

A better social Europe starts in cities

A new urban compass for the future social Europe

Recommendations to the EU:

- ✓ Review and reinforce the European Pillar of Social Rights (EPSR) Action Plan, in a strategic alliance with cities involved in the decision-making process, as the level of government closest to the citizens. The EPSR must anchor the social dimension of EU green and digital transformation through adequate and dedicated resources, a clear monitoring framework and regulatory measures for cities and Europe to be able to invest in a just transition without leaving anyone behind.
- ✓ Bridge the social inclusion investment gap, by strengthening the social dimension within the European semester process and reviewing the 2014 public procurement directives to ensure that recipients of public money fully comply with relevant EU social and labour law. There is also a need for stronger earmarking of EU funding to cities, ensuring social funding for the just transition reaches vulnerable groups and addresses urban challenges such as housing, homelessness, labour market integration, and child poverty.
- ✓ Address the housing crisis in cities by tackling barriers such as restrictive state aid rules, including Decision 2012/21/EU on Public Service Compensation, and establishing a dedicated EU housing fund for the construction of affordable housing and renovation of poorly maintained existing public and social housing. Also, the Commission should set up a dedicated Platform on Housing that fosters multi-level governance and partnership involving national, regional and local authorities, and housing providers
- ✓ Support the efforts to tackle homelessness across Europe by financially supporting the European Platform on combatting homelessness and through a Council recommendation establishing an enabling framework that would take into account the role and needs of cities in combatting homelessness.
- ✓ Empower cities to navigate labour market changes, including through EU funding to scale up local innovation on skills development, recognition, and certification, as well as good practice exchanges among public employment services on efficient labour market intervention. Standardised definitions of green and digital skills are also needed to address current fragmentation.



Introduction: A call for renewal of the European Pillar of Social Rights

The 2024 European elections mark a crucial moment of transformation in European society, just seven years after the approval of the declaration of the European Pillar of Social Rights. The Pillar has championed a narrative of social rights, protection and investment during the many crises being faced by Europe, including the impacts of climate change, the digital divide, war in Ukraine, and the rising cost of living.

Despite the success of the European social model, over 20% of the EU population is still at risk of poverty or social exclusion. Cities are collectively calling on the next European Parliament and European Commission, along with member states, to give a renewed impetus to the EPSR, while aligning it with the socio-economic challenges arising from the green and digital transition.

Europe's social resilience is challenged by an ageing population, a high level of unemployment in many countries, a need for improved life-long educational systems, unequal access to public services and a shortage of affordable housing. These challenges are expected to make existing inequalities even worse, impacting vulnerable communities in particular.

To achieve a new urban framework that integrates a strong, placed-based social dimension into the EU policies driving green and digital transformations, cities are asking the EU to:

Create a strategic alliance with cities for a fair and inclusive Europe

As the level of government closest to citizens, cities bridge the gap between people and the EU. Cities insist on collective responsibility in addressing the social challenges accompanying the twin transition.

European cities are calling for a strategic alliance with the EU institutions to make the EPSR Action Plan an adaptable framework, equipped with adequate resources, a clear monitoring framework and regulatory measures that can effectively contribute to an inclusive green and digital transition.

It is crucial that cities are directly represented at the EU decision-making table and in the EPSR review process, as they can provide their expertise in shaping policies, particularly concerning vulnerable urban communities.



Bridge the investment gap for socially inclusive cities

The EU suffers from a social infrastructure investment gap estimated in 2018 to be at least €142 billion per year. Cities, responsible for over 60% of total public investment in social infrastructure and services, struggle to allocate these funds from local budgets amidst pressing crises like energy, housing, and cost-of-living.

To address this challenge, the new EU economic governance framework, recently agreed upon by the European Parliament and the Council of the EU, should facilitate local investments for a just and inclusive twin transition. However, the new economic governance framework, which is purely based on fiscal consolidation, has proven to be inadequate to build the resilience of our urban communities. There is a need for balanced EU economic governance that prioritises both debt sustainability and social public investments.



Therefore, cities call for the social dimension to be strengthened within the European Semester process. They also insist on the revision of public procurement directives to ensure compliance with EU social and labour laws. Cities acknowledge the work of the Informal Working Group on Social Investment (IWGSI) launched under the Spanish and Belgian presidency and encourage the working group to engage cities.

The future European Social Fund Plus (ESF+) (2028-2034) should prioritise individualised integration paths and career guidance for vulnerable groups, expanding beyond labour market activation to incorporate social inclusion. It is crucial that the next EU institutions enhance the urban and just transition dimensions in ESF+ funding and establish mechanisms for direct funding to cities. They must also reduce delivery bottlenecks to ensure that social funding reaches vulnerable groups and addresses key and emerging urban challenges. For greater social sustainability

within the European Green Deal, cities call on the EU institutions to introduce social conditionality into rules governing the allocation of the EU funds, integrating it into the financial regulation of the overall EU budget.

Cities call for the European Green Deal to incorporate a strong social dimension and ask the EU to propose a just transition framework that combines instruments such as the just transition mechanism, Cohesion Policy programmes and the Climate Social Fund, offering diverse types of support for lower-income families and low-skilled individuals. Distributional impact assessments of climate policies and a just transition framework aligned with ambitious climate goals are essential and should focus on addressing the needs of low-income and vulnerable groups. In addition, equipping the just transition framework with an investment dimension would empower cities to blend various instruments more effectively.



While welcoming the recent Social Economy Action plan, cities urge the European Parliament and the European Commission to foster responsible and innovative solutions in the field of public procurement by removing barriers for social economy entities to access the public procurement market. There is also a necessity to improve coordination among EU instruments (InvestEU, ESF+) supporting social economy enterprises and to raise the threshold in the Services of General Economic Interest De Minimis Regulation to acknowledge their unique mission and characteristics.

Enable cities to design inclusive and resilient urban environments

Cities call for a comprehensive EU policy approach recognising their critical role in advancing social equality and addressing socio-economic aspects of the twin transition. As public service providers, cities have an obligation to ensure equal access to essential and social services. With their extensive experience in co-creating policies with vulnerable groups, city governments are vital partners for informing better policy approaches and filling data gaps. Cities are committed to fostering inclusive societies where everyone enjoys autonomy, safety and equal opportunities, which could be achieved by a broader approach to equality through intersectionality in the policy initiatives.



The next EU institutions must encourage member states to engage cities in reviewing and following up on equality strategies, and support capacity building and knowledge sharing among local governments to facilitate the development of inclusive urban strategies. Cities also call for evidence-based policymaking, based on data collected at national level on the characteristics of groups rendered vulnerable by the twin transition. Cities call for greater recognition of the growing number of incidents of violence against locally elected officials, particularly women.


Address the housing crisis in cities

In recent years, housing affordability has become a pressing issue, as housing costs outpace income growth, particularly affecting vulnerable groups like low-income households, single-parent families, migrants, and people with disabilities. Poor energy efficiency in dwellings is a problem experienced by 26% of the EU's population, with over 41 million Europeans unable to keep their homes adequately warm. Following austerity measures after the 2008 financial crisis, there has been a reduction in public spending on housing development.

Urgent action is needed to address the estimated €57 billion annual investment gap in affordable housing. Structural issues, including housing affordability and income disparities, also increase the risk of homelessness. Despite attempts to tackle this issue,

there are still at least 895,000 homeless people across Europe. Long-term investment in housing should therefore be complemented with transitional solutions ensuring a quick and adequate response to the homelessness crisis. The complexity of the housing crisis is being further fuelled by the surge in short-term rentals and global investors prioritising residential real estate as an asset rather than a social good.

European and national governments should promote broader investment in sustainable social and affordable housing, while addressing barriers like restrictive state aid rules. Specifically, we call for the revision of Decision 2012/21/EU on state aid for public service compensation to enable greater investments in housing and broaden the definition of social housing. In addition, a dedicated EU housing fund should be established as part of the EU's next multiannual budget to finance the construction of affordable and social housing units and the refurbishment of existing public housing. The creation of a European Union platform on Housing, similar to the European Platform on Combatting Homelessness (EPOCH), would facilitate multi-level governance and partnership approaches involving various authorities and housing providers.



Cities welcome the European Commission's efforts to combat homelessness and actively participate in initiatives like EPOCH, which allows them to access capacity building activities. We call on the European Commission to propose to the EU Council the adoption of a recommendation for an enabling framework recognising cities' role in addressing homelessness. Cities also urge the European Commission to financially support EPOCH members in developing and implementing a comprehensive work programme, emphasising local implementation of housing-led and housing-first principles. Finally, cities call for a better integration of homelessness prevention across various policy domains, emphasising a holistic approach to addressing homelessness.

Cities endorse the recent EU Short-Term Rental Initiative, with its data-sharing requirement for short-term rental platforms to address housing shortages and overtourism by preventing residential apartments from turning into tourist accommodation. Cities call for the establishment of a mandatory disclosure regime for institutional investors holding investments in real estate assets to enhance transparency and accountability in the housing market.

The Energy Performance of Buildings Directive, which mandates the establishment of at least one one-stop-shop per 80,000 residents to facilitate energy-saving renovations, is an important step towards boosting socially-just housing renovation. However, local authorities should be empowered with tools and data



to target energy-poor households effectively. To address a lack of available investment for retrofitting of social, affordable and public housing, cities call for EU funding streams and programmes to be harmonised through an integrated approach. The deployment of public funding will contribute to maintaining housing costs that are affordable for tenants after the renovation of rented housing units.

Empower cities to navigate labour market changes

The transition towards a digital and green Europe, alongside demographic challenges, will reshape Europe's labour market and will have a long-term impact on communities' livelihood. While some regions will benefit from job creation, others will face significant job losses and will need support for workers transitioning to new occupations. Europe's city governments are facing challenges with the local mismatch between the demand and supply of green and digital skills, largely due to disparities between ambitious environmental and digital policies and employment and skills policies lagging behind and inadequately addressing cross-sectoral mobility at the national level.



Skills required for many jobs will change, requiring continued education and training for workers. However, these changes will increase the risks of widening existing inequalities, particularly affecting underrepresented groups like women and lower-skilled workers.

Cities call for standardised definitions of green and digital skills and unified qualification efforts to address fragmentation in the existing skills system. As skills and labour market policies are often a shared responsibility between cities and national governments, local authorities are left to bridge these gaps with limited resources. In addition, involving cities in delivering the Green Deal Industrial Plan through skills development and partnerships with local enterprises can help attract talent and support marginalised workers.

Cities drive the local implementation of environmental and digital policies and directly support Europe's efforts to address labour shortages and achieve its commitments and targets. To address the negative effects of the twin transition, cities' capacities need to be enhanced to navigate and anticipate labour market changes and support their residents. The European Commission should provide funding to scale up local innovations related to skills development, recognition and certification, including initiatives that facilitate good practice exchanges on efficient labour market interventions, notably among public employment services.



Data collection disaggregated by location and industry is vital, especially to analyse the local socio-economic impact of environmental and digital regulations. Cities call on the European Commission to continue its plans to set up a European Just Transition Observatory which will monitor policy implementation and its local impact and provide stakeholders with actionable data and coordination. Cities also call for the European Commission to expand funding for research.

Demographic shifts, including an ageing population, will significantly impact Europe's workforce, with older workers expected to comprise 55% of the overall workforce by 2030. This will bring about labour market changes such as workforce shortages, skill gaps, greater age diversity and increased female workforce participation. The European Commission must urge member states to adapt their policies to foster participation of older workers in the labour market, including creating conditions for skills development and accessible and affordable life-long learning opportunities.
