

## WeLaR Newsletter

### Issue #12 / August 2025

#### Contents

##### Insights from WeLaR

[Europe's Welfare  
States at a  
Crossroads: What  
Project WeLaR Tells  
Us About Taxes,  
Work, and the  
Future of Social  
Protection](#)

[Europe 2040:  
Imagining the Future  
of Work and Welfare](#)

##### Insights from rEUsilience

[The State of Family  
Resilience in Europe  
Today: New Evidence  
to Support Policy  
Reform](#)

##### Insights from TransEuroWorkS

[TransEuroWorkS:  
Transforming  
European Work and  
Social Protection](#)

#### From the Editors

As our project draws to a close, we're taking a moment to reflect on our journey over the past three years, the knowledge we've gained and the ways we've put it into action through policy recommendations. This is also the perfect opportunity to look more broadly at the findings of our sister projects in the *Inclusiveness in times of change* call for research projects.

Three years ago, the Project WeLaR team responded to the Horizon call for research to "better understand the labour market impacts of the arising new forms of work on the European welfare systems, cast against a background of demographic changes, globalisation, digitalisation and a green transition." We also undertook to propose policies to help welfare systems adapt to these megatrends.

In this final issue of our Newsletter, Laurène Thil sums up our recommendations for coordinated action across Europe, on tax policy, labour rules, investment in skills, and the green transition, to future-proof welfare states. Europe needs a new social contract to ensure its most vulnerable citizens are not left behind. Laurène also discusses the results of a foresight exercise that examined four potential scenarios for Europe's future.

For this issue of the Newsletter, we also reached out to two sister projects that won funding under the *Inclusiveness in times of change* call: rEUsilience and TransEuroWorkS. rEUsilience, which is also wrapping up its three years of research, delivered recommendations on how policymakers can strengthen families, thus making the entire European economy more resilient. TransEuroWorkS, now entering its final year, is preparing recommendations for addressing challenges to European labour markets and welfare states that arise from the forces of digitalisation, the green transition, and the internationalisation of the workforce.

Many thanks to all who have walked alongside us on this three-year journey! We are confident that your contributions have helped us make a lasting impact on how European labour markets respond to the transformation of our economy, and how our welfare states protect our citizens.

The Editors



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## Insights from WeLaR



### Europe's Welfare States at a Crossroads: What Project WeLaR Tells Us About Taxes, Work, and the Future of Social Protection

*By Laurène Thil (HIVA KU-Leuven)*

**Europe's welfare states are widely regarded as a cornerstone of social cohesion: systems that redistribute wealth, protect the vulnerable, and provide the foundations for inclusive growth. Yet they are under unprecedented pressure. Ageing populations, technological disruption, and the demands of the green transition are straining the very mechanisms that make these systems work.**

[Project WeLaR](#) lays bare both the challenges and the opportunities ahead. Drawing on comparative evidence from across Member States, the research highlights where Europe's fiscal and labour market systems are succeeding, and where they are facing challenges. Its conclusion is stark but hopeful: with bold policy moves, coordinated across the continent, Europe can renew its social contract for a changing world.

#### **Taxation, Redistribution, and the Welfare State**

WeLaR's [analysis shows](#) that Europe's tax-and-transfer systems still play a decisive role in reducing inequality, but to ensure they continue to deliver on this promise, policymakers need to toughen up tax rules and focus on social investment.

While progressive income taxes and generous social transfers remain powerful tools for redistribution, effectiveness varies widely between Member States, shaped by divergent tax structures and benefit regimes. The reliance on consumption taxes in some countries undermines equity, disproportionately affecting lower-income households. Meanwhile, loopholes in corporate and capital taxation erode fiscal capacity. Without reform, these weaknesses threaten to blunt the redistributive impact of welfare systems already weakened by globalisation and demographic ageing.

The researchers argue for a stronger focus on taxing wealth and capital, closing corporate loopholes, and clamping down on tax avoidance and evasion. At the same time, they say social investment in childcare, healthcare, and education is essential for both productivity and inclusiveness.

Green taxation adds another layer of complexity. Carbon pricing is essential for decarbonisation, but its regressive impact must be offset. WeLaR points to revenue recycling – the use of green tax inflows to fund social protection and targeted support for vulnerable groups – as the way to ensure climate policies remain fair and publicly acceptable.

The message is clear: Europe must adapt its welfare states to new realities—or risk leaving citizens behind.

### **The Paradox of Labour Shortages and Poor Working Conditions**

Alongside fiscal strain, Europe faces a worsening labour market paradox: employment rates are at record highs, yet hospitals, construction sites, and ICT firms all report acute staff shortages. Ageing populations and skill mismatches are partly to blame, but so too are poor working conditions. Stronger institutions and better training policies hold the key.

According to WeLaR researchers, the problem is not just numbers; [it's job quality](#). Poor pay, insecure contracts, and limited career prospects make many jobs unattractive, deepening mismatches between labour demand and supply.

The role of labour market institutions is decisive here. Employment protection legislation, collective bargaining, and strong trade unions remain crucial for safeguarding rights, reducing inequality, and fostering stability in times of rapid change. Policies that promote upskilling, reskilling, and lifelong learning, particularly in fast-growing green and digital sectors, are also essential.

Europe cannot simply chase numbers in the labour market. It must make work attractive, equitable, and sustainable.

### **The Shifting Shape of Work**

Technological disruption, the green transition, and demographic ageing are not only altering who works but also what work looks like. These interlinked megatrends demand a comprehensive policy response.

Automation and artificial intelligence are polarising labour markets, displacing routine tasks while boosting demand for high-skill roles in ICT, engineering, and knowledge-intensive services. At the same time, Europe's climate agenda is creating new opportunities in renewable energy and energy efficiency, while steadily phasing out carbon-intensive industries.

Demographic change adds another twist: as the population ages, demand for health and care services surges. The result is a patchwork of expanding and declining jobs across different regions, raising the risk of deepening inequalities. [WeLaR's recommendation](#) is for more integrated policy approaches, linking industrial, education, and labour market strategies to manage transitions and avoid regional divergence.

### **Prioritising Inclusion**

Despite record-high labour market participation rates, Europe still excludes many who could contribute, and faces shortages in vital sectors. Migrants, young people not in work or education, individuals with disabilities and those with low education remain underrepresented in the workforce.

The solution lies [in targeted inclusion strategies](#): affordable childcare, family-friendly leave, flexible work arrangements, and active labour market programmes that prioritise job placement and upgrading of skills. At the same time, lifelong learning must become a structural pillar of labour market policy, supported by social partners and employers.

Here too, megatrends like digitalisation and climate change reshape the equation. Digital tools like gig platforms and remote collaboration software can open up opportunities and make schedules more flexible — but they also risk deepening exclusion for those without digital literacy. Green jobs can create new entry points, but displaced workers in carbon-intensive industries need retraining and transitional support.



## A Call for European Action

After three years of in-depth research and data analysis, Project WeLaR shows that Europe cannot rely on piecemeal national reforms. The evidence shows that only coordinated action at EU level, on tax policy, labour standards, skills investment, and the green transition, can prevent harmful competition between Member States and ensure that no region or group is left behind.

The researchers emphasise that the welfare state should not be seen as a relic of the past, but as Europe's most powerful instrument for navigating the challenges of the 21st century. Yet the window for decisive action is closing fast.

Without adaptation, our systems will lose their redistributive power under the pressures of ageing, globalisation, and technological change. But with the right reforms, Europe can strengthen fairness, resilience, and social cohesion for decades to come.



## Europe 2040: Imagining the Future of Work and Welfare

*By Laurène Thil (HIVA KU-Leuven)*

**In just 15 years Europe could be thriving, with millions of new green and digital jobs, or weighed down by struggling economies and welfare systems buckling under pressure.**

To explore what developments could lead to these divergent outcomes, Project WeLaR brought together experts and stakeholders for a foresight exercise. Their task was not to predict the future, but to imagine how Europe's labour markets and welfare states might evolve under different global, technological and environmental pressures. The purpose was to use these imagined futures as a testing ground, and in this way help policymakers spot opportunities, stress-test ideas, and prepare for risks before they arrive.

So what might tomorrow hold, and what can Europe do today to shape it? The group developed four scenarios.

### Four Futures for Europe

#### **1. Structured Transformation, a high-ambition success story**

In this optimistic future, Europe acts decisively on climate while harnessing advanced technologies. Coordinated governance aligns innovation, sustainability, and social protection. New green and digital jobs flourish, supported by large-scale reskilling and lifelong learning. Welfare systems become smarter and more efficient, even personalising services through AI. Yet inequalities between regions persist, reminding us that some fault lines will remain even in the most successful outcome.

#### **2. The Not-So-Good Scenario, fragmented gains, widespread precarity**

Here, technology sprints ahead, but political will for climate action falters, and global cooperation weakens. Prosperity clusters in elite hubs, while workers elsewhere face instability and exclusion. Welfare systems, underfunded and biased by algorithmic tools, lose public trust. To cope, experts proposed measures such as a Digital Fair Work Charter to regulate algorithmic management, and an Inclusive Access Fund to open up training and other opportunities to underrepresented groups.

#### **3. Good Old Stagnant Europe — stability at a cost**

This scenario imagines a Europe reluctant to change. Innovation slows, climate ambition remains modest, and traditional sectors are preserved. The trade-off is stagnation: jobs are stable in the short term, but skills go underused and welfare provision becomes patchy and localised. To keep communities afloat, policies such as a Community Skills Guarantee and Localised Social Pacts are suggested, aiming to support training and welfare provision tailored to regional needs.

#### 4. The Downsizing Scenario — stretched by ambition

In this world, Europe sets ambitious climate goals but lacks the technological dynamism and fiscal capacity to deliver smoothly. The green transition moves unevenly, displacing workers in carbon-intensive industries and straining welfare systems already burdened by demographic change and regional disparities. Recommendations here include a Green Skills Access Programme and Local Public Goods Compacts to maintain affordable housing, energy and transport in affected communities.

#### Common Threads, Shared Risks

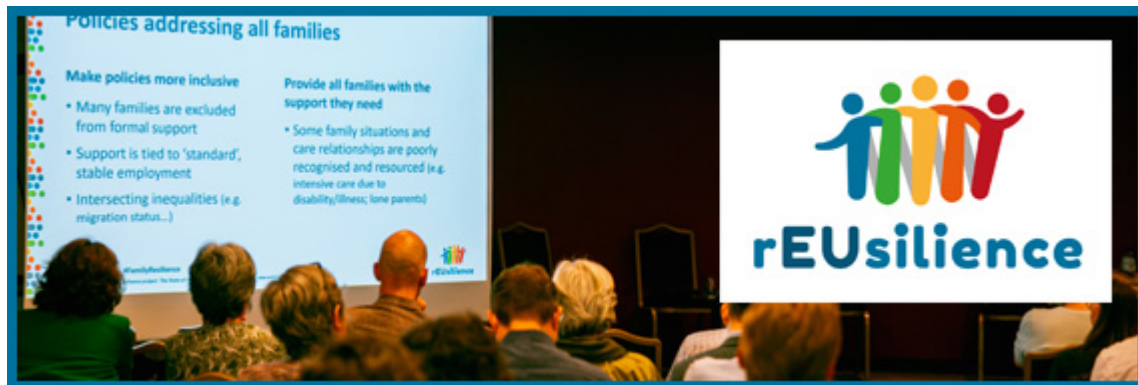
Though each scenario diverges, common threads run through all of them. Inequality — between skills groups, regions and generations — is a persistent danger. Education and lifelong learning are critical levers of resilience, no matter what. Welfare systems must evolve beyond cash transfers, securing access to essentials that anchor people in the midst of volatility. And fragmented governance remains a recurring risk: siloed climate, labour, industrial, and welfare strategies could undermine even the most promising transitions.

Across all scenarios, participants identified policies that hold value in any future. These include sustained investment in green and digital skills, linking income support to active labour market measures, expanding access to housing and childcare, stronger coordination between EU, national and local levels, and building permanent foresight capacity to monitor and adapt strategies.

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## Insights from *rEUsilience*

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## The state of family resilience in Europe today: new evidence to support policy reform

*By Holly Shorey, COFACE Families Europe*

**Europe is facing a range of challenges, from an ageing population to increasing financial insecurity, growing inequalities and evolving work practices. While policymakers know that adapting to these changes is key to a resilient European economy, this is usually only discussed in relation to individuals. What's left out of these conversations is the family, where resources and capacities are fundamentally shaped by close relationships formed within this setting.**

The rEUsilience project has taken a deep dive into family life, studying not only how families operate but, more importantly, how they cope with the many challenges they face. They go through transitions of work and care, family life is far from static. Using a range of methodologies, including focus groups and analyses of large data sets, the researchers identified several important limitations to families' capacities for resilience.

Key headlines are:

**We must see families beyond households, in their different forms and in all their diversity.**

Crucial research highlighted that European social surveys struggle to identify family relationships, obstructing how we can observe the care relations in and between households. This means that family types such as multi-generational households, single parent families, and blended families can be hidden from our view which of course has implications for policy interventions (or the lack of) to support these families. rEUsilience developed the 'Families in Households Typology' (see [here](#) in Community, Work & Family Journal) to propose a new way at identifying families in and between households, helping us to better see all families in their diversity.

**Groups with the greatest need for resilience against labour market risks have the least capacity to avoid poverty.**

[rEUsilience](#) research shows that those most exposed to labour market risks, such as single parents and lower-educated individuals, are also those with the least resources to be resilient, reflecting a double disadvantage (see [here](#)). When looking at adaptive strategies families would use if they had the resources they need, rEUsilience research shows that earlier decisions regarding the division of labour within households often persists. For example, in traditional breadwinner households, adaptive responses to men's unemployment (such as increased employment for women or working additional hours), remained rare (see [here](#) in PLOS One journal). rEUsilience focus groups with 300 families across Europe showed that families in Europe face multiple, intersecting or 'compounded' risks such as financial scarcity, time scarcity and scarcity of secure paid work, often due to care responsibilities (see [here](#) in our rEUsilience book). Because many families juggle care, work, and resources, this oftentimes creates substantial trade-offs where caring for children and adults is at the centre and which means that these families rarely have 'optimal' choices available to them. Rather, they seek to navigate this 'care trilemma', meaning that making a choice in one sphere often leads to deprivation in another.

### **rEUsilience Policy Lab**

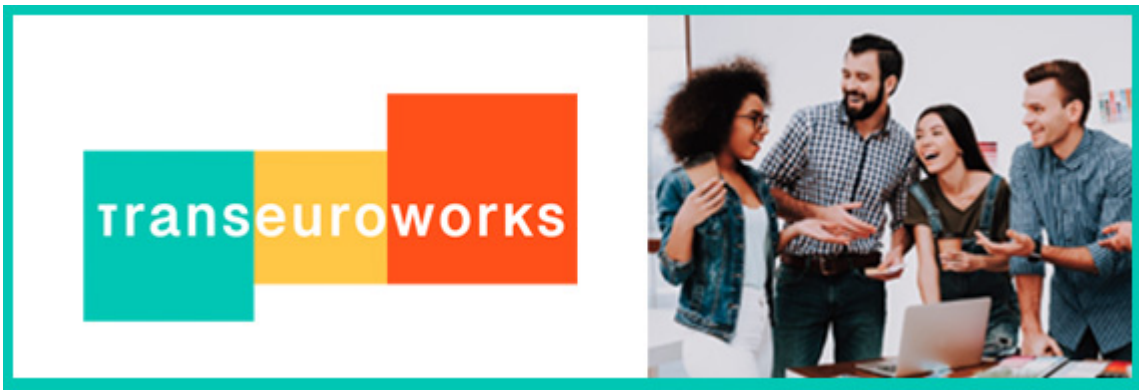
rEUsilience set up an innovative [Policy Lab](#) where family organisations, policymakers, civil society, social partners and analysts came together to road test policy solutions to support families. Together policy lab panellists and rEUsilience researchers developed crucial policy advice regarding ensuring better income support for families with children, with a particular concern for low-resourced families, closing the childcare gap, and putting in place a comprehensive network of family support services. This was complemented with a set of 15 policy principles covering issues of policy coverage (endorsing a universal approach), adequacy (in terms of the amount and sufficiency of benefits or leaves), inclusion (recognition of family diversity and needs), and the absence of gaps in and between policies. Read more [here](#). The last output of the Policy Lab is a 'Roadmap for boosting the rights and resilience of European families' (soon to be published) which lays out key recommendations and identifies the conditions for their implementation. The recommendations centre on rolling out peer exchanges on family support through the European Child Guarantee, promoting social investments for family resilience and strengthening support services for families under the European Social Fund +, and improving data infrastructure and monitoring of families and care relations.

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**Insights from TransEuroWorks**

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## TransEuroWorkS: Transforming European Work and Social Protection

*By TransEuroWorkS Team*

**Global challenges such as digitalisation, the green transition, and the internationalisation of the workforce are significantly impacting the European labour markets, causing growth in some sectors while reducing labour demand in others. These changes have important implications for workers, households and businesses. [TransEuroWorkS](#) explores how these challenges affect Europe's labour markets and how welfare states can help mitigate their potential negative effects.**

### **Key findings**

#### ***Employment status is key to unemployment benefits***

Silvia Girardi, Anna Ilsøe, and Trine Pernille Larsen, our partners from the University of Copenhagen, produced [a working paper](#) examining how non-standard employment affects access to unemployment benefits in six European countries. They find that employment status is the most important factor for accessing benefits, especially for the self-employed, who often face stricter or separate eligibility rules. Contract length and working hours also play a role, but their influence varies across countries. Where eligibility criteria are more restrictive, workers in non-standard employment face greater barriers to accessing benefits.

To close these gaps, eligibility rules should be harmonised and made more inclusive across employment types. Lowering thresholds for working hours and earnings, shortening qualifying periods, and making benefits portable would help. Strengthening collective bargaining and updating social protection systems to match current labour markets would support income security for all workers, regardless of contract type.

#### ***Age, education and country context are key contributors to fiscal gap between migrants and natives***

Giacomo Boffi, Eduard Suari-Andreu, and Olaf van Vliet, our partners from Leiden University, published [a working paper](#) that examines the net fiscal position of migrants and natives in 15 European countries from 2007 to 2018. The study builds on an earlier working paper which shows that for most countries and years, migrants tend to have a less negative net fiscal position compared to natives. Subsequently, the researchers examine the determinants of the fiscal gap between migrants and natives, finding that to varying degrees, age, education and country context are the largest contributors to the gap.

Furthermore, the study finds important differences between intra-EU and extra-EU migrants. More specifically, education has a positive effect on the net fiscal contribution of EU migrants, while it is nearly irrelevant for extra-EU migrants. In this regard, better coordination between European and extra-European educational institutions could potentially reduce inefficiency in the allocation of human capital. At the macro level, the European labour market and the welfare states of EU members could benefit from such coordination. At the micro level, migrants would be better integrated into society and suffer less from skill mismatches.

#### ***Stigma discourages fathers from using flexible working arrangements***

Heejung Chung, our partner from King's College, and Hyojin Seo published [a paper](#) in *Social Indicators Research* exploring how national context shapes the stigma attached to flexible work. This stigma can discourage workers, especially fathers, from using flexible working arrangements and reinforce gender inequalities in the labour market.

The paper finds that the stigma is lower in countries with stronger work-life balance cultures, more egalitarian gender norms, generous family-friendly policies, and stronger worker bargaining power.

Expanding family-friendly policies, such as public childcare, and strengthening worker bargaining power can change social norms around work and gender. These steps reduce negative perceptions of flexible work and help make work-life balance accessible to all workers.

### Compliance with Work-Life Balance Directive is uneven

Ieva Zumbyte and Dorota Szelewa, our partners from University College Dublin, produced [a policy brief](#) examining whether European Union member states changed their policies to comply with the Work-Life Balance Directive. Research on seven countries finds that compliance is uneven. While all countries meet requirements for carers' leave, compliance with flexible work arrangements is lower, mainly because many policies do not cover carers for relatives other than children. Paternity and parental leave are the most difficult areas, with several countries failing to meet eligibility or compensation standards, and only three countries fully compliant on the non-transferable part of parental leave.

To advance gender equality, policies should ensure that compensation is high enough to encourage fathers to take leave, and that all workers with caring responsibilities, not just parents, are covered. Clear information and simple application processes are also essential. These policies should be accompanied by broader cultural changes that support caregiving as a shared responsibility.



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