax new technologies (such as a robot tax)

44. The EU to include tax-dodging clauses in all of its trade agreements with third countries

45. No trade agreements should be signed by the EU with jurisdictions defined by the EU as a tax haven

46. The EU to promote the creation of a United Nations Tax Commission notably to coordinate efforts to fight tax havens

47. The EU to promote the creation of a Global Financial Registry to establish ownership of financial assets (Further step)

48. Establish a clear and detailed EU classification system – or taxonomy – for sustainable activities. This will create a common language for all actors in the financial system

49. A legal obligation of accountability towards society for private finance

50. A better calibration of prudential incentives and disincentives to contribute to the transition towards sustainable development

51. Include environmental, social and corporate governance risks and factors in the mandate of the European system of financial supervision

52. A European public credit rating agency to track long-term sustainability risks

53. Address the development of artificial intelligence in financial transactions through a review of the MiFID II/MiFIR legislation applying to markets in financial instruments

54. Foster financial inclusion by developing or facilitating micro-credit, crowd-funding, and supply-chain financing, as well as social entrepreneurship funds at EU and national levels

55. Develop direct regulation and supervision of the shadow banking sector, including at the global level (Further steps)

56. A Futures Technological Analysis capacity lodged inside the European Commission to properly understand, anticipate and prepare technological change

57. An EU Directive on platform work to regulate and protect new forms of work in the digital economy

58. Prepare national social systems and European programmes to support and protect people dung the technological transition, notably through social transition funds financed by a digital tax; this process is to become part and parcel of the European Semester

CHAPTER 5
SOCIAL JUSTICE

59. An ambitious European anti-poverty plan to improve the situation of all people at risk of poverty or social exclusion, reduce the number of people at-risk-of-poverty or social exclusion by 25 million people for 2030, and by an additional 50 million for 2050

60. Further develop approaches at EU and national levels aimed at a better understanding of poverty based on reference budgets

61. Insert the European anti-poverty plan as a strategic dimension in the European Semester

62. A European Child Guarantee to mitigate the damaging effects of poverty on children

63. A European strategy for affordable, social and public housing for all (this includes 11 detailed proposals, see recommendation 3, section 5.1.)

64. A European Framework Directive on adequate minimum income

65. A European legal framework to guarantee every European citizen a social protection floor, in line with the ILO recommendation

66. A social integration strategy for immigrants, comprising national plans, as part of the European Semester

67. Make poverty reduction goals binding after 2024, including national annual targets, if necessary (Further step)

68. Comprehensive and complete implementation of rights and principles contained in the European Pillar of Social Rights by 2024

69. A European Activity Right for all long-term unemployed, eventually to be joined up with the existing European Youth Guarantee

70. European Fair Wage Action Plan (EFWAP): integrate UNSDG goal 10 target on ensuring that the lower 40% wage group grows faster than the national average up to 2030 in the European Semester

71. (EFWAP) European Semester country-specific recommendations to include recommendations on sectoral collective bargaining and support real wage increases in line with the UNSDG goal target

72. (EFWAP) Gradually put an end to in-work poverty by ensuring that minimum wages are not fixed below living wage levels, including through the establishment of national living wage indexes, and EU-wide definition of a living wage and the use fo reference budgets as a benchmark

73. (EFWAP) European equal pay for equal work legislation to extend to all sectors of the economy

74. (EFWAP) A European directive on pay transparency

75. Address income inequality in the European Semester by establishing an income inequality benchmark indicator based on the three best performing European countries' average Gini coefficient (around 0.25), and foster more progressive national income tax systems where relevant

76. A good work-life balance for working parents to achieve an 'equal earner-equal carer' model

77. Legislation to end the gender pay gap

78. Ratification and implementation of the Istanbul Convention in all Member States to eradicate violence against women

79. Ensure that public and private organisations and companies dispose of effective policies against sexual and psychological harassment

80. Guarantee sexual and reproductive health and rights

81. Incorporate a gender perspective in national tax and social security policies

82. A Directive on women's involvement in company boards (40%)

83. Make gender mainstreaming and gender budgeting systematic in public policy at EU and national levels

84. Integrate national social mobility acton plans in the European Semester

85. Upgrade national education systems to highest standards and ensure sufficient social investment

86. Cohesion policy to remain accessible to all EU regions, and financial allocation for 2021-2027 to be maintained at an adequate level, if not increased

87. Foster multi-level governance in cohesion policy to achieve participatory and bottom-up approaches

88. Differentiated development approaches to be deployed according to each region's specific context

89. Proper implementation of the European Code of Conduct on Partnership for cohesion policy

90. Capture the territorial impact of EU programmes

91. Common Wealth - develop a common and collective base of non-monetary wealth accessible to all, possibly in the form of a Common Wealth Charter that would grant a set of sustainable well-being rights to all citizens (Further step)

CHAPTER 6
SOCIAL-ECOLOGICAL PROGRESS

92. Insert just transition as a major component of Europe's future climate and energy policy

93. Define sustainable industrial policies for all sectors affected by the transition within a just transition approach

94. A future Common Agricultural Policy to achieve a just transition towards sustainable farming and dynamic rural territories

95. Ensure that national and European just transition strategies are actively supported by the EU budget

96. Build tomorrow's social-ecological national welfare states through a participatory process involving national and EU institutions, social partners and civil society

97. Develop knowledge and information allowing to properly measure and then mitigate environmental inequality

98. Ensure that EU and national institutions and governance processes properly integrate social-ecological dimensions

CHAPTER 7
ENABLING CHANGE

99. Change EU fiscal rules to protect national public investment expenditure vital for the sustainable transformation from budgetary consolidation

100. Overhaul the existing budgetary rules and procedures within a new broad Sustainable Development Pact, combining budgetary, social and environmental benchmarks and binding targets

101. Adequate policy coordination to address excessive current account surpluses

102. A fiscal capacity: an Unemployment Re-Insurance Scheme and an Investment Protection Scheme to strengthen the Eurozone in terms of economic and social cohesion, and to develop its capacity to address asymmetric shocks

103. Revise the mandate of the European Central Bank, as defined in the Treaty and in its statutes, to broaden it to the full employment objective and to supporting through its monetary policy the transition towards sustainable development

104. Address excessive wealth inequality through a European Net Wealth Tax

105. Reform national tax systems to turn them int powerful levers for sustainability by taxing 'bads' instead of 'goods'

106. European public financial institutions and instruments to lead on the financing of the sustainable transition, notably by developing green bonds and social bonds

107. Mainstreaming sustainable development in the next Multi-Annual Financial Framework

108. Replace the existing European Semester by a multi-annual Sustainable Development Cycle (resting on a new Sustainable Development Pact, see policy action n° 100), and adapt institutional structures in the European Commission, European Parliament and Council accordingly

109. Develop a Sustainability Scoreboard composed of non-binding objectives expressed as indicators to inform the policy-making, coordination and surveillance process

110. Set up a European Sustainable Well-Being Board to monitor and evaluate recommendations and policies (complementary to the European Fiscal Board)

Treaty on the European Union (extracts)

In the Preamble
Determined to promote economic and social progress for their peoples, taking into account the principle of sustainable development and within the context of the accomplishment of the internal market and of reinforced cohesion and environmental protection, and to implement policies ensuring that advances in economic integration are accompanied by parallel progress in other fields.

Article 3(1)
The Union's aim is to promote peace, its values and the well-being of its peoples. The Union shall establish an internal market.

Article 3(3)
It shall work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment.

It shall promote scientific and technological advance.

It shall combat social exclusion and discrimination, and shall promote social justice and protection, equality between women and men, solidarity between generations and protection of the rights of the child.

It shall promote economic, social and territorial cohesion, and solidarity among Member States.

It shall respect its rich cultural and linguistic diversity, and shall ensure that Europe's cultural heritage is safeguarded and enhanced.

SUSTAINABLE DEVELOPMENT GOALS
1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND

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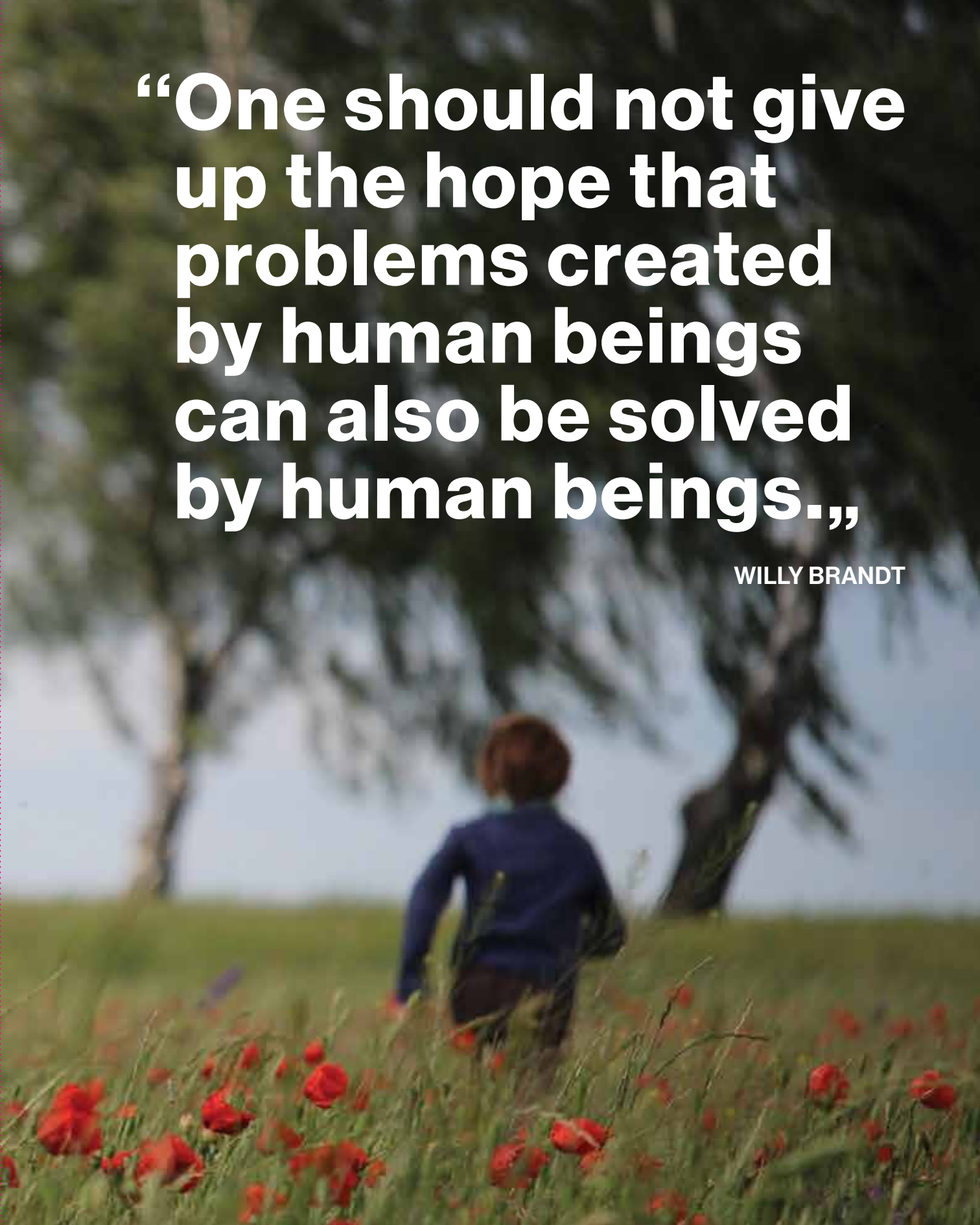

“One should not give up the hope that problems created by human beings can also be solved by human beings.„

WILLY BRANDT

‘The Independent Commission for Sustainable Equality does not only bring forward extremely relevant and badly needed policy solutions for the coming European parliamentary term; it also draws up a new long term vision for a truly fair and responsible society for the 21st century, in which everyone has a decent future – a society built on profound respect for every person and for the planet we so urgently need to protect’.

UDO BULLMANN,
President of the Parliamentary Group of the Progressive Alliance of Socialists and Democrats in the European Parliament

‘The policy recommendations provided in this report aim at a radical transformation of our societies. One which fundamentally questions our decades-long reliance on economic growth as an end in itself, dissociates wealth from well-being, forcefully challenges the prevailing distribution of income, wealth and economic power, and calls for sustainable transformation as a powerful and innovative driver of social progress’.

LOUKA T. KATSELI & POUL NYRUP RASMUSSEN,
Co-chairs of the Independent Commission for Sustainable Equality

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