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Policy pathways to sustainable and inclusive wellbeing

Report by MERGE consortium

Potential policy instruments for sustainable and inclusive wellbeing

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Report title	Potential policy instruments for sustainable and inclusive wellbeing
Brief Description	This report presents a shortlist of potential policy instruments to promote sustainable and inclusive wellbeing regardless of economic growth. The report presents a brief overview of each policy instrument, describing the main idea and providing real life examples. It also shortly addresses technical infrastructure and governance elements that support these policies.
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1. Introduction

Recent research has found convergence in beyond GDP discussions towards the overarching goal of sustainable and inclusive wellbeing (Costanza et al. 2024; Hoekstra et al. 2024) referring to the "wellbeing of all people of current and future generations, and of the planet" (Benczur et al. 2024) that sustains us.

For analytical purposes, the multidimensional nature of sustainable and inclusive wellbeing can be illustrated with three interlinked and overlapping elements:

- **Ensuring current wellbeing ('wellbeing')**; including the determinants of wellbeing such as health, education, air quality, employment, social relationships, income, housing, security, environmental health, and peace.
- **Ensuring future wellbeing ('sustainability')**; encompassing biophysical and social conditions for future wellbeing. Examples of relevant metrics include climate, biodiversity, demographics, and innovation capacity.
- **Limiting wellbeing inequalities for current and future generations ('inclusion')**; gauging the distribution of wellbeing determinants and opportunities across spatial scales and social groups. Potential indicators include gender inequality, income/wealth inequality, risk of poverty, child poverty, discrimination etc.

(Costanza et al. 2024)

From the perspective of systems thinking and by drawing on Meadows (1998) we may distinguish between ultimate ends (SIW goal), ultimate means (functioning ecosystems and biophysical foundation) and intermediate means (integrated system of policies, metrics and models) (see figure 1).

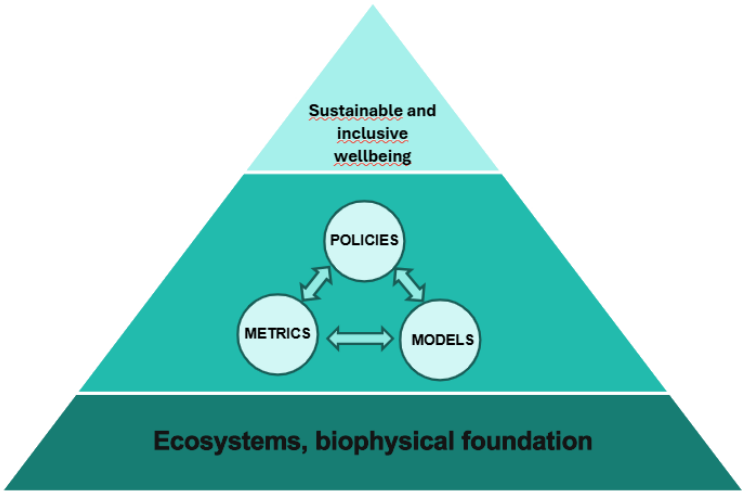

Figure 1: From ultimate means to ultimate end of SIW.

To change our society, we need an integrated system of models, metrics and policies that all lead us to SIW (Costanza et al. 2024). What does this integrated system entail? Shifting to a new system entails not only having a catalogue of policy measures to be implemented but that they are supported by the necessary technical and governance infrastructure. All these elements are important when thinking how transformation can be achieved (Hoekstra et al. 2024).

We use this framework — 1) technical infrastructure, 2) governance, and 3) policy instruments — to help us think about the bigger whole of changing narratives, institutions, and policies to promote an alternative to the dominant system of economic growth. All three elements are needed for building a roadmap to promote sustainable and inclusive wellbeing. We define them as:

- **Technical infrastructure:** comprises formal metrics that structure the institutionalised application of indicators, indexes, and dashboards. It includes, e.g. guidelines and standards for data compilation in accounting systems as well as macroeconomic models used by government bodies or international organisations for impact assessments.
- **Governance:** refers to processes, mechanisms, and support structures that enable policy- and decision-making. It includes, for example, conducting reporting and monitoring practices.
- **Policy instruments:** refers to concrete measures and instruments used by policymakers to achieve political objectives by changing the incentives, regulations, and information faced by societal and economic actors (business, citizens, organisations).

The framework gives a more comprehensive understanding of what a transition requires, as none of the elements is sufficient on their own. For example, policies aimed at wellbeing improvement will not get adequate recognition if guiding models remain focused on GDP and productivity. The framework points towards the interaction between different levels. The technical infrastructure is translated into strategies and goals on the governance level, where e.g. a political target of carbon neutrality is set. For its turn, governance shapes the design and implementation of policies. This way, changes in one element present a lever of change to achieve positive outcomes: the integration of sustainable and inclusive wellbeing metrics can help shape governance and policies, which may give rise to a virtuous circle of supporting transformation.

In this document, we focus on the policy level. To this end, we present a shortlist of policy instruments to promote sustainable and inclusive wellbeing regardless of economic growth. However, to provide a complete picture, we also briefly present the technical and governance elements that support these policies. The SIW goal aims at securing wellbeing for all, both current and future generations. Achieving this goal promotes human rights and supports eradicating poverty in a fair manner. Figure 2 below summarises the key information presented in this report:

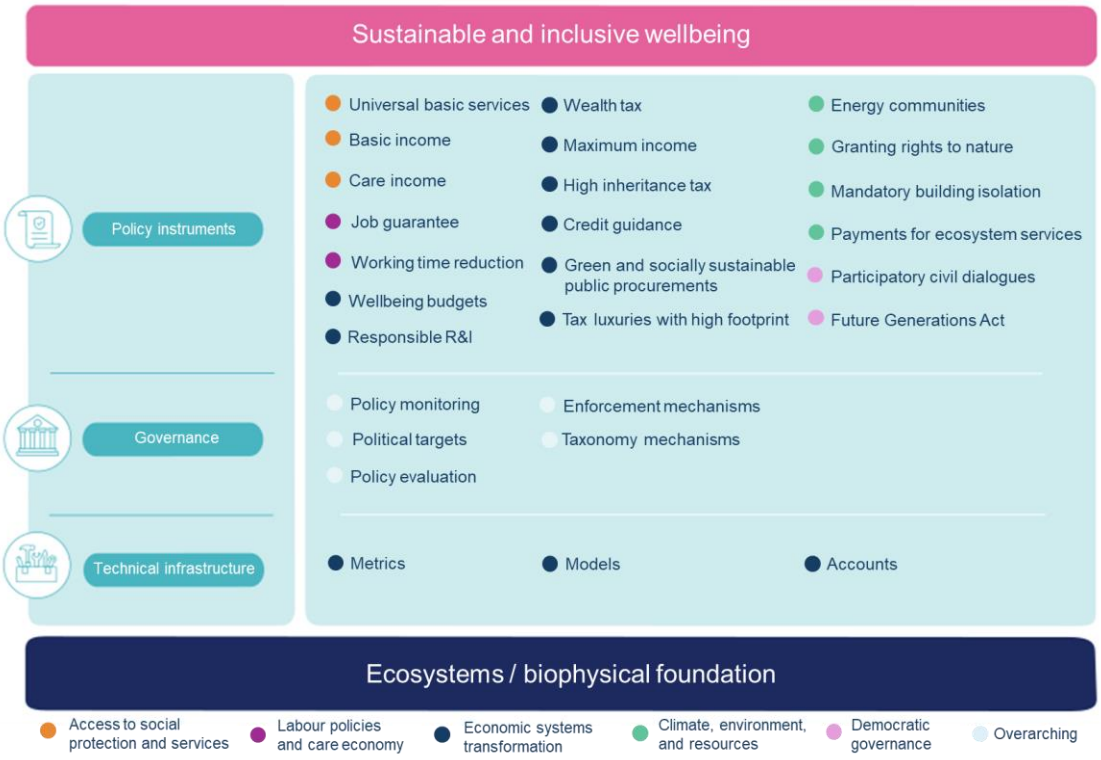

Figure 2: Summary of policy instruments, governance, and technical infrastructure elements

1.1. Technical infrastructure

A strong technical foundation is essential to guide policy- and decision-makers in adopting policies that prioritise sustainable and inclusive wellbeing. The field of new metrics and models has been evolving for a long time – there is no need to reinvent the wheel. The key challenge lies in creating coherence among existing approaches and contributions.

MERGE project bridges this gap. As an initial step into finding coherence, Rum et al. (2024) investigated the level of convergence in beyond GDP metrics. They propose that key features can be captured by 20 thematic domains and investigate how well existing beyond-GDP metrics capture those. Results show that, despite no current metric represent all the thematic domains, there is a high level of convergence between indicators, and that Material Wellbeing, Health, and Knowledge and Skills are the most common domains.

An ongoing study from researchers at University College of London is analysing 217 metrics and its multiple components (Kubiszewski et al., forthcoming). They use cluster analysis to sort metric's components into a predetermined number of clusters, and assign a score for how well that cluster is captured by its components. Preliminary results support that the optimum number of domains is around 20. The researchers are also in the process of assigning these domains a title and creating a shortlist for which components best capture each domain. An additional outcome of this study will be to generate a shortlist of best-performing indicators based on which existing metrics contain domains with the highest level of semantic similarity.

Findings support that, overall, there is a high level of convergence between beyond GDP metrics. Rather than hundreds of metrics advocating for wildly different features that should be included in a beyond GDP indicator, the current state of the literature is hundreds of indicators advocating for largely the same thematic domains to be included. The ongoing process to unify this work will advance a unified vision of what a beyond GDP metric should include.

To enhance impact, these metrics will need to be embedded in governance, for example, in impact assessment tools and monitoring frameworks (more explored below). The former can also be improved by a more diverse use of models that capture linkages between environmental, social, and economic systems, including feedback loops. The latter can be backed up by a global standard for the measurement of wellbeing. A global framework

should prescribe a basic set of indicators to monitor, while being flexible to be complemented by country-specific indicators. For a proposal of a dashboard structure aligned with SIW goals, see Figure 4 in Jansen et al. (2024).

We also briefly reflect here on the role of accounts. Part of GDP's success is its integration within a sophisticated accounting structure known as the System of National Accounts (SNA), which has evolved over several decades. The SNA provides consistent information on economic asset stocks and flows, offering far more insights than just the aggregate economic activity measure, GDP. These data also form the foundation of macroeconomic policy models, which include a broader range of information than GDP alone can provide.

Similarly, there is a need for harmonized accounting framework for sustainable and inclusive well-being (WISE accounts) (Hoekstra 2019). This framework can serve a dual function: first, as a provider of high-level metrics on wellbeing trends and distribution; and second, as an empirical foundation for policy models.

To be truly transformative, WISE accounts should not rely solely on monetary values to wellbeing and sustainability. Instead, they should incorporate evaluation techniques from other scientific traditions, such as planetary boundaries, to provide a more comprehensive assessment. Such an interdisciplinary accounting framework would help ensure that the dynamics of economic, social, and natural systems are captured. In addition, it could build upon existing frameworks, such as the System of Environmental-Economic Accounting (SEEA) and the Handbook on Demographic and Housing Census, which utilize various balancing units beyond monetary measures—such as mass, energy, and population. Given the global nature of economic, social, and environmental challenges, it is also time to expand our thinking beyond national accounts and adopt a global perspective.

1.2. Governance

Many frameworks exist to define what constitute "good" or "effective" governance. We suggest adopting an adaptive governance perspective to address the cross-cutting environmental, economic, and social changes placed on government systems. Before exploring concrete governance measures, we briefly present this perspective because the capacity to be adaptive to emerging contexts and situations is essential in achieving policies that deliver sustainable and inclusive wellbeing.

Rooted on the concepts of resilience and socio-ecological systems, adaptative governance has at its core a polycentric and flexible governance approach. This approach emerges in response to the traditional 'predict-and-control' regime that tends to be rigid and top-down (Nikkanen et al. 2024) and lead to market failures. Factors that are linked to the implementation of adaptive governance include trust, equality, good governance and adequate resources (ibid.). In a systematic review of empirical cases of adaptive governance, Sharma-Wallace et al. (2018) sum up methods that contribute to adaptive governance in practice, namely: "meaningful collaboration across actors and scales; effective coordination between stakeholders and levels; building social capital; community empowerment and engagement; capacity development; linking knowledge and decision-making through data collection and monitoring; promoting leadership capacity; and exploiting or creating governance opportunities".

Building up adaptive capacity in policymaking is essential because assessing all possible impacts of a policy or how policy mixes will evolve over time cannot be done before actual implementation. This is due many reasons, such as the intricate and complex nature of socio-economic and environmental systems and fundamental uncertainty. Therefore, institutions and actors need to embrace complexity and uncertainty to be able to learn and adapt. Moreover, achieving wellbeing in a sustainable and inclusive manner is a long-term goal which demands adaptive management so that policies continuously reflect and respond to evolving realities and circumstances (Constanza et al, 2024).

We outline below examples of governance measures and processes[1] that can support designing and implementing the list of policies suggested in this document. Their impact is greater if used in an interrelated way and following an adaptive approach as outlined above:

- **Conducting ex-post policy evaluations**

Ex-post policy evaluation refers to institutionalised evaluations of policies or political developments that have happened with the purpose of informing policymaking in the future (e.g. the European Semester and its country-specific recommendations).

Conducting these assessments can help government to better understand causal relationships between wellbeing dimensions. If well-integrated into the policymaking

[1] This is a non-exhaustive list of governance measures, primarily drawn from the work of Kaufmann, R., Barth, J., Steffens, L., Le Lannou, L-A., Gerer, A., Kiecker, S. (2023): Mainstreaming wellbeing and sustainability in policymaking: technical and governance levers out of the institutional GDP lock-in. ZOE Institute for Future-fit Economies: Cologne.

process, evaluations can improve policy outcomes, especially if conducting and using evaluations throughout the whole policy design process to inform strategy, policies, and implementation. These evaluations can help identify interconnections, impacts, and changes in wellbeing, inclusion and sustainability, as well as unexpected barriers to implementation and levers of change.

Moreover, adopting SIW metrics into assessments is an important way to communicate progress in terms of changes in wellbeing, which is an important aspect in shifting popular narratives regarding the purpose of the economy and its role within society.

- **Monitoring performance through dashboards**

Monitoring frameworks involve the systematic collection, preparation and publication of data and serve as a foundation for the continuous assessment and feedback of policy performance. By providing relevant data, these frameworks can enhance political accountability and transparency as well as evidence-based policymaking.

Incorporating SIW indicators into monitoring dashboards enables policymakers to track progress towards these goals and, this way, serve as a lever for change to drive policies that make real impact on sustainable and inclusive wellbeing. This is especially effective if dashboards strike the right balance between SIW aspects as well as between harmonized indicators throughout national and country-specific needs (Jasen et al. 2024).

- **Setting political targets**

Political targets refer to a set of targets designed to inform and guide political decision-making by outlining specific objectives to works towards (e.g. the debt and deficit rules of the Stability and Growth Pact of the EU). These targets can take various forms, such as setting a poverty reduction target as a binding one by the year 2040. They can also include specific binding sub-targets for vulnerable and marginalised groups – for example, sub-targets on employment and skills for specific groups, such as persons with disabilities or ethnic and racial minorities.

Translating goals that support sustainable and inclusive wellbeing into concrete, quantifiable and enforceable policy targets can help shape political process to focus on what matters and drive real impact. While non-binding targets may also support a narrative shift, binding targets bring in the principle of accountability.

- **Establishing enforcement mechanisms**

Enforcement mechanisms serve the function of ensuring that established targets are achieved and that compliance with decision-making is upheld. This may include sanction on non-compliance, such as financial penalties, or others.

Putting enforcement mechanisms in place can support adaptative governance by encouraging necessary policy adjustments in response to progress and changing circumstances.

- **Developing taxonomy mechanisms to guide financial decisions**

Taxonomies can be a helpful tool to categorise and classify spending and scale up investment to what really matters. Developing new taxonomy mechanisms or enlarging existing ones to recognise economic sectors and activities as 'environmentally sustainable' can serve as a market transparency tool that directs finance towards a green transition.

Taxonomy frameworks can be expanded to also include activities that contribute to desirable social outcomes, ensuring that investments align with the broader goal of sustainable and inclusive wellbeing.

As these mechanisms help to integrate social and environmental considerations into institutions, it is important to acknowledge that definitions of terms such as 'sustainability' and 'green' remain subject to debate.

1.3. Policy instruments

The policies presented here are selected by the MERGE consortium from plentitude of policy instruments suggested in postgrowth, eco-social policy, wellbeing economy and degrowth literature (see e.g. Fitzpatrick et al. 2022; Fromberg & Lund 2024; Kallis et al. 2025; Hayden & Dasilva 2022). Based on previous research the policies presented here show promise to promote sustainable and inclusive wellbeing, and as such could be taken up in regional, national and EU policymaking (appropriate governance level varies between the policies). The suggested policy instruments aim towards a policy mix with versatile policies covering different policy areas.

Selection criteria for compiling the list are as follows:

1) The suggested policy instrument **promotes SIW**: has an expected impact on intermediate and long-term outcomes.

2) The suggested policy instrument can be **implemented by public authorities** at EU, national or regional level
3) The suggested policy instrument **has not yet been implemented** at a larger scale; the idea is to demand something more
4) The suggested policy instrument **has been scrutinized in the previous research**, present in literature reviews of policy proposals in the field of degrowth, postgrowth, eco-social policies, and wellbeing economy

We have divided the policy instruments to five policy areas[2]:

- Access to social protection and services
    - Universal Basic Services
    - Basic income
    - Care income
- Labour policies and care economy
    - Job guarantee
    - Working time reduction
- Economic systems transformation
    - Maximum income
    - Wealth tax
    - Taxing luxuries with high environmental footprints
    - Wellbeing budgeting
    - Green and socially sustainable public procurement rules
    - Credit guidance
    - Responsible R&I
- Climate, environment and resources
    - Granting Rights to Nature
    - Payments for ecosystem services
    - Energy Communities
    - Mandatory building insulation
- Democratic governance
    - Future Generations Act
    - People's participation and structured, meaningful civil dialogue

[2] The classification is inspired by the call for submissions to A Roadmap for Eradicating Poverty https://www.ohchr.org/en/calls-for-input/2025/call-submissions-roadmap-eradicating-poverty-beyond-growth

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2. Access to social protection and services

2.1. Universal basic services

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	X
Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**	
	X	X		

Short Description

The term 'universal basic services' is about developing more and better collectively provided services to satisfy peoples basic needs either free-of-charge or at an affordable price[3] (Coote et al. 2019; Kallis et al, 2025). In other words, universal basic services act as collective need satisfiers through its universal entitlement (Fromberg & Lund 2024). Universal basic services can be broadly understood, and they take different forms, including welfare services (e.g., health services, education and elderly care), free consumption goods (free public provisioning of e.g., food, internet and public transport) and public infrastructures (classical public good, including energy, digital, and parks infrastructure) (Bohnenberger 2020). What is considered to be included in the list of universal basic services is sensitive to the context

[3] Recently, the discussion has concentrated on a complete decommodification of universal basic services, meaning that they would be offered free for all who need them, regardless of someone's income or status. However, the difference in providing universal basic services free-of-charge vs affordably has still been underexplored.

in which those are provided. For example, in the Nordic countries, welfare services in principle already resemble universal basic services.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Potential benefits of universal basic services include promoting the following (Coote, Kasliwal & Percy, 2019; Fromberg and Lund, 2024; Gough, 2021; Kallis et al., 2025):

- Wellbeing and autonomy: UBS can secure basic necessities that guarantee decent living standards allowing citizens to participate in society.
- Inclusion and poverty reduction: everyone is able to access the same high-quality services.
- Equity: providing public services reduce income inequalities as they meet basic needs on which low-income groups spend much of their income.
- Solidarity: USB can promote shared responsibility, create opportunities for diverse social interactions and reduce inequalities.
- Sustainability: UBS can ensure long-term stability by focusing on prevention, helping stabilise economies and promoting environmentally friendly practices.
- Efficiency: by reducing transaction costs, avoiding duplication, and facilitating coordinated efforts across various services, UBS can deliver more effective and cost-efficient outcomes compared to market-driven approaches.
- Sustainable consumption: Providing need satisfaction with sustainable options, e.g. vegetarian/vegan food in school meals or using renewable energy.

Real life cases

There is a wide range of innovative policies aimed at enhancing affordability and accessibility of public services around the world. Public services can cover many sectors such as

- Housing: for example, Vienna (Austria) maintains affordable housing through municipal land ownership and subsidies;
- Transport: Luxembourg offers free public transportation across the whole country;
- Healthcare: the UK, France, Sweden (and more) offer universal free or heavily subsidised healthcare;

- Education: Public universities in Iceland, Slovenia, Argentina, Brazil, Finland (and more) are free or charge low tuition frees
- Sharing of goods: Libraries around the world offer free access to knowledge. In addition to books, libraries for instance in Finland loan also games, tools, sports equipment and music instruments.

The following case studies offer a glimpse into effective UBS polices for which rigorous impact evaluation studies have been carried out.

Universal Childcare in Norway

Norway has progressively scaled up its early childhood education and care (ECEC) programmes since the 1970s. Two pieces of legislation were particularly important for the development of universal childcare in the 2000s: the Kindergarten Act of 2005 and the Framework Plan for the Content and Tasks of Kindergartens. These two acts recognise children's right to participate and the principle of the best interest of the Child. Since 2009, early learning and childcare is recognised as a legal right. Moreover, Norway recognises explicitly the child as a right holder since 2014 in its Constitution.

Norwegian parents with newborns receive up to 1-year paid parental leave. As a result, few children enter non-parental care prior to 9 months of age. After parental leave, parents have the choice of enrolling their children in publicly subsidised ECECs or receiving cash benefits for staying home with their children until the age of 3.

Childcare is not universally free, but the amount paid by parents depends on the number of children (30% reduction for a second child, 50% for three or more children) and their incomes. The maximum parent fee is established annually in the national budget and cannot exceed 6% of household income. Moreover, since 2015, families with annual household incomes below a certain threshold are entitled to 20 hours per week of free provision. Overall, childcare is publicly financed by national grants, parent fees and municipal funds.

Central government is responsible for funding and legal/regulatory aspects, but ownership is a public-private mix. Municipalities carry the main responsibility for delivering childcare services. All municipalities are mandated to provide the same services regardless of size and revenues. The Ministry requires municipalities to include kindergartens in their long-term planning and land use plans.

In summary, the universal childcare system in Norway was achieved through increasing the supply of places, lowering parents' fees and creating a right to a place for all children.

The expansion of the childcare offer in Norway has resulted in a substantial increase in full-time childcare enrolment, especially for younger age groups. Indeed, although the percentage of 1- to 5-year-olds enrolled in *barnebager* had already progressed from 2% in 1950 to 90% in 2000, at the time, 1 out of 3 children were still only attending part-time. Following the different legislative acts and increased service provision, full-time enrolment went up from 63.4% in 2000 to 98.5% in 2020.

In 2022, more than 90% of Norwegian children aged 1 to 5 attended childcare full-time. This places Norway in the highest-ranking countries in the EU (Eurostat). Early childhood education's potential benefits for children are numerous (depending on various factors such as quality of care): better brain development, promotion of language and school readiness. It can be a basis for acquiring foundational learned and reducing the gaps between socially advantaged and disadvantaged children (UNESCO).

Several studies focused on the Norwegian case have found that universal daycare help reduce inequalities between children for advantaged and disadvantaged background. First, while parents with higher education and income levels remain more likely to enrol their children into center-based care, this universal childcare policy reduced the utilization gap between the most and least educated families over time (Sibley et al, 2015). Second, attending childcare significantly reduced inequalities in children achievement across levels of parental education. For children in 5th grade with parent of low education, attending a ECEC significantly increased math and English test scores compared to those not attending. This effect decreases in magnitude as parents' education level increases (Zachrisson et al, 2023). Other studies have also observed this same effect when comparing income levels. Low-income children who were in ECEC at 18 months have language scores at 3 years that were, on average, higher than those for low-income children who did not attend ECEC. Other studies investigate whether the time spent in early childcare may increase children's risk of developing externalizing behaviour problems. Regardless of modelling strategy, they found very little evidence of this for attendance of 40 hours or less and only slightly elevated problems for the 4% of children in the sample who were in childcare for more than 40 hours (Zachrisson et al. 2013).

Lessons learned from various studies on the Norway case show that attitudes and norms change when new policies emerge: for Norwegian mothers, institutional care for children over 2 years is now viewed by a majority as the best form of care (Ellingsæter et al. 2017). However, the case also shows that segregation by socio-economic backgrounds can persist, even with strict regulation as it is the case in Norway, due to parental application

behaviours (parents of similar socioeconomic background applying to similar centres), and private centre cherry-picking advantaged students (Drange & Telle, 2020).

Affordable housing associations in the Netherlands

The Dutch model for affordable housing associations has been regarded as a successful approach to ensuring both social objectives and financial autonomy and stability.

The first housing associations (HAs) appeared in the Netherlands between 1850 and 1860 as cooperatives founded by well-off workers and employers, following an ideal of philanthropic capitalism. In 1901, the Housing Law marked an increasing state intervention by setting standards for housing quality and establishing a framework for government support to housing associations. Religious housing associations and local municipal housing associations started to appear. Following World War II, the government started to subsidy generously HAs to construct a large number of social rental dwelling. After the 1980s, government subsidies started to disappear as HAs achieved financial independence and broaden their activities towards other social projects, public purpose building and commercial real estate. However, with this movement of marketization and neo-liberalisation of the HAs, accusations of fraud and mismanagement became louder. In 2011, the central government took back control on HAs and in discussion with the European Commission, new housing allocation rules were established to target more socially disadvantaged populations (Joris, 2017).

Today, Dutch Housing Association are private, nonprofit enterprises that manage around 75% of the rental homes in the Netherlands and 35% of the entire housing stock. HAs are required to lease 80% of their vacant units to low-income families and 10% to intermediate income families. Rents are determined through a regulated point-system and is maintained below market levels. Rents depend on the market value of the property, the dwelling characteristics (such as size, facilities or energy efficiency). Rents can only increase at set, predetermined, rate each year (Sainz, 2023)

The fund model of HAs is sustained by rental income and proceeds from selective property sales which are reinvested in new housing developments, renovations and neighborhood regeneration projects. It does not rely on direct government subsidies but instead of structures that allow HAs to secure loans at a very favourable rate (Sainz, 2023). One of those structures, the Central Fund for Social Housing (CFV) is the primary financial regulator for HAs. It strictly supervises the activities, financial management and governance of the housing associations.

Housing associations provide good quality affordable housing by renting out 2.3 million dwellings. In 2014, around 85% of the lower income group renting their accommodation, benefited from a regulated rent below 700 euros. For the lower middle-income group and the middle middle-income group this was around 50 and 30% respectively (Schilder & Scherpenisse, 2018).

However, in recent years the housing supply in the Netherlands has not kept up with demographic trends and housing cost overburden rate reached 9.5% in 2023 (higher than the Eu average of 8.9%). Although rents in affordable housings remain capped, the increasing needs have left some parts of the population unable to access those houses. However, this issue is not specific to the social sector but to the whole housing market.

Nevertheless, this example presents some interesting findings for discussion on delivering universal basic services, namely:

- Achieving financial stability without relying on direct government subsidies is possible. The use of commercial practices to support social objectives can serve as an example of innovative financial strategies to support public goods.
- The importance of good governance and robust regulatory framework to maintain integrity of the system and ensure good service delivery is crucial, especially in cases where the risk of moral hazard is high.
- Stricter income limits for allocation can create a process of *residualization* (increasing concentration of lower income groups in a shrinking social rental sector) and leave behind those households with slightly higher income (Joris, 2017). This process also leads to increasing spatial segregation and perceptions of unfairness from some native Dutch citizens (Sainz, 2023). This highlight even more the advantages of a system that would truly be universal.
- The access to universal access to services is very much dependent on the quantity of supply of such services. One of the major issues of the housing market in the Netherlands is that the supply of residential buildings in the last decade has failed to follow the increased demand. For households eligible to social housing this has led to increasing waiting time to access such housing. For low-income household ineligible to social housing this has left them with hard-to-find and pricey options on the regular liberalized housing market (Geis, 2023).

Design considerations

Access to some services (e.g, food and housing) might be trickier to organize without means testing. This process can lead to stigma and may unintentionally encourage individuals to stay in vulnerable situations to maintain their access to these services. (Kallis et al. 2025).

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2.2. Basic income

Level of governance	**Global**	**EU**	**National**	**Regional**
			x	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	x	x	

Short Description

Universal basic income (UBI) is an unconditional cash transfer to all. It is an income support mechanism, high enough to ensure a material existence and participation in society, and typically intended to reach all (or a very large portion of the population) with no (or minimal) conditions (Francese & Prady, 2018). However, there is no single established definition and very different income-support programs have been labelled "universal basic income". Bidadanure (2019) identifies five features that generally remain constant from one proposal to the next: it is 1) a recurrent payment, rather than a one-off grant, 2) paid in cash, 3) universal, 4) unconditional, and 5) paid on an individual basis, rather than on a household basis.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Universal basic income would eradicate poverty, increase autonomy, and reduce coercion by the workplace (Fromberg & Lund 2024). UBI could enable people to reduce their reliance on unsustainable forms of work, fostering a shift towards less resource-intensive lifestyles (Kallis et al., 2018). As suggested by Jackson and Victor (2018), by providing financial security without requiring paid labor, a basic income might support a transition towards more sustainable economic practices, allowing individuals to engage in community-focused and environmentally friendly activities. Following this logic, decoupling income from work challenges the growth-driven economic system.

Real life cases

In the EU or elsewhere, no country has put in place a universal basic income, even though many pilot programs have been tested all over the world. As of January 2024, the Stanford Basic Income Lab had identified 192 past or present basic income (defined as regular, unconditional cash payments) experiments over the world. Among the six examples implemented in the EU, we focus on two of them: the Basic Income Experiment in Finland, and the B-MINCOME experiment in Barcelona, Spain.

Basic Income Experiment in Finland

In 2017–2018, the Finnish Government launched a Basic Income experiment, implemented by Kela, the Social Insurance Institution of Finland. The experiment involved 2,000 unemployed individuals aged 25 to 58 who received a monthly payment of €560 unconditionally and without the need to register. These participants were randomly selected from those receiving labour market support or basic unemployment allowances in November 2016 for reasons other than a temporary layoff. Basic income was paid to the experimental group free of charge for two years, and income from work or self-employment did not reduce the benefit (Kangas et al., 2020). The primary objective was to assess the employment effects of basic income, with secondary evaluations focused on wellbeing.

The employment rate for basic income recipients showed a slight improvement compared to the control group, although other employment measures were implemented simultaneously, making it difficult to isolate the effects of basic income alone (Verho et al., 2022).

Survey-based evaluations showed significant positive impacts on the wellbeing of basic income recipients (Kangas et al., 2020). Compared to the control group, recipients reported higher life satisfaction, reduced mental strain, depression, sadness, and loneliness, likely due to the financial stability provided by the consistent monthly income. They also had a more positive perception of their cognitive abilities, such as memory, learning, and concentration, and felt more confident in their economic wellbeing and future employment prospects. Recipients exhibited higher levels of trust in other people, societal institutions, and their ability to influence their circumstances, and they experienced less bureaucratic burden related to social benefits and financial management (Kangas et al., 2021).

The stability and predictability of basic income contributed to mental and emotional benefits, suggesting that basic income can address diverse social needs. Recipients felt encouraged to seek and retain employment, even in low-paid and insecure jobs (as by design, the basic income payment was guaranteed for 2 years regardless of income from work), indicating that basic income could potentially support labour market participation without the negative incentives often associated with traditional welfare programs. Future policies should

consider these wellbeing benefits and the potential for basic income to reduce bureaucratic complexity in social benefit systems.

B-MINCOME pilot project in Barcelona, Spain

The B-MINCOME combined a minimum guaranteed income with active social policies in deprived urban areas of Barcelona (see UIA n.d.). The project was part of the EU's Urban Innovative Actions programme and lasted 36 months with 24 months of intervention and evaluation from November 2017 to October 2019. It provided up to 950 vulnerable households[4] with a monetary transfer (Municipal Inclusion Support or SMI), among which 531 were also recipients of four active policies in the areas of: training and employment (152), entrepreneurship in the social, solidarity and cooperative economy (99), housing reforms for refurbishing and renting rooms (10), and a community participation program (270).

Impact evaluation of the B-MINCOME initiative showed that it increased people's levels of general wellbeing as well as their financial wellbeing with a significant effect in all participation modalities or groups. It reduced severe material deprivation by 8% on average. It reduced the probability of 'going to bed hungry' by around 10% and the reduction in worry about not having enough food by 18% on average. No statistically significant changes, however, were observed in terms of energy poverty or housing insecurity attributable to the B-MINCOME (Torrens & Villareal, 2019).

No significant improvements were observed either in terms of participants' ability to pay an unexpected expense of €750 with their own resources, which was expected, as SMI is designed to cover basic needs and not to save money.

Receiving SMI did not reduce significantly participation in employment of the recipients compared to the control group when given unconditionally. Some small reduction was however observed when SMI was combined with active policies or had conditionalities attached to it, due to a *lock-in effect* with people lacking time to look for work from taking part in the policy. No significant impact was found on the probability of having quality work, deciding to open a business or undergoing training for adults.

No statistically significant changes were observed in the self-perceived health of B-MINCOME participants. However, there was a 9-point reduction in the risk of mental illness,

[4] Although the B-MINCOME was given at the household level rather than the individual level, it is still a very close example to what a UBI would be in theory as it was designed and supported by UBI advocates and is used in the literature as a famous case study of a UBI experimentation.

and the quality of sleep improved substantially for participating households, likely due to reduced stress from alleviated financial difficulties.

B-MINCOME households also showed a higher probability of engaging in social leisure activities compared to the control group. However, there were no significant changes in participation in civil society groups or organizations.

Life satisfaction increased by 27% from the start to the end of the project. Participants who received additional training and employment support were 9.5% happier than the average.

Conclusions of the impact evaluation highlight the importance of:

1. **Comprehensive Support**: initiatives providing not only financial assistance but also support in skill development and access to education, can further enhance wellbeing and employability.
2. **Tailored Approach**: Personalise active policies to match participants' skills and interests to maximise effectiveness and attractiveness for future job prospects.
3. **Continuity and Expansion**: Consider extending and continuing support beyond initial phases to prevent participants from returning to financial insecurity, addressing long-term needs effectively.

Public perceptions

Khan et al. (2023) studied the public attitudes in Sweden towards different eco-social policies and found that only 15% of the respondents perceive basic income as a good or very good policy suggestion, compared to more than 60% who think it is a quite bad or a very bad policy suggestion.

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2.3. Care income

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	X		

Short Description

Care income provides social and financial recognition of unpaid care work. It aims to compensate "activities like care for people, the urban environment, and the natural world" (GNDE 2019, 4), both symbolically and materially. It emphasizes care for humans and non-humans (e.g., animals, soil, forests) and socially revalues both unpaid care work and subsistence work. The policy aims to shift the focus of collective income and welfare creation from industrial production to social and environmental reproduction. This includes the maintenance, recycling, repair, and restoration of environmental, infrastructural, and social resources (Barca 2020).

Care income differs from basic income because it does not aim to grant a universal right to income for everybody. It is conditionally tied to participation in care work. To be eligible for a care income, one must engage in a set of predefined caring activities (Dengler 2024). This way, care income comes close to participation income (e.g. Dukelow & Murphy 2022). As suggested, participation income can incorporate a broad range of activities including care, voluntary work, political participation and environmental reproduction.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Care income recognizes the essential role of care work in ensuring the well-being of people, communities and the environment. It is one potential response to care crisis. It helps prioritize social reproduction over economic profit and to compensate caregivers (Bärnthaler & Dengler 2023). It could advance a 'reproductive economy of care' in a degrowth context which necessitates revaluing paid and unpaid work (Dukelow & Murphy 2022). By compensating caregivers, care income redistributes wealth to care-givers and would lead to a direct material improvement in the living conditions of caregivers (Dengler 2024).

Real life cases

The concept of a care income is relatively new, and the idea as suggested here has not yet been put into practice. However, it has significant predecessors in feminist movement and is currently supported by various groups worldwide (Dengler 2024). As an example, the proposal of a care income was integrated into the Green New Deal for Europe that was published in 2019 by coalition coordinated by a Democracy in Europe Movement 2025. The report suggests provisioning care income that would be available to individuals who are not formally employed but are engaged in care work on a full- or part-time basis, such as children caring for their elderly parents, and community members caring for each other and the environment. The rationale is that the care income would incentivize people to take care work seriously. This would provide security for disabled individuals and would strengthen families. A Care Income would redirect resources towards mothers and children, supporting social services in keeping families together. (The Green New Deal for Europe.)

Even though the care income including the care towards nature and communities, have not been implemented, existing welfare states have developed cash transfers to support unpaid care. Many welfare states have established parental and paternity leave policies that secure income while focusing on care responsibilities. Moreover, welfare systems often include different versions of disability and caregiver's allowances that can be paid as cash transfers. The effects of these allowances differ across individual household income quintiles, kinship

relationships, and co-residence between caregiver and care recipient (Costa-Font et al. 2022).

Design considerations

As a non-universal, conditional cash transfer the idea of care income does not expand decommodification. Rather, by integrating care into the dominant system of monetary valuation it reinforces the logic in which social recognition of care is associated with its monetary value (Dengler 2024). The implementation of care income might also face challenges because it is not obvious what kind of work should quality for a care income. In addition to unpaid caring activities within families and households, care income initiatives refer to caring for nature and subsistence work. It might be difficult to define what caring activities grant right to the conditional caring income. For example, activities that contribute to societal well-being, such as political activism or less commonly recognized forms of care work, could easily remain invisible and unacknowledged (Dengler 2024).

To address these challenges, degrowth scholars have developed the idea of a universal care income (Kallis et al. 2020). It combines the ideas of UBI and care income by highlighting the importance of unpaid (and highly gendered) care work that is necessary to sustain life and wellbeing.

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3. Labour policies and care economy

3.1. Job guarantee

Level of governance	Global	EU	National	Regional
			X	X

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
		X	

Short Description

Under a job or an employment guarantee, the state serves as the employer of last resort. The idea is that any individual who is able and willing to work is entitled to paid public employment (De Schutter, 2023). Jobs are provided to all who seek them. All residents are guaranteed access to training and employment in essential public works (Kallis et al. 2025). Through this public hiring policy governments would hire unemployed workers at the minimum wage. This means that governments provide decent, publicly funded jobs to all job seekers, with a focus on marginalized groups and sectors crucial for wellbeing, such as care, education, and environmental restoration (D'Alessandro et al. 2020; De Schutter 2023). Access to the scheme is a legal entitlement which prevents risks of discrimination and corruption (De Schutter 2023).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Job guarantee aims to eliminate involuntary unemployment, reduce inequality and exclusion, and combat poverty by guaranteeing social protection through living wages and dignified working conditions (De Schutter 2023; Fromberg & Lund 2024; Kallis et al. 2025). The policy stabilizes economies during crises and addresses structural labor market failures. (De Schutter 2023).

Through providing possibility for good working conditions and decent wages, above minimum wage, for everyone willing to work, job guarantee can be used to set good labour

standards across the whole economy (De Schutter 2023; Kallis et al. 2025; Social Platform 2023). Access to decent work supports wellbeing not just through social protection and decent working conditions but also by allowing people to gain self-confidence and sense of purpose (De Schutter 2023). Having secure job possibility through job guarantee empowers workers, gives opportunities for enhancement of skills, increases autonomy and improves social inclusion (De Schutter 2023; Fromberg & Lund 2024).

Moreover, job guarantee can be used to direct labor toward socially and environmentally beneficial activities, for example work needed for public services and nature restoration (De Schutter 2023; Fromberg & Lund 2024; Kallis et al. 2025). Having jobs in public sector, civil society or social economy enterprises would ensure they do not subsidize the for-profit private sector (Social Platform 2023). Local democracy and civic participation can be enhanced through letting the communities identify suitable projects to be undertaken in employment offered by job guarantee (De Schutter 2023).

Real life cases

Universal job guarantee experiments are scarce. However, some examples of implementation can be found. Below we explore local and regional level cases in Austria, Greece, and France.

Universal Job Guarantee in Marienthal, Austria

This project is designed by Oxford University economists and run by the Austrian Public Employment Service. Structural unemployment in Austria has been rising since the 1980s and was compounded by the COVID-19 pandemic. When the Marienthal job guarantee pilot began in August 2020, roughly one in five unemployed people in Lower Austria had been looking for a job for more than a year. The scheme offers a universal guarantee of a properly paid job (paying at least the minimum wage, bringing people's incomes above the level of social benefits) to every resident who has been unemployed for more than 12 months. Participants start with a two-month preparation process, including one-to-one training, counselling and, for those who need it, support from experienced social workers, doctors and psychologists. They are then helped to find a suitable and subsidised private sector job or supported to create a job based on their skills and their knowledge of their community's needs. All participation is voluntary; no sanctions are involved.

The Public Employment Service of Lower Austria funded the €7.4 million project, which is economically viable as a year of unemployment costs about €30,000 per person, while the project costs €29,841 per participant. Additionally, the project's employment activities were expected to generate around €383,000 in revenue (Oxford University, 2020) .

An impact evaluation of the programme by Oxford University showed that, at the individual level, the universal job guarantee significantly improved the economic wellbeing of participants, including their outcomes in relation to employment, income, and economic security (Kasy & Lehner, 2023). This was notable since non-participants were still eligible for unemployment benefits. Significant positive effects were also observed in relation to non-economic outcomes such as time use, activity level, social contacts, sense of collective purpose, and social recognition. At a municipality-level, a large reduction in unemployment was observed, primarily due to a near-elimination of long-term unemployment. There was no increase in short-term unemployment, indicating no negative spillovers. The initial positive effects on economic wellbeing and employment persisted over time, suggesting long-term benefits.

Participants who joined the programme at a later stage showed similar improvements as the first group but some measures, such as subjective wellbeing, social status, and social inclusion, showed slightly larger improvements compared to the initial experimental group, possibly due to anticipation effects.

The results of this pilot project suggest that the job guarantee is a promising policy instrument to reduce long-term unemployment, and to improve the wellbeing of people who are unemployed.

Kinofelis programme in Greece

The Kinofelis programme was launched by the Greek government in response to high unemployment and long-term unemployment rates. It offers long-term unemployed individuals eight months of work on municipal projects at the minimum wage, including social security contributions. The programme was founded by the European Social Fund and was implemented by the Greek Ministry of Labour. The International Labour Organisation provided technical support.

The program prioritised the long-term unemployed, those who did not receive unemployment benefits, and specific groups such as youth under 30, the unemployed over 55, single-parent families, university graduates, and unemployed farmers across 17 municipalities. Participants were employed for five months during Phases One and Two (2011-2015), and eight months during Phase Three (2016-2020). They received the minimum wage (EUR 780/month, as of April 2023), full health care benefits, parental leave, and retirement contributions. Participants were engaged in various types of work, including work in the following sectors: culture, sports, environment, public sanitation, administrative

services, economic development, construction, repairs, renovations, health, welfare, and social services. Since 2016, participants could also receive optional IT training.

From 2015 to 2018, the programme reached 200,000 participants, with 45,000 participants in 2018 alone (Antonopoulos, 2023; ILO & European Commission, 2018). A large proportion of beneficiaries assessed that Kinofelis may help them advance their professional life, because it helped them to go back to a work discipline (82.2%), acquire a working schedule in everyday life (80.3%), improve access to professional networks (75.3%), and develop a new sense of professional self-worth (84.4%) (ILO, 2018).

The survey amongst participants at the start and the end of the programme showed that participants reported a higher sense of purpose, perceived health, better social relations. They also reported lower substance abuse and lower use of violence. However, there were also indications that, to be able to fully sustain these positive outcomes, participants would need to find other work after Kinofelis (given the temporary nature of the programme).

Beneficiaries primarily used the additional income to increase consumption of food and everyday products, take breaks or travel to visit relatives, and repay bills and tax instalments, rather than debt repayment or luxury consumption. Many beneficiaries invested in technologies and goods to improve their job prospects.

Although the Kinofelis program is only temporary and was not found to have substantial effect on employment, it did have a positive impact on shifting the most vulnerable groups of the unemployed into workers that are “work-ready” and could find work if the conditions in the Greek labour market were to improve. Overall, beneficiaries considered Kinofelis a much more effective way to re-enter the labour market than training only.

Territoires Zéro Chômeur de Longue Durée project in France

In France the Territoires Zéro Chômeur de Longue Durée project was developed in 2017 by All Together in Dignity (ATD) Fourth World and other civil society organisations and co-financed by the European Union (see Social Platform 2023). The project helped almost one thousand people in less than two years in accessing stable and decent jobs. It has been successful so far by centering the experiences of long-term unemployed persons and tailoring the project to their specific needs. The project takes a bottom-up approach, adapting jobs to people's capacities and creating quality and sustainable employment in the general interest. The role of local authorities is crucial in implementing this personalised approach and it is vital to ensure that they receive adequate funding to implement these programmes.

Design considerations

The implementation of a job guarantee should not result in making access to social protection dependent on accepting a job. Conditional methods of social protection have generally been ineffective in boosting employment, particularly for individuals facing significant barriers to work. To prevent a shift towards workfare, an employment guarantee should be accompanied by a stipulation that there be no reduction or rollback in the provision of unconditional social protection. (De Schutter 2023).

Potential risks include fiscal costs, labour market distortion, and the risk of inflation (De Schutter 2023). Limited public ownership of means of production constrains the possibility of redirecting the economy through public works. In some countries, the state might have insufficient legitimacy to restructure the economy and it might be unpopular to work for the state (Kallis et al. 2025). Potential risks related to corruption and discriminatory administration can be reduced by taking right-based approach to make job guarantee a legal entitlement (De Schutter 2023).

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3.2 Working time reduction

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	X
Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**	
	X			

Short Description

Reduction of statutory hours of work per week or year (Kallis et al. 2025). In practice, some prominent suggestions are a four-day working week instead of five or six-hour working days.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Reducing working hours presents a multifaceted solution to several contemporary challenges. It can help mitigate unemployment caused by technological advancements, promote environmental sustainability, and enhance individual wellbeing (Fromberg & Lund 2024; Kallis et al. 2025).

With the rapid pace of technological progress, many jobs traditionally performed by humans are now being automated. This shift necessitates a rethinking of employment structures and strategies to mitigate the adverse effects on the labour market. One effective strategy is the reduction of working hours. By decreasing the number of hours each individual works, businesses can distribute available work more evenly across a larger portion of the population. This not only provides employment opportunities to more people but also helps maintain economic stability by ensuring that more individuals have an income, especially in no-growth situations (Jackson & Victor 2011).

Moreover, the ability to produce more goods in a shorter amount of time has led to greater consumption of natural resources and higher levels of waste emissions. This trend poses a serious threat to environmental sustainability. Reducing working hours can play a role in addressing these environmental challenges. By aligning production with sustainable practices and moderating the pace of consumption, businesses can help reduce their ecological footprint. Environmental benefits are expected especially when increases in labor productivity are converted into reduced working time instead of increased income (Khan et al. 2023), while also for instance reduction in commuting to work may bring some environmental benefits (Schor et al. 2022).

Beyond economic and environmental considerations, reducing working hours has significant implications for individual wellbeing. A shorter workweek can improve work-life balance, providing people with more time for personal pursuits, family, and leisure activities. This can lead to increased job satisfaction, lower stress levels, and better overall health. In societies where long working hours are the norm, reducing work time can contribute to a cultural shift towards valuing personal time and wellbeing. Moreover, more available time beyond work can allow participation to community activities.

Real life cases

In recent years, the push for shorter working hours without pay cuts has gained significant momentum across Europe. Evidence from existing trials of a four-day working week show promise for greater job satisfaction, improvement in perceived sleep quality (with 20-25% reduction with full pay), sleep duration, work-life balance and reduction in musculoskeletal symptoms, while in some instances there are also experiences of work intensification. Few studies also show promise for reducing working hours without reducing productivity. (Karhula et al. 2023).

Participants in working time reduction trials have reported on one hand decline in stress, burnout, fatigue and work-family conflict and on the other improvement on physical and mental health, positive affect, work-family and work-life balance and life satisfaction (Schor et al. 2022). Working can improve both higher and lower-income groups through gains in time affluence, energy, health, and time spent on strengthening social ties, but also possible negative effects through increase in work intensification (especially among high-income earners) and concerns in making ends meet (Persson et al. 2022).

All in all, available studies with control groups and long follow-up period are yet scarce (Karhula et al. 2023). However, examples of working time reduction trials provide information on possible impacts. Examples presented in more detail below include experiences gathered in Iceland, UK and Spain.

Shorter workweek for the public sector in Iceland

From 2015 to 2019, Iceland conducted two large-scale trials of shorter working hours, reducing the standard 40-hour week to 35 or 36 hours without any pay cuts (see BSRB. n.d..; Haraldsson & Kellam, 2021). These trials followed longstanding advocacy from grassroots organizations and unions. One trial was initiated in Reykjavík by the city authorities and the major trade union confederation BSRB, starting with a few dozen workers and eventually expanding to over 2,500 employees. The other trial, launched in 2017 between the Icelandic government and BSRB, included around 440 workers. Combined, these trials involved more than 1% of the country's working population.

The trial had two primary objectives: 1) to determine if reducing working hours could improve poor work-life balance, a key issue highlighted by the existing public campaign (BSRB, n.d.), and 2) to evaluate whether shorter working hours could boost productivity and to explore practical ways to achieve this. This was crucial, as the goal was to reduce working hours while keeping workers' salaries unchanged, requiring workplaces to maintain the same level of service provision as before the trial.

Two committees were established to manage the scheme, develop metrics to assess its success, and create strategies for reducing working hours. These reductions were tailored to the specific duties and operations of individual workplaces, although some predefined strategies were also applied. Many workplaces engaged in discussions on time management and efficiency. The trial began in March 2015 with two workplaces reducing their workers' hours, involving 66 staff members who transitioned from a 40-hour week to 35 or 36 hours, depending on the workplace. No changes were made in the control group workplace.

Over the following five years, the trial expanded nearly thirtyfold to include around 2,500 participants, driven by early positive results. It eventually encompassed a diverse range of workplaces, including offices, preschools, city maintenance facilities, care homes for individuals with disabilities and special needs, and even the Reykjavík City Mayor's office. The trial's objectives also broadened. First, to determine if the working hours of those on irregular shift patterns could be successfully reduced. Second, to assess if the long-term effects of shorter hours would mirror the positive short-term outcomes observed.

Throughout the trials, extensive data was gathered on various metrics such as wellbeing, performance, and work-life balance. Overall, the results indicate that the reductions in working hours achieved the following: 1) maintained or enhanced productivity and service delivery; and 2) improved workers' wellbeing and work-life balance.

Moreover, concerns about overwork were effectively addressed through thoughtful trial design. According to the Icelandic trials, "the stated reduction in working hours did lead to

staff actually working less as a direct result of workplaces implementing new work strategies, and through organising tasks via cooperation between workers and managers."

These trials demonstrated that reducing working hours can profoundly enhance work-life balance. Given Iceland's initial challenges in this area, the positive outcomes reported by participants strongly advocate for shorter working hours as a key strategy for other governments aiming to improve work-life balance and wellbeing in their economies. These benefits include:

- Reduced stress at home, with more time available for partners and domestic activities.
- Increased time spent with extended family and friends.
- More personal time for hobbies, interests, or simply rest.
- Greater flexibility for household chores during the workweek, enhancing weekend quality.
- Improved distribution of domestic responsibilities among men in heterosexual partnerships.
- Positive effects for single parents, often facing significant time constraints.
- Beneficial impacts on extended family and friends, who enjoyed increased contact with trial participants, even if they themselves did not directly reduce their working hours.

Meanwhile, control workplaces working a full working week showed no such improvements.

The scale of the trials, along with the variety of workplaces involved and the abundance of both quantitative and qualitative data, offers groundbreaking evidence supporting the effectiveness of reducing working hours. Following the success of the trials, Icelandic trade unions and their confederations secured permanent reductions in working hours for tens of thousands of their members nationwide. As a result, approximately 86% of Iceland's entire workforce has now either transitioned to shorter working hours or gained the right to do so.

UK's four-day week Pilot

In June to December 2022, the UK conducted the largest trial of a four-day workweek to date, involving 61 companies and approximately 2,900 workers (see Lewis et al. 2023). In early 2022, the 4 Day Week Campaign, 4 Day Week Global, and Autonomy launched a recruitment drive for companies and non-profit organizations to join a six-month trial.

The trial was designed with a two-month preparation phase for participants, offering workshops, coaching, mentoring, and peer support. This initiative drew upon the experiences of companies that had already transitioned to shorter working weeks, as well as insights from leading research and consultancy organizations.

Participating companies, spanning various sectors and sizes, were given flexibility in implementing different types of working time reductions or four-day week models, as long as salaries remained unchanged and employees experienced a 'meaningful' reduction in work hours.

Rejecting the notion of a one-size-fits-all approach to the four-day week, each company crafted policies tailored to their specific industry, organizational challenges, departmental structures, and work cultures. This approach led to the development of a variety of four-day week models, including traditional 'Friday off' arrangements, as well as 'staggered', 'decentralized', 'annualized', and 'conditional' structures.

Administrative data from companies, survey data from employees, alongside a range of interviews conducted over the pilot period, providing measurement points were collected at the beginning, middle and end of the trial. Significant benefits of shorter working hours were evident in employees' well-being. Comparative data shows that by the end of the trial, 39% of employees experienced reduced stress, and 71% reported lower levels of burnout. Moreover, levels of anxiety, fatigue, and sleep issues decreased, contributing to improvements in both mental and physical health. Throughout the trial period, measures of work-life balance also saw improvement. Employees found it easier to balance work with family and social commitments, with 54% noting improved balance between work and household responsibilities. Additionally, employees reported higher satisfaction with household finances, relationships, and time management. Furthermore, 60% of employees noted an increased ability to juggle paid work with caregiving responsibilities, and 62% found it easier to integrate work with their social lives.

The data indicates that the trial was successful. Out of the 61 participating companies, 56 have chosen to continue with the four-day week (92%), and 18 have confirmed that the policy is now permanent.

Additional key business metrics also demonstrated positive impacts from shorter working hours. For instance, companies generally maintained their revenue during the trial period, with an average increase of 1.4% weighted by company size across participating organizations. Compared to similar periods in previous years, organizations reported an average revenue increase of 35%, indicating robust growth despite reduced working hours. Moreover, the turnover rate among employees at participating companies notably decreased, dropping by 57% throughout the trial period. For many, the benefits of a four-day week outweighed monetary considerations. A notable 15% of employees expressed

that they would not trade their newly adopted four-day schedule for any amount of money to return to a five-day workweek.

Jornada de 4 dìas in Valencia, Spain

The City Council of Valencia launched a pilot initiative regarding the implementation of a 4-day workweek across the entire city for 4 consecutive weeks in April/May (see València 2023). They took advantage of two Mondays in April and the first Monday in May being holidays, thus declaring an additional Monday as a holiday. This ensured that for these 4 consecutive weeks, the workweek consisted of only 4 days. Specifically, the pilot took place from April 10th to May 7th, 2023. This experience has allowed to observe how citizens' behaviours and habits change and what the medium-term impacts are on the environment, health, and personal well-being, and to a lesser extent (due to the short duration of this experience and the lack of intervention on productivity factors), on certain economic sectors. This measure has affected all workers employed in the city. This includes approximately 360,000 people, of whom 176,000 are women and 184,000 are men, primarily working in the service sector.

The objectives set forth by this pilot program were: 1) Generate knowledge and scientific evidence regarding the impacts on health, wellbeing, and climate that may result from reducing the workweek. 2) Contribute to improving the wellbeing and health of the population. 3) Contribute to the fight against climate change.

In order to verify the potential effects of this measure on those who have worked four days a week for a month, quantitative sources of information have been utilized, complemented by interviews with experts in various fields. The primary data sources include a survey conducted on a significant sample of the population (2,100 people) and all the information gathered through sensors deployed throughout the city by the Smart City Office of the Valencia City Council, which provide insights into air quality, traffic, and other factors. The results reported – among others – an increase of 37,7% in time allocated for physical activity, 46,1% for reading and 35,5% in home-made-food consumption. 35% of participants reported lower stress levels, 64% slept more and in general reported a better health status. Finally, the population has highly valued this measure (with an average of 7 points on a scale of 0 to 10), considering, to a large extent, that it has health benefits, improves work-life balance, enriches social life, and contributes to generating a positive impact on certain workplace environment issues.

After analysing all the gathered information, it was concluded that the reduction of working hours has improved the health and wellbeing of the workers. The data shows an improvement in self-perceived health status, a significant reduction in stress levels, and better feelings regarding fatigue, happiness, mood, and personal satisfaction. Work-life balance and personal/family life harmony have also improved. It is also noteworthy that

those who consume tobacco and alcohol have done so to a greater extent during these weeks. Visiting parks, gardens, and natural spaces is another activity where survey respondents report spending more time than usual.

In environmental terms, a 4-day workweek has the potential to contribute to traffic calming and air quality. Regarding the effects of this measure across sectors, the findings indicate that there may have been an overload in emergency medical services. The commercial sector, on the other hand, reports a decrease in sales due to a shift in public spending towards the leisure sector. In fact, it is noted that hospitality and tourism have served a greater number of customers.

Public perceptions

Studies of work-time preferences show that attitudes differ between socio-economic situations and characteristics of labour market: Preference to work less is more prevalent in societies with high socio-economic standards and among people with higher incomes and full-time jobs (Stier & Lewin-Epstein 2003).

Nationally representative survey conducted in Sweden in 2020 shows that nearly 50% of the respondents assess working time reduction to six hours per day (instead of current 8 hours) as 'very good' or 'good' policy suggestion compared to about 30% not supporting the policy (Khan et al. 2023). Also, discrete choice-experiment conducted in U.S. showed support for working time reduction, together with universal health care, caps/bans on use of fossil fuels and ad bans compared to status quo (O'Dell et al. 2025).

Design considerations

Working time reduction might reduce purchasing power for workers if hourly pay remains constant despite the change, in which case high enough minimum wage needs to be secured. Working time reduction can also result in rebounding environmental impacts if free time is used in resource-intensive ways (Kallis et al. 2025), calling for other policies to mitigate it.

For some occupations skill enhancement or re-education might be needed in societal level to be able to reduce working hours and deliver for societal needs. For instance, having enough health care professionals needs to be secured to be able to reduce working time in health care sector.

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4. Economic systems transformation

4.1. Maximum income

Level of governance	Global	EU	National	Regional
		X	X	

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
		X	

Short Description

Maximum income (also referred to as income cap) is, as the name suggests, policy measure that aims at creating maximum-level for income and individual or entity can earn within a certain period. Maximum income can be set as maximum permissible total income or a maximum wage differential within an organisation or a society (François et al. 2023; Kallis et al. 2025). In practice, Maximum wage differential caps salaries so that the highest-paid citizen/employee would only earn a certain percentage more than the lowest-paid citizen/employee. On the other hand, maximum permissible total income can be set to a certain, agreed level through legislation that forbit higher salaries or by creating progressive tax up to 100% for income (Buch-Hansen and Koch 2019; François et al. 2023).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Central arguments for maximum income policy revolve around the potential of increasing equality and social cohesion and limiting inequalities by lowering income differences (Buch-Hansen & Koch 2019; François et al. 2023; Kallis et al. 2025; Khan et al. 2023). Maximum income policy can also enhance democracy by dividing power associated with income (Buch-Hansen & Koch 2019; Spangenberg 2014). Moreover, it could lower environmental harms associated with luxury consumption and hinder “rat-race” to ever-increasing salaries (Chancel 2022; Chancel et al. 2023; Buch-Hansen & Koch 2019; Gough 2020; François et al. 2023; Fromberg & Lund 2024; Kallis et al. 2025; Khan et al. 2023), guiding towards

worldview of sufficiency (François et al. 2023). If maximum income would be set as a tax, revenues can raise public funding for other measures to support sustainable and inclusive well-being (François et al. 2023; Fromberg & Lund 2024), such as investments in sustainable public infrastructure.

Real life cases

In the EU, since 2012, France caps the gross annual wage of public companies' executives at 450 000 euros. This represents about 20 times the mean of the lowest salaries in public companies. In the Netherlands, the Balkenende standard is an unofficial salary cap for top executives in public and semi-public sectors which states that no public official should earn more than the Prime Minister. While not a legally binding rule, the Balkenende standard serves as a benchmark for salary discussions and policy formulations in the Netherlands. To date, no impact evaluations of these policies have been published.

Indeed, case studies and evidence on caps on income or a maximum pay differential are limited: first, due to the small number of instances in which these policies have been implemented and second, due to the small number of empirical studies on existing cases. It is however noteworthy, that long-run historical analysis of progressive income tax ratios and inequality shows that higher progressive taxes for top income earners (historically up to 94% in US in 1944, with mean top income tax rate of 81% in 1932-1980) contributes to reduction in inequalities (Piketty 2014). Moreover, case study examples of maximum income caps include examples from executive compensation cap law in Israel and Mondragon cooperative in Spain.

Executive Compensation Cap Law in Israel

Since the introduction of the Compensation Capping Act in Israel in 2016, the compensation of financial firms' executives in Israel is limited to 35 times the compensation of the lowest paid employee at the firm. It is the only case in the world of a cap on executives' compensation in non-state-owned firms. This law targets only certain types of financial firms: banks, insurance companies, investment firms, asset management firms and mutual funds.

The law was found to be successful in significantly cutting the compensation of financial firm executives. Although evidence on the effects of the law is limited, one study found that the legislation was not accompanied by weaker firm performance or increased risk-taking. However, it resulted in a higher rate of executive turnover. This legislation also led to a narrowing of the pay disparity among top executives (Rozen, 2022)

Another study found that financial institutions affected by the cap (i.e. firms where executive pay was above the gap before the law) experienced significant abnormal positive returns shortly after the law was passed. The article attributes these positive returns to the perception that the law led to a reduction in rent extraction, meaning that the market viewed the cap as a way to reduce wasteful spending on executive pay, thereby increasing the overall value of the firm. This effect was stronger in firms with weaker corporate governance, which further supports this idea. The study also noted executive turnover following the passing of the law but no significant negative market reactions (Mroczek-Dąbrowska & Shemesh, 2020).

The Mondragon cooperative in Spain

Founded in the 1950s, the Mondragon cooperative is one of the most well-known examples of co-operative organisation and workers' self-management in the world. In 2018, the Mondragon group comprises around 100 firms and employs more than 81,000 workers (Reuten, 2021). The co-operatives in the group share a commitment to pay equity which sets the maximum salary differential to a ratio of 1 to 9 in gross terms (around 1:6.5 after tax). This salary ratio was increased from its original 1:3 as pressures emerged from economic growth, increased demand for skilled managers and evolving attitudes. These changes were debated and decided with approval from the general assembly of worker members and most cooperatives still maintain smaller ratios that those allowed. Performance bonuses are rarely use and are usually modest (Whyte & Whyte, 2014).

Generally, the Mondragon corporation is seen as a success story of a group that manages to be globally competitive while upholding cooperative principles. Mondragon experienced an impressive employment growth since the 1980s with a total employment growth of 258% within its Spanish co-operatives (compared to 75% in Spain on average during the same period) (Reuten, 2021).

Survey and interview-based research indicates that Mondragon has faced some challenges in retaining capable managers which they addressed by widening the pay scale. However, the principle was not given up altogether and senior managers in Mondragon typically still earn less than their counterparts in conventional companies. While workers might transfer between different co-ops within the Mondragón network, virtually none return to traditional capitalist firms. This highlights a strong preference and loyalty to the cooperative model (Bowman & Stone, 2004).

The success of the Mondragon model suggests that a cooperative model which includes a controlled wage differential can be competitive and sustainable and create an attractive

work environment in the long term (Redondo, Santa Cruz, & Rotger, 2011). The ability to attract and retain employees despite lower wage differentials for senior managers compared to conventional companies suggests that Mondragon offers other non-monetary benefits, such as a sense of ownership, recognition, community and a positive workplace culture (Bowman & Stone, 2004).

Public perceptions

Previous studies on public attitudes show implications for preference of moderate income differences. For instance, analysis of International Social Survey Programme survey conducted in 2009 with representative sample from 40 countries indicates that people around the world tend to see ideal pay gaps between skilled and unskilled workers substantially smaller than they estimate the pay gaps to be (Kiatpongsan & Norton 2014). Moreover, in 16 countries people tend to estimate pay gaps to be significantly smaller than they are. Across the full sample, ideal pay ratio of CEOs to unskilled workers was 4.6:1., ranging from 2:1 (in Denmark) to 20:1 (in Taiwan). However, these ratios should be interpreted with some caution and not taken as fully capturing views on ideal ratios for equality due to biases that can affect this type of study design (Pendersen & Mutz 2018). Example of a recent opinion poll that showed support for lowering wage gaps was made by Equality Trust (2022) with 2,000 UK adults, with results of 1) 73% of respondents agreeing that “the gap in pay between average workers and the highest paid executives in the UK is too wide.”; 2) 72% agreeing that “government action and regulation is needed to ensure companies provide a more equitable distribution of pay between chief executives and average workers” and 64% agreeing that “the government should set a maximum salary for executives relative to workers".

Few studies also investigate public acceptability of maximum income policy. Based on them, the way in which maximum income policy is presented, including the cap level, has an effect on the perceived acceptability. Survey-based experiment study conducted in Germany and US in 2023 indicates that large majority (85%) of the respondents show some support for income limits for CEO’s salaries, with higher support for caps when difference between CEO and employee salaries is presented to be higher in the survey treatments (Ferreira et al. 2024, working paper). Similarly, survey conducted in US in 2009 shows support for cap on compensation, with 61% supporting cap and 39% opposing it (Burak 2013). Among those who support a cap, 68% set it at or below $5 million annually, with the modal response being $1 million annually. Presenting the high-income earner as hard working, productive or spending a lot in luxury items did not have an effect on support for a cap. Presenting the earner as giving away half of his income to charitable causes reduced likelihood of favouring

a cap, but even then, 52% of respondents supported a compensation cap policy. Main reasons for supporting cap policy include raising money for poverty reduction and other causes, not believing that very rich would still have un-met needs, seeing extremely high rewards as disproportionate to the contribution that anyone can make, and considering earnings after a certain level as excessive. It is noteworthy to mention that the survey was conducted during recession which may have affected views compared to economically easier times.

However, nationally representative survey conducted in Sweden in 2020 showed 25% of respondents supporting maximum income policy and more than 50% rejecting it (Khan et al. 2022). In the survey maximum income was introduced as "a cap on income from employment where gross wages of over, for example, 1,500,000 SEK (equals about 150,000 EUR) would be taxed at 100%". The difference between support for maximum income policy in Sweden compared to previously mentioned surveys in US and Germany merits further research. Besides differing societal contexts, possible explanation is difference in the formulation of the question. It is notable that the example cap level in Swedish survey is significantly lower than cap level majority of US respondents saw as acceptable.

Design considerations

Concerns and points of debate for maximum income policy include worries of tax evasion and outmigration of high-paid professionals (Kallis et al. 2025). Furthermore, depending on the policy design employers might find ways around the cap through non-wage benefits, bonuses, or illicit payments. Similarly, if income from capital gains is excluded from the cap, this can create loopholes.

Moreover, shifting income from high earners to lower tax brackets could initially decrease overall tax collection. However, this effect needs to be carefully evaluated against the broader societal and fiscal benefits of reduced income inequality, including lower social welfare costs, improved public health outcomes and increased social cohesion.

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4.2. Wealth tax

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	x	x	

Short Description

A wealth tax is a tax levied annually on an individual's net worth, encompassing all assets such as real estate, stocks, bonds, and other valuables, less any liabilities like mortgages and loans (Kallis et al. 2025). There are different wealth tax proposals but most equality enhancing is to have progressive annual tax above a certain threshold.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

A wealth tax is an important policy instrument for addressing extreme wealth concentration and funding equitable climate transitions (Kallis et al. 2025). By taxing ultra-high net worth individuals, such a policy could generate revenue for public investments in renewable energy, social services, and poverty reduction while curbing the large environmental footprint of the wealthy (Fromberg & Lund 2024). Studies have shown positive relationship between wealth inequality and emissions with a 1% decrease in wealth inequality being

associated with a 0.795% decrease in per capita CO2 emissions (Knight et al. 2017). Moreover, wealth tax can enhance democracy as wealth is used to secure power and influence in a way that undermines democratic functioning of the society (Knight and Schwartzberg 2017; Sayer 2015). Beyond redistribution, wealth tax can open possibilities for democracy through providing yearly data on wealth differences and making them more visible (Piketty 2014). Furthermore, wealth tax can provide means for global justice as wealthy nations should provide loss and damage, mitigation and adaptation funding to make up for their role in causing climate change through unsustainable development reliant on fossil fuels and colonialism (UN 1992).

Increasing level of public debt since the financial crisis, worsened by the Covid-19 pandemic has provided need for tax revenues (O'Donovan 2021). Wealth tax can increase tax justice as the current system has failed to effectively tax very wealthy individuals (Zucman 2024). Progressive net-wealth taxes provide option for increasing equality especially in the absence of broad-based capital income and inheritance taxes, while when broad-based capital income taxes are in place net-wealth tax may be levied from the very wealthy (OECD 2018). Moreover, taxing wealth can be seen as just on meritocratic grounds as the majority of increases in top wealth shares can be explained by the self-reinforcing process of wealth-returns-wealth' (Bach et al. 2020) and by passive increases in asset prices (Piketty and Zucman 2014; Weale 2010).

Real life cases

Concerns over wealth inequality and need for public revenues have brought net-wealth taxes among discussed policy options. Historically, wealth has been levied in many European countries, though only few have it in place currently. Examples of current and past wealth taxes are collected in the table below.

Country	In force
Austria	1954-1994
Denmark	1903 – 1997
Finland	1919 – 2006
France	1945, 1982-1986, 1989-2017, 2018-present
Germany	1952-1997
Ireland	1975 – 1978
Luxembourg	1934 – 2006
Netherlands	1965 – 2001
Norway	1892-present
Spain	1977-2008, 2011-present

Sweden	1947-2007
Switzerland	Varies by Canton. All Cantons today levy a wealth tax.

Report by OECD (2018) presents main trends in wealth taxes among OECD countries. According to the report, main arguments behind repeal of net wealth taxes relate to their efficiency costs and risks of capital flight, lack of meeting redistributive goals due to tax avoidance and evasion and narrow tax bases used in many wealth taxes, and concern over high administrative and compliance costs as well as generally limited revenues collected from wealth taxes. However, improvements in tax administration and international tax transparency have weakened the arguments against wealth taxes. Indeed, Iceland re-introduced wealth tax as temporary measure between 2010 and 2014, after being repealed it in 2008 and Spain reinstated net wealth tax in 2011.

The report also notes that tax revenues have generally been low due to for instance low tax rates and exemptions. However, Switzerland provides an example of higher tax revenue of 1% of GDP and 3,7% of total tax revenues in 2016, compared to 0,2% of GDP in Spain. This shows that design of the tax as well as other contextual factors influence tax revenues and the impact of wealth tax.

Public perceptions

Surveys and polls on public perceptions to wealth tax have given varying results, with some promise for support. In survey conducted in UK showed high levels of support for annual wealth tax compared to other taxes, with 41% naming it their preferred option and 75% placed it in top 3 options (Rowlingson et al. 2020). The survey showed particular support for including financial investments and property wealth (after excluding the main home) as the base for the tax. In France polls have shown majority of respondents to be favourable to the idea of a net wealth tax (OECD 2018). Nationally representative survey conducted in Sweden in 2020 showed that support and rejection of wealth tax were about the same, with approximately 40% of the respondents supporting the policy (Khan et al. 2023).

Design considerations

As with other taxes, tax evasion is a potential issue for wealth tax, including shifting composition of wealth towards exempted asset types or under-reporting wealth/capital (Kallis et al. 2025). However, the extent of tax evasion can be minimised by good policy design (OECD 2018; Advani and Tarrant 2021). Moreover, administration cost can be significant, though this can be mitigated by having higher exemption threshold and fewer exemptions from the tax (Advani et al. 2020b).

Liquidity can also pose problems as some are asset rich but cash poor. Liquidity issues can be minimised by ensuring the burden of the tax falls mainly on the very richest, because they are more likely to hold liquid financial assets (Zucman, 2024; Advani et al. 2020a). Very rich are also more likely to earn significant income from their wealth.

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4.3. High Inheritance Tax

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
		X	

Short Description

Taxes which are levied on money or assets that are inherited. In practice current and historical examples include estate tax which is paid by the estate itself before money or assets are distributed to heirs and inheritance which is paid by the individuals who inherit the assets (OECD 2021, Schratzenstaller 2024). While an estate tax is more simple to administer, it is likely less equitable compared to inheritance tax levied on recipients as it does not consider wealth received by each beneficiary (OECD 2021).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

High inheritance taxes can help break through path-dependencies in wealth concentration and create more equal starting positions within the economic sphere. Wealth accumulation and inequality have been sharply growing in the past years. A considerable part of this wealth is inherited, with estimates indicating that inheritances constitute 30% to 60% of overall wealth in Western countries (Piketty and Zucman, 2015). These trends underscore the importance of inheritance taxes. High inheritance taxes can also be used to finance essential services and social security independently of economic growth.

The impacts of inheritance taxation are complex as the design of inheritance tax can take different forms and the whole taxation regime also influences its outcomes. There is vast theoretical literature on this topic, but the number of empirical studies is more limited. Some of the most explored impacts relate to individual's behaviour to inheritance and inheritance taxation (e.g. how it may affect family business), distributional effects, and tax revenue (see Schratzenstaller 2024).

The OECD (2021) lists the following outcomes that are expected from inheritance taxation:

- Enhance equality of opportunity: empirical studies have shown that inheritance plays a strong role in wealth persistence across generations. A tax on inherited wealth can help break down the concentration of wealth and levelling the playing field.
- Reduce inequality over time: the report suggests that a tax exemption threshold that allows small inheritances to be passed on free of tax, combined with a progressive inheritance tax rate schedule, may reduce absolute and relative wealth inequality. Moreover, the study also suggests that given the negative externalities from wealth concentration, inheritance taxes have efficiency effects. Exempting small inheritances might be warranted from an equity perspective. Tax on lifetime wealth transfers could be more equitable than inheritance tax but pose feasibility concerns compared to inheritance tax.
- Behavioural impacts: The empirical literature on the impact of inheritance taxation on donors' wealth accumulation is very limited and generally shows negative, but small effects.

Real life cases

When it comes to inheritance taxation, there is no universally accepted model for determining an optimal tax rate. The design of inheritance taxes across countries is very

heterogeneous: while some countries have even opted for a 0% inheritance tax, such as Australia and Sweden, there are countries that have implemented significantly higher rates. Examples of countries with the highest inheritance taxes include the following (Redonda 2017; Jestl 2021; OECD 2021):

- **Japan:** Inheritance taxation was introduced in Japan in 1950, and tax rates ranges from 10% up to 55% in the country.
- **South Korea:** As well as in Japan, South Korea has inheritance taxes in place since 1950, that apply to both resident donors' worldwide assets and to non-resident donors' local assets. South Korea has a maximum tax rate of 50%. In general, estates are taxed at progressive rates. Like many other countries, spouses benefit from a more generous tax treatment, and business assets are also subject to some sort of preferential treatment.
- **France:** the French taxation scheme has been evolving over time, with an initial flat rate to wealth transfers since the French Revolution to a more progressive scheme. Nowadays France has tax classes with different progressivity depending on the relationship between the testator and the beneficiary and the value of inherited assets: class I: 5-45%, class II: 35-45%, class III: 55%, class IV: 60%.
- **United States**: Differently from the other examples listed here, the US taxes the transfer of wealth not only at federal level but also other tiers of government, such as state level. The inheritance tax rate depends on the value of total inherited assets only, varying from 18% to 40%.
- **United Kingdom**: Inheritance taxation has been a long-time discussion topic in the UK, which has adopted rather a flat rate of 40%.

Public perceptions

Public opinion studies on inheritance tax tend to show more opposition than support for the policy (Gross et al. 2017; OECD 2021). However, survey experiment conducted in Germany in 2012 contrasts this with 94% of respondents proposing on average inheritance tax rates larger than zero, though suggested rates are rather low and highly educated people, who are in general more likely to support inheritance tax, are overrepresented in the survey (Gross et al. 2017). The survey experiment indicated that respondents considered higher tax rate as fair with a higher value of the bequest, the income of the heir, and with presence of high governmental debt. On the other hand, perceived fair tax rate to decrease with close

familial relationship between testator and heir and if the asset is a family home or business, as opposed to a lump sum.

Moreover, nationally representative survey conducted in Sweden in 2017 discovered that presenting individuals with research-based information on the importance and distribution of inherited wealth significantly increases the support for inheritance taxation (Bastani & Waldenström 2021). Indeed, previous research shows misperceptions of inheritance tax policies among general public (OECD 2021; Schratzenstaller 2024), which may in part explain lack of support.

Design considerations

Tax avoidance is common concern for tax policies and inheritance tax is no exception. When it comes to tax planning, evidence suggests that this behaviour is common, but strategies vary across countries and, in general, possibilities for tax planning have reduced the effective progressivity of inheritance taxes (OECD 2021). Tax avoidance can be mitigated through policy design, for instance eliminating tax exemptions, integrating and aligning inheritance and gift taxation, third-party reporting and high tax enforcement and common reporting standard to mitigate cross-border tax evasion (Schratzenstaller 2024). More research especially on the responses of the rich to inheritance tax could further inform optimal tax design (ibid.).

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4.4. Taxing luxuries with high environmental footprint

Level of governance	Global	EU	National	Regional
		X	X	

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
	X		

Short Description

Taxing environmental harms associated with luxury consumption that is not pivotal for wellbeing. In practice, this can be done through luxury-focused carbon taxation which entails having higher carbon tax rates for luxury than basic consumption (Oswald et al. 2023). Other option is to place tax on specific goods that have high emissions (and environmental footprint overall) and are harmful or unnecessary for wellbeing. Prominent proposals include for instance meat and flight taxes. Taxing specific goods can be done through placing new tax(es) or changing value-added tax (VAT) rates (Gough 2017, Springmann et al. 2025).

Luxury and basic consumption can be differentiated through income elasticity of consumption: goods that are consumed roughly the same ways regardless of available income are basics (for instance, day-to-day food) and goods that are consumed primarily by the most affluent are luxuries (for instance, long-distance flights) (Oswald et al. 2023). Other option is to organise deliberative discussions combining both codified knowledge of experts and experiential knowledge of citizens on their everyday lives to differentiate luxuries from necessities (Gough 2017, 2020). Discussions resembling this are organised to determine reference budgets (baskets of goods and services that are considered necessary for decent living within a given country, region or city (see e.g. European Commission (n.d.), Gough 2017).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Taxing luxuries with high environmental footprint aims at limiting emissions and resource use associated with unsustainable excessive consumption without jeopardizing the possibilities to consume basic goods necessary for wellbeing today.

Study by Oswald et al. (2023) shows that luxury-focused carbon tax with differentiated carbon tax rates based on income elasticities, reduces yearly global household emissions by 6% compared with no policy. Inequalities are reduced compared both with no policy and with a uniform carbon tax. By 2050, the policy could save around 100 gigatons carbon dioxide equivalents, which is 75% of what is needed for households to remain within a 2° consistent climate pathway.

The goal of meat tax is to limit negative environmental and health impacts of meat consumption, as meat has higher climate emissions and other environmental footprint, and excessive meat consumption is bad for health (e.g. Ejelöv et al. 2025; Khan et al. 2022). For instance, Springmann et al. (2025) found in their analysis that in EU and UK increasing VAT rates of meat and dairy products to highest VAT rate in each country while lowering VAT rates of fruits and vegetables (including legumes and nuts) to zero would produce health benefits and higher tax revenues while lower carbon emissions and resource use and on average impacting the cost of diet for consumers only slightly. Their analysis shows on average promise for: 330 averted deaths per million people (mostly driven by reductions in VAT rates on fruits and vegetables), 6% reduction in greenhouse gas emissions and environmental resource use, 0,22% of GDP increase in tax revenues and 0,18% of GDP reductions in costs to society from ill health and climate damage.

Similarly, flight tax aims to limit flying due to its high carbon emissions, though first flight taxes in Europe were adopted mainly with the aim to collect tax revenues (Bernardo et al. 2024). Flight taxes are found to be neutral or progressive, and therefore raising fewer fairness concerns than some other types of carbon taxes (Büchs & Mattioli 2022).

Revenues from taxing luxuries with high environmental footprint provide means that can be used to enhance sustainability and wellbeing, for instance through using them to support retrofitting housing to be more energy efficient (Oswald et al. 2023) or lowering tax-rates for basic goods that are good for health, such as fruits and vegetables (Ejelöv et al. 2025; Springmann et al.2025).

Real life cases

Several European countries have implemented taxes on flight tickets (with different names, e.g. air travel tax, aviation tax), some of which are still operating (e.g. in Austria, Germany, Norway, Portugal, Italy and UK) (Bernardo et al. 2024). Impact assessment of flight taxes in

Europe shows that flight ticket tax reduces air traffic from low-cost airlines in average by about 12%, corresponding to a 14% reduction of emissions by low-cost airlines on treated routes compared to the counterfactual scenario with no ticket taxes (ibid.). This indicates that taxes can provide effective way to reduce aviation emissions. However, the same study estimates reduction to air traffic for the whole industry to be only about 4%, due to network airlines not responding to ticket taxes for which connecting passengers are exempt from.

While for instance Italy and Latvia have lower VAT rates for fruits and vegetables than meat and dairy products (though the difference is small, 1.3 and 1.8 percentage points respectively; see Springmann et al. 2025), impact assessments of effects from this are scarce. However, health-based taxation of goods is already prominent in several countries, for instance having taxes on tobacco, alcohol and sugary drinks.

Public perceptions

Public attitudes studies on flight or aviation tax are scarce but tend to show neutral or negative perceptions. Survey conducted in UK in 2015 showed on average neutral to slightly negative stance to introducing frequent flyer tax or increasing aviation tax (which was already in place in UK when the survey was conducted) (Kantenbacher et al. 2018). Similarly, survey conducted in Sweden in 2018 indicated slightly more negative than positive attitudes to air passenger tax policy (about 40% positive and 45% negative) and more opposition than support for frequent flyer tax (about 28% positive and 55% negative) (Larsson et al. 2020). However, specifying the use of tax revenues can increase support. In survey experiment study conducted in Sweden using revenues for aviation biofuels gained most support, compared to distributing revenues back to public or unspecified government spending on welfare services (Matti et al. 2022). Moreover, a survey conducted in Norway and India in 2024 showed that while in Norway about the same amount of respondents supported and rejected policy to raise jet fuel tax, in India majority of respondents supported this policy (Kallbekken & Skjeflo 2024).

Public perception studies of meat tax show varying results by country. Main trend is stronger opposition than support, but in some countries, views are closely divided between support and opposition. Nationally representative survey conducted in July 2018 in five European countries: Latvia, Czech Republic, Spain, Portugal and UK showed on average 48% expressing opposition, 15% remaining neutral, 25% supporting the idea, and 12% not knowing or preferring not to respond (Kmeťková et al. 2024). The respondents who answered this question in the survey were all people who eat meat (the question was not shown to survey participants who indicated that they do not eat meat). The study showed

varying support between countries, with higher support in Spain (33% supporting, 38% opposing), Portugal (31% supporting, 36% opposing) and UK (26% supporting, 45% opposing) and highest opposition in Latvia (56% opposing, 14% supporting) and Czech Republic (53% opposing, 17% supporting).

Similarly, nationally representative survey conducted in Sweden in 2020 showed about 30% of the respondents supporting tax on meat and about 50% rejecting it (Khan et al. 2022). Another study conducted in Sweden in 2023 with 3,233 citizens and 1,253 politicians found that presenting meat tax as both a climate and public health measure slightly increased its acceptance among citizens. Acceptance was generally higher when the allocation of tax revenues was clarified, with the most favoured proposals being those that suggested a tax shift to lower VAT on a wide range of foods or specifically on fruits and vegetables (Ejelöv et al. 2025).

Design considerations

It is important to make the decisions on what is luxury and what is basic good with care and update these definitions to fit changing contexts in the society. Especially in low- and middle-income countries income elasticity does not always show what is necessary for decent living standard as infrastructure constraints, for instance access to electricity, may inhibit consumption of necessary goods. It is important that policymakers identify these limiting circumstances before raising luxury tax (Oswald et al. 2023).

Furthermore, when taxes are placed by only some nations or based on the respective income elasticities in each, carbon leakage across borders is a concern especially in economically integrated regions, such as EU. To combat this, for instance EU could introduce union-wide luxury carbon tax (Oswald et al. 2023).

Even though luxury-based taxation enables securing manageable prices for basic goods while guiding excess consumption down, by making the consumption of luxury goods pricier, consumption of these goods becomes even more out of reach for low-income households. On the contrary, for the wealthiest it may still be possible to consume what they wish, albeit with higher cost. For instance, meat tax can have slight regressive impacts if this is not compensated through revenue recycling via uniform lump-sum transfers (Klenert et al. 2023). Also using meat tax revenues to lower VAT rates on fruit and vegetable products can lower regressive effects (ibid.).

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4.5. Wellbeing budgets

Level of governance	**Global**	**EU**	**National**	**Regional**
		X	X	X
Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**	
	X			

Short Description

Wellbeing budgets refer to the use of wellbeing metrics and frameworks to inform government budget spending. Instead of focusing on a relatively narrow set of economic indicators (e.g., economic growth, unemployment and inflation), wellbeing budgets assess the value of budget proposals against a more holistic set of wellbeing outcomes or goals.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

At a strategic level, wellbeing budgets enable governments to focus their spending on those wellbeing outcomes and groups in society that are most in need, by using an analysis of comprehensive wellbeing data to set budget priorities. In budget proposal development, wellbeing budgets encourage policymakers to think broad in terms of policy impacts and to identify opportunities whereby actions in one policy area can create positive feedback loops that support the objectives in other policy domains. At the same time, a wellbeing lens can

help anticipate and mitigate risks where well-intended actions in one domain may trigger problems in other domains.

Real life cases

Several governments at both national and regional levels have worked with wellbeing budgets. Examples include the following.

New Zealand

New Zealand introduced its first Wellbeing Budget in 2019, which was continued till 2023. The New Zealand Treasury used analysis of wellbeing data – based on both the Living Standards Framework (see The Treasury n.d. a) and He Ara Waiora (the Māori wellbeing framework, see The Treasury n.d. b) - combined with advice from sector experts and the Government's Chief Science Advisors, to identify a 'longlist' of approximately 10 to 15 wellbeing priority areas, which was then narrowed down by Ministers and Cabinet to 5 overall budget priorities: supporting a just transition to a climate-resilient, sustainable, and low-emissions economy; improving physical and mental health outcomes; shaping the future of work; lifting wellbeing outcomes for Māori and Pacific Peoples; and improving child wellbeing.

Between 2019 and 2023, the New Zealand Budget Policy Statement started with a Wellbeing Outlook that outlined the state of wellbeing in New Zealand and described the wellbeing priorities for budget spending. The requirement for the New Zealand Government to report annually on its wellbeing objectives in the Budget has been anchored in the Public Finance (Wellbeing) Amendment Act 2020. The Public Finance (Wellbeing) Amendment Act 2020 also requires the Treasury to produce a Wellbeing Report, at least once every four years. Using indicators, the Wellbeing Report must describe the state of wellbeing in New Zealand, how wellbeing has changed over time, as well as its sustainability and any risks to it. The Treasury's first Wellbeing Report was produced in 2022 (The Treasury 2022).

Following the release of the Budget Policy Statement, Ministries were invited to submit funding requests for policy proposals that are aligned with the identified government wellbeing priorities. In their proposals, ministries were required to provide evidence of how their funding request supports wellbeing and to present expected wellbeing impacts building on a cost-benefit analysis model called CBAx (including an optional monetary evaluation component) that was specifically aligned with a wellbeing approach (Jensen & Thompson, 2020).

Bhutan

The Bhutanese king, Jigme Singye Wnagchuck declared already in 1972, that the pursuit of happiness was more important for the country than the pursuit of wealth (see GNH Sentre Bhutan n.d., OPHI n.d.). The government's focus on happiness is anchored in the country's Constitution, stating that "The State shall strive to promote those conditions that will enable the pursuit of Gross National Happiness" (Article 9 of the 2008 Constitution). Over the past decades, Bhutan has been developing and using its own series of policy instruments that aim to put wellbeing at the forefront of public policy and planning, centred around its Gross National Happiness (GNH) framework.

The GNH framework is based on four pillars: 1) sustainable and equitable socio-economic development; 2) environmental conservation; 3) preservation and promotion of culture; and 4) good governance. These pillars are reflected in nine wellbeing outcome domains: psychological wellbeing, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards. In turn, progress for each of these 9 domains is informed by a set of approximately 30 indicators. A threshold is set for each indicator, which marks the level at which a person is deemed to have sufficiency of that particular outcome.

Beyond its use as a monitoring framework, GNH is also used as a framework for policy development and resource allocation. To help allocate resources, the GNH indicators show which wellbeing domains, as well as which regions and groups, are lagging behind others and are therefore in greater need of policy attention. The GHN Commission (a government planning body) further uses the GNH policy-screening tool to provide a systematic appraisal of the potential effects of proposed projects on the nine domains. A policy that fails to receive a sufficiently high score is not necessarily rejected, but is sent back to the proponent agency, outlining why it fell short, along with ways to improve it.

Iceland

In 2019, Iceland introduced a framework of 39 wellbeing indicators (Government of Iceland 2019), based on a broad consultation process. The framework led to the identification of six societal wellbeing priorities (Government of Iceland n.d. a, b) that serve as the basis for the development of the government's five-year fiscal strategy and annual budget. The six priorities focus on improving mental health outcomes, providing secure housing, better work-life balance, zero carbon emissions, innovation growth, and better communication with the public. Budget allocation has shifted towards the achievement of these goals. Today, the

six priorities steer 30 of the government's 35 policy areas. Following the use of wellbeing evidence in government priority setting, further work is underway to improve the way in which the wellbeing impact of policy proposals can be assessed.

Canada

The Canadian Quality of Life framework aims to measure what matters most to Canadians, to help drive evidence-based budgeting and decision-making. The Canadian approach builds on its longstanding experience in the measurement of wellbeing as well as several existing tools and processes that were in place to ensure government decision-making and budgeting consider a broader range of data and evidence. For example, in 2018, the Gender Budgeting Act enshrined the Canadian Government's commitment to budget decision-making that considers the impacts of policy on diverse populations in Canadian society. This includes the publication of a 'Gender Based Plus' analysis (GBA+) (see Government of Canada n.d.) for all budget proposals. GBA+ is an analytical tool to systematically consider the potential implications of policies, programmes or initiatives on diverse groups, based on gender, but also age, income distribution, ethnicity, mental or physical ability, region, sector and other relevant factors.

Following the development of the Canadian Quality of Life Framework, the Department of Finance worked to develop a standardised approach for assessing policy and budget proposals across the multiple Quality of Life domains (see Statistics Canada n.d.). To do so, the Budget Impacts Report was expanded from the existing Gender Based Plus analysis to also assess each budget proposal against its impact on Quality of Life. Using a standardised template, departments were asked to describe: quality of life impacts, who is impacted, as well as sustainability and resilience impacts. This process was used to encourage budget proposals that would have the greatest wellbeing impacts, for the widest range of wellbeing domains, for the most vulnerable groups, now and in the long-term. A high-level overview of the expected Quality of Life impacts of budget proposals is made publicly available, alongside the Gender Based Plus analysis, in the Budget Impacts Report (Government of Canada 2024).

Ireland

The Irish Well-being Framework is integrated into the government budget process in several ways including the following (see IGEES 2023):

- Summer Economic Statement: Ireland's Central Statistics Office publishes a Well-being Dashboard annually, providing data across the eleven dimensions of well-

being. This analysis contributes to the Summer Economic Statement, offering a broader perspective on Ireland's progress and informing medium-term budgetary planning.

- National Economic Dialogue: This forum provides an opportunity for stakeholders to discuss wellbeing-related issues, including economic, social, and environmental wellbeing outcomes, as part of the budgetary process.
- Spending Reviews: These reviews incorporate a wellbeing perspective to evaluate existing public policies and programs. They aim to align resource allocation with well-being priorities.
- Expenditure Allocations: Utilising the dimensions of the Well-being Framework to provide a cross-governmental presentation of public expenditure allocations.

In 2022, a pilot "budget tagging" exercise was undertaken in Ireland as part of a project funded by the European Union's Structural Reform Support Programme (SRSP) and supported by experts from the OECD. The exercise required participating Departments (including the Departments of Transport, Housing, Local Government & Heritage, and Tourism) to map their expenditure with reference to the Irish Well-being Framework, alongside existing Equality Budgeting and Green Budgeting methods. The participating Departments reported that they found the tagging exercise to be a useful tool to better consider outcomes of their policies with respect to wellbeing, and highlighted areas for development, such as the need to link cross-cutting priorities more closely with budget expenditure, and the need to reduce reporting burden.

Design considerations

For a wellbeing budget to have impact, it needs to operate at both the strategic level (i.e., using wellbeing indicator frameworks and data to determine budget priorities) and the operational level (i.e., Ministries / Councils being required to focus their budget proposals on the identified wellbeing budget priorities).

Cross-government collaboration is key to a successful wellbeing budget and several of the country initiatives have built this into their process design. For example, strengthening policy coherence has been a core focus of the New Zealand wellbeing budget approach, which has 1) built in requirements for ministries to demonstrate cross-agency and cross-portfolio collaboration in the development of budget initiatives; 2) appointed Ministers to coordinate the budget bids to help further drive policy integration; 3) established a new joint venture structure to enable government agencies to work together more easily on cross-cutting

priorities, and 4) has piloted a 'cluster of agencies' approach to budget allocation to enable these cluster to focus more strongly on shared outcome objectives.

Sustained funding is fundamental to enabling transformative change and achieving sustainable outcomes. This stands in sharp contrast with the short-term nature of annual budget allocation. Several wellbeing budget initiatives have therefore experimented with longer-term funding cycles.

It is crucial to better incorporate environmental thresholds and limits into wellbeing budget approaches, for example by ensuring that fiscal budgets operate within a science-determined carbon budget that constitutes a real limit on consumption of the earth's resources.

Embedding wellbeing budget approaches in legal instruments, such as was done in the Italian Budget Law and the New Zealand Public Finance and Public Service Acts, is important to support their long-term continuity.

Lastly, a wellbeing approach needs to go beyond a focus on annual spending to better anchor an intergenerational wellbeing perspective in its overall funding process. This includes spending reviews to assess the alignment between ongoing areas of spending and the overarching wellbeing priorities.

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4.6. Green and socially sustainable public procurements

Level of governance	Global	EU	National	Regional
		x	x	x

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
	x		

Short Description

The procurement of goods, services, or constructions on behalf of public authorities to meet certain needs or requirements. Sustainable public procurements refer to purchasing agencies taking into account the economic, social, and environmental pillars of sustainable development, whereas public procurement is referred to as “green” when purchasers pay attention to environmental aspects (Alhola et al. 2019). By increasing the demand for sustainable products and services through public purchasing, production and consumption can be steered towards ecological and social sustainability.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

During recent years, and in relation to the adoption of the UN Sustainable Development Goals, public procurement has gained momentum as a strategic activity to deliver societal benefits and promote sustainability (Gyori 2022). Public procurement has been identified in numerous studies as a powerful tool to encourage more sustainable production methods. Given that public procurement can represent approximately 20–30% of the gross domestic product, it holds substantial potential to influence sustainable production and consumption patterns. It serves as a powerful tool that enables governments to leverage their purchasing power to drive demand for environmentally and socially sustainable options (Molin et al. 2021).

Being better aware of the life-cycle-based environmental impacts of public procurements can serve as a useful measure for targeting efforts to reduce the environmental footprint of procurements. In the field of circular economy, public procurements can spread innovations and create markets for better measures for waste prevention, material efficiency, and recycling (Alhola et al. 2019).

Real life cases

Green Public Procurement (GPP) in the European Union

Through this voluntary initiative public authorities aim to procure goods, services, and constructions with a reduced environmental impact throughout their life cycle (see European Commission n.d.). This policy instrument is part of the EU's broader strategy to promote a resource-efficient and sustainable economy. Based on scientific evidence and a life-cycle approach, GPP includes clear, verifiable, and ambitious environmental criteria for product groups and services, such as computers, food catering services, furniture, and road transport. In addition to voluntary initiative, a 2020 Circular Economy Action Plan introduced minimum mandatory GPP criteria and targets in sectoral legislation, along with compulsory reporting to monitor its uptake.

To advance GPP, EU has developed a wide range of tools for public authorities. They simplify the procurement processes including voluntary criteria, handbooks, training materials, and access to the EU GPP helpdesk and a good practice library. The aims of GPP have also been advanced through an EU Ecolabel, the EU's official certification for environmentally excellent products and services. It helps procurers find the most sustainable options among many alternatives. Guides are also available to support the integration of its criteria into public tenders, making it straightforward to require green standards for products like paper, tiles, flooring and roofing materials, or absorbent hygiene products (EEB 2024).

Promotion of sustainable and innovative public procurement in Finland

In Finland, the EU Procurement Directives (and the EU Defence Procurement Directive have been incorporated into national law through three specific acts that steer procurement practices at the national level. Finland's public procurement system is harmonized and decentralized, with responsibilities divided between two ministries, the Ministry of Finance and the Ministry of Economic Affairs and Employment. Oversight of public procurement activities is provided by the Finnish Competition and Consumer Authority (FCCA), which ensures compliance with procurement legislation, and the Finnish National Audit Office (NAO), which monitors budget, accounting, and financial operations and reports to Parliament. The national public procurement strategy (2020) prioritises economic, environmental, and social sustainability and establishes specific goals for carbon neutrality, circular economy, biodiversity, and sustainable food systems. The implementation of the strategy is supported by the nationwide 'Procurement Finland' program, which provides public procurers tools, methods, guides, and reports and facilitates collaborative actions.

As part of the focus on sustainable procurements in the Finnish Government programme 2015-2019, a state-funded National Competence Centre for Sustainable and Innovative Public Procurement was launched in 2018 and it worked until 2024. It initiated a policy tool called 'the Green deal Agreement for Public Procurement' as a voluntary, procurement-specific commitment which is made between the procurement unit and a government party. It supports the procurement units' achieving their strategic goals by setting ambitious and concrete targets for procurements. One example of established initiatives is a green deal for reducing hazardous substances in kindergartens and pre-school environment. It aims to create shared procurement criteria and contract terms for the reduction of harmful substances. In practice, it encourages public authorities responsible for kindergarten and pre-school environments to purchase detergents, cleaning services, toys, furniture and outdoor playground equipment in a way that reduces the content of antimicrobial substances, fragrances and dyes as well as substances of very high concern in environments (KEINO Competence Centre 2023).

Design considerations

The slow adoption of sustainable procurement practices can be attributed to several factors: a lack of experience and information among public procurement authorities, a predominant focus on price over quality, insufficient market interaction, and a lack of competence within procuring organizations. To overcome these challenges, procurement professionals should prioritize collaboration and dialogue with all network members. Additionally, procuring units need to enhance and adopt new skills, improve internal coordination and management practices, and integrate various stakeholders into the procurement processes. (Alhola et al. 2019.)

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4.7. Credit guidance

Level of governance	**Global**	**EU**	**National**	**Regional**
		x	x	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	x		

Short Description

Credit guidance or 'window guidance' is an informal policy tool used by central banks to influence the lending behavior of private banks. As one concrete measure to establish mission-oriented monetary policy for degrowth transition credit guidance can strengthen state guidance of market economies (Stevenson & Schneider, forthcoming) to achieve broader policy goals such as eradicating poverty or enhancing energy transition. Credit guidance is a process in which domestic credit is guided towards productive use and unsustainable use of credit is suppressed. Establishing credit guidance for private bank lending aims to achieve a regulated financial sector "that facilitates productive and dynamic lending to private firms while repressing speculative lending" (McDonagh 2021, 685). The idea is that loans granted by private banks should be guided by the conditions and principles under which they and other financial market participants create new financial liquidity.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

This policy instrument helps steering funding to beneficial actions for wellbeing and sustainability. Credit guidance can bring benefits for sustainable and inclusive wellbeing through both quantitative and qualitative credit regulations. Quantitative credit regulations

set a ceiling on the amount of credit that commercial banks and other financial institutions can allocate, either for the entire economy or specific sectors. For example, new loans to the fossil fuel industry could be restricted. While this is not enough to stop fossil fuel companies from using their own capital to expand, it would prevent banks from exacerbating climate impacts (Plantinga and Scholtens 2024).

Qualitative credit regulations set minimum standards for the quality of loans made by commercial banks. They can also require the originating financial institution to keep the loan on its balance sheet instead of selling it to certain investors. These regulations can target the quality of the borrower, the sector, or some specific activity (Tankus 2022). For example, regulation can set standards for the financial health of firms or households applying for loans to prevent risky loans and macroeconomic crises. Central banks could also cap credit in environmentally or socially unsustainable sectors that need to be scaled down or support certain types of activities the borrowers are engaged in.

Real life cases

Post-war Japan

Japan has famously used credit guidance to enhance economic development and industrialization while avoiding unproductive or speculative credit allocation (McDonagh 2021). During Japan's immediate postwar developmental phase, the central bank created a list of preferred industries and priority categories for credit guidance that served for three decades. Category A included the sectors that were regarded as most important like textiles, shipbuilding, and steel production (and later, automobiles and electronics). Category B covered retail, agriculture, and infrastructure construction and those manufacturing sectors not in the previous category. Category C included domestic consumption sectors such as department stores, real estate, entertainment, and restaurants.

Japan employed credit guidance in two distinct ways. Quantitative regulations were used to allow monetary policy to control the amount of available credit while qualitative regulations directed credit allocation towards specific policy goals, such as targeted industrial development. This kind of credit guidance was organized through regular meetings between the central bank and private-sector banks, where quarterly lending instructions were communicated. To ensure compliance, the central bank imposed potential sanctions or penalties, such as restrictions on a bank’s loan growth quota or unfavorable terms for using the central bank's overnight discount window. These measures proved effective, with high compliance rates.

Credit guidance also involved detailed breakdowns of lending by sector, subsector, firm size, and fund usage. This is how the credit policy could focus on preferred industries that were considered priorities or expected to yield high value in line with overall policy goals. (McDonagh 2021).

Credit policy in postwar France (1945-1973)

The Banque de France focused on credit allocation and aimed to manage the high level of direct government financing of the economy during the post-World War II economic expansion (Monnet 2018). It used direct quantitative credit regulations (e.g. credit ceilings, liquidity ratios, and reserve requirements) to combat inflation and redirect productive capacity to specific sectors (Monnet 2016). This credit guidance boosted sectors such as exports, farming, and manufacturing (Bezemer et al. 2023). Qualitative regulations were also used in special cases, like in July 1961 when the Ministry of Agriculture asked the Banque de France to stop loans to farms with over 5,000 chickens to prevent overproduction (Monnet 2018). Together, these regulations directly impacted industrial output and price levels, showing that credit guidance was effective in redirecting industrial capacity and maintaining macroeconomic stability.

Preventing hyperinflation during this period required tight coordination within the credit system between the central bank and other state departments. Coordination of the credit policies (rediscount ceiling and liquidity ratios) was the task of a new National Credit Council (Conseil national du crédit or CNC), created in 1945 (Monnet 2018). The CNC included the Minister of Finance, the Governor of the Banque de France, and representatives from the government, industry, banking, cooperatives, and labor unions which enabled the class compromise and oversaw the monetary policy enacted by the Banque de France. The poultry example shows how ministries like agriculture could influence monetary policy through the CNC. The CNC allowed the central bank, the Treasury, and other stakeholders to craft the monetary and credit policy that shaped the postwar period.

Design considerations

As all economic development is context dependent, it is unlikely to create a highly centralized model of credit guidance (McDonagh 2021).

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4.8. Responsible research and innovation policy

Level of governance	**Global**	**EU**	**National**	**Regional**
		X	X	X

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
		X	X

Short Description

Responsible R&I refers to the harmonization of research and innovation processes and sustainable and inclusive wellbeing goals (see Biggeri & Ferrannini). Responsible R&I minimizes the distance between the technological advance and "hard science" innovation and the research for sustainable practices with the development of clear social, ethical, and environmental responsibility. This requires shared responsibility and governance to ensure that innovation processes contribute positively to society and anticipate potential risks. Thus, responsible R&I involves co-creation, transparency, inclusivity, and sustainability to align research efforts with broader societal goals.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

The policy supports sustainability, inclusiveness, and well-being by integrating research and innovation into societal challenges, promoting interdisciplinary approaches, and aligning R&I with sustainable development goals (SDGs). It functions as part of a broader policy mix, ensuring that innovation policies are not isolated but instead integrated across different

sectors and levels of governance. This enhances coherence in achieving transformative change.

The objective is to align R&I to societal goals in a sustainable social and environmental manner, without neglecting the economic feasibility. This must be done through the implementation of "responsible and ethical" practices along all the steps of the R&I processes. The identified steps are the following:

1) Sustainable and inclusive wellbeing as purpose of R&I projects: Incentivizing the research and innovation to align its purposes to solve/tackle existing societal/environmental/ethical issues, or at least to be useful to the society and replicable in the long run without negative (foreseeable) consequences.

2) The processes of the R&I: The process of the projects should not be harmful to the society and environment that hosts those projects and should include the whole community belonging to the society, fostering the engagement of the local stakeholders.

3) Diffusion of the R&I: Handling the knowledge that results from R&I process in sustainable manner.

Real life cases

Illustrative examples of how this policy has been implemented in practice, including specific projects, regions, or sectors that have successfully adopted it. For instance, Europe's vision for research and innovation (R&I) policies is guided by the goal of achieving a prosperous and sustainable future by 2030. Key strategies from the European Commission (2019–2024), including the European Green Deal, the Annual Sustainable Growth Strategy 2020, and digital transformation initiatives, shape this vision.

The European Commission has developed the "Key Impact Pathways" to track, capture, and communicate changes across scientific, societal, and economic axes. These pathways assess short-, medium-, and long-term impacts of the Horizon Programme's activities. They also evaluate how the program supports EU policy priorities and the Sustainable Development Goals by analyzing projects aimed at addressing global challenges and advancing future research and innovation missions. Moreover, The UNESCO Institute for Statistics is developing a set of indicators to monitor how Science, Technology, and Innovation (STI) contribute to 40 key targets in areas such as innovation, health, ecosystems, food security, habitat, and education.

There are also several local and grassroots level real life cases, such as ecovillages, community currencies, bike kitchens, maker spaces and design global manufacture local

(DGML) initiatives that aim to reduce matter-energy throughput of societies and strengthen local communities' social well-being. Moreover, in spirit of convivial tools, they strengthen the opportunities of community members to learn how to use and repair tools that convivial tools, aims to ensure that everyone has the opportunity to learn how to use and repair the tools they use (see Fitzpatric et al. 2022). The examples include:

Göteborg Bike Kitchen

Göteborg Bike Kitchen (see Bradley 2018) is a community-driven, do-it-yourself (DIY) bicycle workshop in Gothenburg, Sweden. It provides tools, space, and knowledge-sharing opportunities for people to repair and maintain their bikes, promoting self-sufficiency and sustainable urban mobility. By encouraging a circular economy, reducing waste, and fostering social inclusion, Göteborg Bike Kitchen supports responsible R&I through citizen engagement, environmental responsibility, and knowledge co-creation.

Eco-Villages

Eco-villages are intentional communities designed to promote sustainable living through ecological building, renewable energy, regenerative agriculture, and shared resources (see Bobulescu & Fritscheova 2021). These communities integrate social, economic, and environmental responsibility, fostering innovation in low impact living and self-sufficiency. Eco-villages contribute to responsible R&I by serving as real-world testbeds for sustainable technologies, participatory governance, and resilient community models, demonstrating alternative ways to live in harmony with nature.

Tzoumakers in Greece (Community Workshop)

The Tzoumakers community workshop in Greece is a collaborative space where artisans, makers, and researchers work together to preserve and innovate traditional woodworking and tool-making techniques (see Kostakis et al. 2023). It promotes responsible R&I by integrating local knowledge, sustainable practices, and community-driven innovation, ensuring cultural heritage is preserved while embracing modern technology.

Riversimple

Riversimple is a UK-based company developing hydrogen-powered cars designed for sustainability and minimal environmental impact (see Riversimple n.d.). Their business model prioritizes a circular economy, focusing on leasing rather than selling vehicles to encourage long-term efficiency and resource conservation. Riversimple aligns with

responsible R&I by integrating sustainability at every stage of innovation—reducing emissions, designing for durability, and rethinking mobility for a cleaner future.

Fab Labs in Barcelona

Fab Labs (Fabrication Laboratories) in Barcelona are open-access digital fabrication spaces that empower individuals and communities to create, prototype, and innovate using tools like 3D printers and CNC machines (see Fab Lab Barcelona n.d.). They promote responsible R&I by fostering inclusivity, education, and sustainable design, ensuring that technological advancements benefit society while minimizing environmental impact.

Design considerations

Balancing the trade-offs between economic, social and environmental priorities can pose challenges, as does the unpredictability of long-term effects. There are also ethical concerns regarding data ownership and technology use (Biggeri & Ferrannini 2020).

Many current initiatives (some examples of which are listed above) are community ran and lack institutional support. It is important to establish links from local initiatives to broader socio-ecological well-being goals.

Moreover, conceptualization of sustainable innovation requires rethinking as does views of who is an innovator. From postgrowth point of view, innovators include local communities and co-operatives. Frugal and convivial innovations offer a good starting point for re-conceptualizing sustainable innovation.

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5. Climate, environment and resources

5.1. Granting rights to nature

Level of governance	**Global**	**EU**	**National**	**Regional**
		X	X	

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	X		

Short Description

Rights of Nature (RoN) refers to the legal recognition and protection of the inherent rights of natural entities and ecosystems, allowing them to exist, thrive, and evolve.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Granting rights to nature enhances sustainability through protecting biodiversity (Fitzpatric et al. 2022) and changing mindsets and creating cultural change to recognize the inherent value of nature. Rights of Nature enables the legal defense of the environment in court – both for the benefit of people and for the sake of nature itself.

Real life cases

Several countries have granted Rights to Nature, recognising ecosystems as legal entities with specific rights. Examples around the globe include Ecuador, Colombia, India, Bolivia, New Zealand, Panama and Uganda.

Rights of Nature laws have facilitated a paradigm shift in environmental law, emphasising ecological integrity and sustainable management. One of the strengths of a legal approach is that it is a long-term measure, as future administrations must amend or repeal the legislation if they wish to end it, requiring further debate, discussion and consensus forming. Rights of Nature laws can serve as an important accountability and commitment device by delineating the 'safe space' for governments to work within. While the legal frameworks are progressive, enforcement and practical outcomes have however been mixed.

Ecuador

Ecuador was the first country to include Rights of Nature in its constitution in 2008 (see Berros 2017). The legislation gives rights to nature, including the right to exist and to regenerate. The idea is to ensure that nature cannot be treated as if it was property. This legal framework allows nature to be a plaintiff in court, represented by people or organizations on its behalf. The inclusion aims to balance human activities with the ecological rights of natural systems.

The Vilcabamba River was the first successful case of the Rights of Nature implementation in Ecuador, where the Loja Provincial Court recognised the rights of the Vilcabamba river in a lawsuit against the construction of the Los Encuentros hydroelectric project and ordered significant restoration of the river's capacity to flow and support life.

Colombia

Indigenous and Afro-Colombian communities filed a lawsuit due to pollution from illegal mining affecting the Atrato River. In 2016 the Constitutional Court of Colombia recognised the Atrato River as a legal entity with rights to protection (Vargas-Chaves et al. 2020), conservation, maintenance, and restoration. The ruling mandated the government to undertake river restoration and granted local communities a role in managing and protecting the river.

In 2018 the Supreme Court of Columbia ruled that Colombian Amazon was entitled to also be subject of rights and the Administrative Court of Boyacá held that Páramo de Pisba is also an entity subject of rights (Vargas-Chaves et al. 2020).

India

Indian courts have recognized the Ganges and Yamuna rivers as living entities with legal rights in a bid to protect them from pollution and environmental harm (see O'Donnel 2018). This judicial recognition draws from the doctrine of Parens Patriae, where the state acts as a guardian for entities unable to represent themselves.

A public interest litigation was filed to address severe pollution and ecological degradation of the Ganges and Yamuna Rivers. The Uttarakhand High Court declared in 2017 these rivers as legal entities with the rights to be protected and preserved. The ruling aimed to improve the rivers' conditions, though it faced implementation challenges and was later overturned by the Supreme Court of India on jurisdictional grounds

Bolivia

Bolivia introduced the "Law of the Rights of Mother Earth" in 2010 (see Muñoz 2023). This law grants nature the right to exist and regenerate its life cycles. It reflects the indigenous worldview of Pachamama (Mother Earth) and aims to integrate indigenous values into national policy.

The original Rights of Nature Law in Bolivia, which was drafted as part of a nine-month negotiation process between the government and the “Unity Pact,” a coalition of Bolivian Indigenous organisation, had an ecocentric orientation and established that whenever there was a conflict of interests, the protection of Mother Earth should prevail. Instead, the law that was ultimately approved by the Bolivian government did not include this ‘conflict of interest’ clause as it was felt to go against economic development interests in the country where poverty is widespread and natural-resource extraction activities are seen as the fastest way to bring in enough economic resources. The adoption of the final law was opposed by the members of the “Unity Pact,” who felt alienated and withdrew from the legislative process, on the basis of there being irreconcilable differences regarding the content of the draft laws and those that were finally approved. Bolivian attorney, Lorna Muñoz (2023) describes that an ongoing issue in Bolivia has been the discrepancy between the Rights of Nature and other constitutional provisions, laws and regulations that favour economic interests, create language ambiguity and cause enforceability problems.

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5.2. Payments for ecosystem services

Level of governance	**Global**	**EU**	**National**	**Regional**
			X	X

Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**
	X	X	X

Short Description

The idea behind payments for ecosystem services (PES) is that landowners or managers are paid for the provision of certain ecosystem services, or for a particular forest management strategy that generates the desired ecosystem service, by the users or beneficiaries of these services. The PES mechanisms currently in existence focus mainly on three fundamental ecosystem services: water, biodiversity and CO2 sequestration. The design and implementation of a given PES mechanism are determined by three socio-ecological components: 1) The type of environment and therefore the ecosystem service available/possible in the given natural context, 2) The actors/stakeholders present in this context, and 3) The governance system and design of the mechanisms themselves. (Prokofieva 2016).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Payment for Ecosystem Services safeguards nature and the vital common goods ecosystems, such as forests and waterways, provide. PES can simultaneously provide nature

protection and livelihoods for local actors, supporting or providing employment opportunities related to delivery of ecosystem services (IPBES n.d.).

Real life cases

PES schemes have been implemented in many places, including the examples briefly addressed in this section. In 2019 the EU initiated a program that consist in a remuneration for landowners and managers to adopt measures to restore and protect biodiversity and ecosystem services in two pilot areas in Portugal (see European Commission 2021). This programme relies on the Environmental Fund of the EU. Due to the recent implementation and the long-time frame (20 years) of the project, its impacts remain to be seen.

A recent discrete choice experiment administered to coffee farmers in Honduras provides insights into farmers' willingness to conserve natural forest on farmlands in exchange for higher coffee prices and payments from carbon credits (Camarillo et al. 2025). Results suggest that payments for ecosystem services are a viable option for improving the sustainability of coffee production. However, coffee farmers may be reluctant to set aside significant percentages of the landscape for forest restoration. Low-income farmers appear more averse to forest conservation, suggesting the need for insurance against revenue losses.

Bolsa Verde in Brazil

Brazil's socio-environmental programme *Bolsa Verde* combined environmental conservation with poverty alleviation. The programme consisted of monetary transfers to extremely poor households living in extractive reserves, mostly in the Amazon region, on the condition that they would provide ecosystem services. The aim of the programme was to protect areas of ecological interest and decrease deforestation. A key novelty was its focus on traditional and indigenous communities as well as agro-extractivist families as the main actors of environmental conservation within their territory and structure foundations to sustainable production.

Regarding environmental outcomes, Wong et al. (2021) estimate that areas covered by *Bolsa Verde* presented low deforestation levels and suggest that these areas were more efficient in forest conservation than non-participant areas. In addition, the authors find that, most likely, between 2011 and 2015 monetary estimation of carbon reduction promoted by

the programme have overbalanced its total cost in 2.5 times. However, the programme was discontinued in 2016.

Design considerations

Leakage of undesired activities to other areas and worries on permanence of the effect of PES scheme need to be addressed. For instance, a PES scheme that finances reforestation in one area may increase deforestation pressure elsewhere and may not guarantee that trees will not be cut down after the program ends. Furthermore, landowners may intentionally damage ecosystems to benefit from PES schemes. (Prokofieva 2016).

Moreover, there are some social concerns that need to be addressed. PES can perpetuate asymmetric power relations if poor people accept lower payments or are forced to sign contracts that richer people can avoid. PES schemes may also reinforce existing conflicts over access to and control of forest resources, especially when small land holdings preclude or limit participation in PES. Building trust between actors and improving participation requirements is important to have possibilities to overcome these problems. (Prokofieva 2016).

It is worth noting that implementation of PES can be challenging in locations where resource tenure or use rights are not well defined or enforced. Furthermore, PES should be regarded as a complement rather than substitution for nature conservation regulation (IPBES n.d.).

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5.3. Energy Communities

Level of governance	Global	EU	National	Regional
		X	X	X

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
	X	X	X

Short Description

Energy communities refer to collective and citizen-driven energy actions. An Energy Community (EC) is a group of citizens, small and medium-sized enterprises, territorial entities and local authorities, including municipal administrations, cooperatives, research institutions, religious entities, third sector entities and environmental protection entities, who share the renewable electrical energy produced by plants available to one or more entities associated with the community. In an EC, renewable electrical energy can be shared between the various producers and consumers, located within the same geographical perimeter, thanks to the use of the national electricity distribution network, which makes the virtual sharing of such energy possible. Energy communities share three aims: decarbonisation, decentralization and localization of energy production and use (see Vidovich 2024).

Public authorities can support energy communities through for instance promoting and favouring them with fiscal exemption and favourable loan rate, allow the use of public premises, encourage the private partnership, or providing them direct funding.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

Energy communities power buildings with renewable energy sources and enable achieving energy independence. By involving citizens in energy initiatives, they boost public acceptance of renewable projects and attract private investments. These communities empower citizens to drive the energy transition, leading to better energy efficiency, lower bills, reduced energy poverty, and more local green jobs. (Vidovich 2024). They can contribute to energy democracy (Fitzpatric et al. 2022).

Real life cases

The European Union has supported the creation of energy communities in recent years, providing examples of possibilities of public sector. EU legislation supports energy communities for instance through legislation on the promotion of the use of energy from renewable sources and introducing energy communities to law, first time in Clean Energy for all Europeans package. The REPowerEU Plan has set a political goal to establish one energy community in each municipality with a population exceeding 10,000 by 2025. (European Commission n.d. a).

European Commission's Energy Communities Repository (active initiative in 2022-2024) assisted local actors and citizens willing to set up energy community, through technical and administrative advice. The Energy Communities Repository measured the impact of a total of 107 energy communities across all EU countries, showing 12 022 MW in installed capacity, 3.5 million tons of saved CO2 emissions. The material is still available online (see European Commission n.d. b). Building on Energy Communities Repository, the European Energy Communities Facility aims to empower and support the development of energy communities across Europe (see European Commission n.d. a). The project will run from 2024 to 2028. By distributing small grants, it is set to assist at least 140 energy communities. The facility will also deliver training and hands-on capacity building to help local initiatives.

Moreover, European Parliament has provided funding for 3 projects supporting energy communities. European Commission's initiative, the Support service for Citizen-led innovation, provides assistance for selected pilot projects to overcome financial, legal, technical and information barriers. (European Commission nd. a).

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5.4. Mandatory Building Insulation

Level of governance	**Global**	**EU**	**National**	**Regional**
		X	X	X
Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**	
	X			

Short Description

Mandatory housing insulation refers to the regulations and requirements set by governments to ensure that new and existing homes are properly insulated. These measures are crucial for reducing energy costs, energy use, and supporting broader climate goals, particularly in line with the European Union's regulatory framework. Indeed, the EU has promoted its own regulations in this respect, with its Energy Performance of Buildings Directive (EPBD) which aims, among the other things, to meet minimum energy performance

standards, provide financing to support renovations, and protect tenants from rent increases. The current EU plan can be strengthened setting more ambitious standards in terms of energy performances and reinforcing its social dimension. Overall, building insulation supports the goals of sustainable and inclusive wellbeing by reducing energy consumption and ecological impact while enhancing wellbeing through improved indoor comfort and lower living costs. At the same time, nowadays several creative housing projects that follow a degrowth narrative in terms of the advancement of ecological and social practices exhibit a high degree of elitism that perpetuates inequality (Cucca & Friesenecker, 2022).

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

The aim of current regulations is to improve energy efficiency, reduce greenhouse gas emissions, and enhance indoor comfort. In addition to the important elements of climate change mitigation, building insulation is a necessary element of equity to guarantee greater well-being for the most vulnerable segments of the population living in peripheral and weather-exposed contexts.

The EPBD aims to reduce greenhouse gas emissions from buildings by at least 60% by 2030. Expected to reduce household energy use by 40% by 2050 (EC Impact Assessment, 2022). Key performance indicators include energy savings, reductions in carbon emissions, and improvements in indoor and outdoor air quality. Calculating the energy performance of buildings, considering factors such as thermal characteristics, heating and cooling systems, and renewable energy integration, is doable. The social impacts of the proposed reinforcement of the EPBD can be measured through participatory methods and extended surveys on people's satisfaction to measure their life improvement after government support in renovating the house in which they are living.

Real life cases

The Energy Performance of Buildings Directive (EPBD) is a legislative measure by the European Union aimed at enhancing the energy efficiency of buildings across member states. First introduced in 2002, the directive has undergone several revisions, with the latest version, Directive (EU) 2024/1275, entering into force on May 28, 2024. The EPBD seeks to reduce energy consumption and greenhouse gas emissions in the building sector, thereby contributing to the EU's broader climate and energy objectives.

Southern European countries have developed specific regulations and energy performance requirements tailored to their contexts (Olasolo-Alonso et al. 2023).

To improve the Directive, Sugiyama et al. 2024 advocates for building designs that require less energy for heating and cooling while maintaining high levels of comfort and well-being. Arguing for demand-side solutions and bottom-up initiatives, the authors also encourage to integrate in the EPBD strategies like sustainable urban planning (e.g., "15-minute cities") and passive cooling/heating techniques to reduce dependence on energy-intensive climate control systems.

Public perceptions

Building insulation is generally supported but there are concerns about upfront costs. In Germany, for example, initial policies promoting the replacement of gas and oil-fired boilers with heat pumps faced public backlash, leading to policy adjustments. For this reason it is fundamental to monitor public perceptions of climate policies through participatory methods and extended surveys (for example, see the Horizon Europe project CAPABLE).

Design considerations

Strong public institutions are needed to better integrate well-being into the current policies of EPBD. Concerns related to this policy instrument include high initial costs and possible affordability issues for homeowners. There are also concerns on the capacity of the construction sector to meet increased demand, and there is a high need for skilled labor. Indeed, reducing heat demand and decarbonising heat supply at the same time needs a balanced policy action (Rosenow & Hamels, 2023), and public institutions are required to cover short-term social costs. However, in the long-term such social costs are expected to turn into benefits.

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6. Democratic governance

6.1. Future Generations Act

Level of governance	Global	EU	National	Regional
		X	X	

Time horizon for policy implementation	Short (2-3 years)	Medium (5 years)	Long (10 years)
		X	

Short Description

Future Generations Act is a piece of legislation that establishes a range of legal duties for public bodies to consider long-term wellbeing goals and move beyond short-term thinking. It sets a framework for embedding a future oriented approach to policy and decision-making. It may also include the appointment of an independent Commissioner for future generations, i.e. a statutory advocate to represent and safeguard the interests and wellbeing of those yet to be born. By establishing an Act, a government makes a long-term commitment that continues through political shifts.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

A Future Generations Act puts in place an overarching legislation that protects long-term policy commitments and provide a framework for advancing long-term goals such as intergenerational equity and wellbeing. By ensuring a future-oriented perspective to policy-making and public bodies, such an Act can support that future generations inherit a more inclusive, sustainable society.

Real life cases

Wales adopted the Well-being of Future Generations (Wales) Act in 2015, following a national conversation "The Wales We Want by 2050", that took place the year before. The Act institutionalised a Commissioner for Future Generations, who is appointed by Ministers of the Government in power and is responsible for promoting sustainable development, acting as a guardian for future generations, encouraging public bodies to think in the longer term, and monitor and assess the objectives of the Act. Moreover, the legislation requires each public body to promote sustainable development by setting and publishing wellbeing objectives that support achieving the wellbeing goals – a set of goals designed to improve the social, economic, environmental, and cultural wellbeing of Wales. (Welsh Government n.d.).

Wales has defined 50 wellbeing indicators to assess its wellbeing performance and monitor the implementation of their Well-being of Future Generations Act. Each year the Welsh Ministers publish a report on the progress made on the national indicators (see Welsh Government 2024). To establish future targets, they also set expectation milestones. (Welsh Government n.d.). The indicator set is an example of going beyond GDP in measuring progress (Hayden 2024). One of the concrete examples of the impact of the Future Generations Act is stopping plan to create a new relief road across environmentally sensitive wetlands to relieve congestion in M4 motorway, in which Commissioner for Future Generations had a key role (Hayden 2024; Howe 2023). Strategy on transport was changed to prioritize bringing services for people and thus reduce the need to travel, shift infrastructure investments towards active travel and public transportation and create strict criteria for building new roads (ibid.).

This year (2025) in Australia, the national parliament introduced a Wellbeing of Future Generations Bill (see Foundations for tomorrow n.d.). This is a novel legislation that mandates that government decisions consider the long-term interest and wellbeing of both present and future generations. While the Bill marks an important step, it remains to be seen how the legislative process will unfold.

In European Union a commissioner with the role of ensuring intergenerational fairness has been appointed as part of the new EU Commission setting (see European Commission n.d.). Though no act has been established for future generations, as part of this role, the Commissioner oversees establishing a Strategy on Intergenerational Fairness. This new Commissioner has the potential to strengthen long-term thinking as a core principle of the policymaking process in the EU and its Member States.

Design considerations

A Future Generations Act should be accompanied by a well-designed monitoring and accountability framework. In other words, indicators and goals need to be connected. Setting targets related to inclusive and sustainable wellbeing and regularly assessing them over time can enhance implementation and ensure progress.

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6.2. Participatory civil dialogue

Level of governance	**Global**	**EU**	**National**	**Regional**
	X	X	X	X
Time horizon for policy implementation	**Short (2-3 years)**	**Medium (5 years)**	**Long (10 years)**	
	X			

Short Description

Engaging and incorporating civil society and people's views to decision-making through participatory civil dialogues as structured deliberation practices and processes.

Structured and meaningful civil dialogue means regular, structured, transparent and meaningful dialogue between decision-makers and civil society organizations at global, EU, national, regional and local levels at all stages of the decision-making process (agenda setting, policy development, implementation, monitoring and evaluation). In practice, this could be enhanced through civil dialogue agreements to harmonize and improve standards and mechanisms for civil dialogue.

Deliberative mini publics, citizen forums, juries or assemblies are participatory processes designed to directly involve people in decision-making. In them selected groups of people elaborate on policy options and societal objectives and thus inform decision-making. In practice, citizen forums can be one-off gatherings to advise in specific case or more continuous engagement. For them to be meaningful, it is important to ensure that the selection of participants is inclusive and involves especially groups of people traditionally underrepresented in decision-making or particularly affected by the issue discussed. People who live in a given country should be included, even if they do not have citizenship.

Central goals and expected benefits for advancing sustainable and inclusive wellbeing

The engagement of people and organized civil society offers various benefits for sustainable and inclusive wellbeing. It can enhance democracy through inclusive participation and shift the balance of power in society to be more equally shared, increase public support for transformative policies to enhance sustainability and wellbeing (for instance other policies mentioned in this list), increase sense of autonomy and provide quality information to support evidence-based decision-making through combining experiential and expert knowledge (Fromberg & Lund 2024). Hearing the views of a variety of people, including vulnerable and traditionally marginalized or underrepresented groups, provides possibilities to enhance inclusion and create effective policies that are aligned with the needs of people.

Structured and meaningful civil dialogue provides a continuous way to bring civil society expertise in decision-making. This is important as civil society organizations hold both expertise in experiential viewpoints of their members, including vulnerable groups who are often excluded from various forms of decision-making processes, and have relevant policy and legislative expertise. Citizen forums, assemblies and juries can complement structured

civil dialogue by bringing the experiential knowledge of people in for deliberating and advising decision-making, especially in tricky questions with very political considerations such as climate mitigation policies (Wells et al. 2021) or to take part in creating a shared vision.

Real life cases

There are many examples of various forms of engagement of people in decision-making around the world. Studies show that mini publics, such as citizen assemblies, can have an effect on policymaking, but while the extent varies between cases it is mostly limited to providing momentum or reducing policymakers' uncertainty on existing government plans (Pfeffer & Newig 2025). For instance, a case study conducted on two climate assemblies organized in the UK (Wells et al. 2021) found indirect impacts on policymaking by creating momentum for climate action and giving policymakers a public mandate to act and identifying in-depth public opinions but were lacking in having direct impact beyond that. However, even if the impact is not always direct, mini publics can challenge those in power for instance through demanding more ambitious policy. Examples of this include a climate assembly in France suggesting a ban on domestic flights and an assembly in Germany suggesting speed limit on highways (Pfeffer & Newig 2025). Other types of impact include reconciling conflicts, constraining the power of entities lobbying against the sustainability transformation, empowering supporters of change and altering public discourses, changing public attitudes, or limiting the risk of public backlashes (ibid.). Moreover, participation in for instance citizen juries has also been shown to have positive impact on participants' knowledge on the issue addressed in deliberation and civic skills (Michels 2011).

A prominent example of national conversation is the 2014 "The Wales We Want" conversation in which people across Wales participated as part of the preparation for the Well-being of Future Generations Act (Cynnal Cymru 2015). The conversation included around 7000 people across Wales representing various groups and communities to discuss the Wales they want to leave behind for future generations. It helped shape well-being goals for Wales, contained in the Well-being of Future Generations Act.

Case studies on truly well-structured civil dialogue are scarce. However, for instance the European Commission Directorate-General for Employment, Social Affairs and Inclusion (DG-EMPL) offers an example in this direction. The Directorate-General has a dedicated civil dialogue email address, which serves as a contact point for civil society organizations active in issues related to employment, social affairs and inclusion. Moreover, the Directorate-General organizes regular online civil dialogue opportunities and consultations with civil

society on a variety of upcoming or existing initiatives under its remit. While there is scope for improvement as well in this example, these are important building blocks for regular, structured, transparent and meaningful civil dialogue.

Public perceptions

In 2024, 86% of Europeans say it is important for them that media and civil society organizations in all other EU Member States than their own country are able to operate freely and without pressure, even when they are critical (European Commission 2024). 76% of Europeans think civil society has an important role in promoting democracy and common values (Special Eurobarometer 477). 87% of Europeans believe that civil society should operate freely and keep those in power accountable (Special Eurobarometer 489). In 2011, in the European Union, almost 100 million citizens of all ages invested their time, talents and money to make a positive contribution to their community by volunteering in civil society organizations, youth clubs, hospitals, schools, in sport clubs, etc. (European Commission n.d.).

Design considerations

Truly meaningful civil dialogue requires setting structures for regular exchanges between civil society organizations and public authorities, while ensuring coherent approaches within and between public institutions. However, civil dialogue is often an ad-hoc, irregular process that doesn't allow for open and transparent exchanges between civil society and policymakers. Top-down approaches, inadequate information sharing or lack of structured channels through which organizations can input can hinder civil society's ability to provide meaningful insight on behalf of the groups they represent. Poorly implemented civil dialogue can amount to ostensible hearing of civil society, if it for instance lacks process to truly take the views into account in decision-making or possibilities for knowledge exchange and co-creation, but there are solutions available to avoid this (see CONCORD 2022).

In a similar vein, participation of people through assemblies, juries or forums needs to be planned with care, making sure that the participants' efforts truly feed into policymaking and participants also receive information on the impact their work has. Moreover, it is important to make sure that vulnerable groups are represented in deliberations and to facilitate the discussions in an accessible way so that all participants can truly take part in deliberation. Some of the ways for making better participatory processes include giving voice to participants' goals and agendas, avoiding hierarchical arrangements, allowing for long-term interaction, developing a context-sensitive design, agreeing on expected outcomes, building supporting networks and collaborative capacity with key institutions,

favouring diversity and representativeness in participants' selection and institutionalizing participation (Ianniello et al. 2019).

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7. Concluding words

Achieving the overarching goal of sustainable and inclusive wellbeing requires integrated system of models, metrics and policies. It entails having technical infrastructure, governance and policy instruments that all support the SIW goal. In this report we addressed technical and governance elements shortly and presented a shortlist of potential policy instruments for supporting sustainable and inclusive wellbeing. The report presents brief overview of each policy instrument, describing the main idea and providing real life examples.

Even though the listed policies show promise, many of them would benefit from further piloting and impact evaluation. As such, we suggest an adaptive management approach for their uptake. This means evaluating the impacts and possible trade-offs with state-of-the-art macroeconomic models, testing the policies, monitoring their impacts against SIW metrics and adjusting them as necessary.

The shortlist of policy instruments presented in the report informs future tasks in MERGE. We will deliberate the policies with stakeholders and model potential outcomes to further understand potential for their uptake. Based on the results, we will finetune the mix of policy instruments for SIW and produce policy guidelines.

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