

CHAPTER 2: SOCIAL AND ENVIRONMENTAL ROLLBACKS

The 2017 European Pillar of Social Rights and the 2019 European Green Deal (EGD), in the context of loosening EU fiscal framework between March 2020 and April 2024, have stimulated a number of positive social and environmental developments – that have already been discussed and criticized in previous EuroMemoranda. These are now being squeezed between the search for global competitiveness, neoliberal pro-business regulations and militarization, in a renewed economic and political context.

The launch of the Omnibus process of deregulation, that weakens firms' responsibilities towards workers' rights and the environment and significantly reduces the scope of social and environmental legislation, represents an attack on democratically achieved social and ecological standards.

2.1. Social and environmental setbacks

Social and ecological goals squeezed between 'sustainable' competitiveness and militarization¹

The shift towards 'sustainable competitiveness', referring to competitiveness achieved through increased productivity, badly hides social and environmental setbacks. The EU 'deregulation' and 'simplification' agenda in the framework of the Competitiveness Compass consists in dismantling protective labour, social, environmental and digital regulations. 'Competitiveness' became the argument against holding corporations accountable for green, social and human rights standards in their supply chains, from child labour and modern slavery to oil spills and climate-heating emissions. The weakening in December 2025 of the Corporate Sustainability Due Diligence (CSDD) Directive is the latest illustration of this 'simplification' agenda. This shift is expected to produce drastic negative social and economic effects, not just for the Global South but also for the European Union (Jäger et al., 2025)

The new agenda also sharpens the common division between social protection, considered unproductive, and social investment, considered productive, i.e. sustaining competitiveness. Whereas social expenditures are subjected to systematic cuts, social investment is still (more or less) preserved.² Further, the new

¹ This section partly reflects arguments made by Maria Karamessini in her keynote speech at the 31st EuroMemo Conference in Athens 2025.

² Significantly enough, ESF+ funds were saved at the last moment from disappearance in the proposal for the new EU budget 2028-2034.

agenda neglects existing tensions between competitiveness and social cohesion. Because member states have differential capacities for technological innovation, there is a need for specific measures to support left-behind countries or regions.

The militarization shift materialises in huge increases in military expenditures to reach the NATO target of 5% of the GDP by 2035 (with the possibility to temporarily activate a national escape clause). Militarization may of course enhance economic growth – although with low multiplier effects – and contributes to job creation, but in a way that is contrary to human well-being and the need for the social-environmental transition.

Especially in times of pervasive austerity, military expenditures clearly compete with social and environmental spending. First, not all member states will use the escape clause, especially those facing high borrowing costs. Second, fiscal consolidation policies imposed on countries in excessive deficit procedures (currently 9 countries, probably 10 soon) limit their ambitions. Finally, larger fiscal space would be necessary for investments that are urgently needed to meet major challenges other than war: climate change, possible pandemics, migrations and population displacement, ageing, unemployment, poverty. Finally, the issues are not just about financial spending, but about the development of power relations, economic and, even more, societal structures.

Defenders of human rights, social justice, and the environment under pressure

In the European Parliament, NGOs defending human rights, social justice, democracy and the environment are under pressure from the European People's Party and the far-right political groups. For instance, a Scrutiny Working Group on NGOs has been set within the Committee on Budgetary Control (CONT) to delegitimize their action and lead to their de-funding at EU level; this would be a huge blow to many key NGOs.³ While EU institutions and leaders warn against authoritarian forces, they themselves act in an increasingly authoritarian manner, especially towards social, environmental, democracy and peace movements. NGOs that strive for transparency, want to include military emissions in the total emissions calculations, or campaign against lobbying and armament are particularly subjected to political and administrative pressure. (Joint Civil Society Letter, 2025)

These pressures align with the regressive ideology of the far right, which seeks to move 'forward into an idealized past'. This perspective not only involves denying environmental and health hazards (climate, loss of biodiversity, pollutants), but also rejecting social justice claims, curtailing women's rights (e.g. abortion) and fighting

³ For details see A. Neslen, 'Rightwing MEPs threaten huge funding freeze for environmental NGOs', Guardian 4/2/25.

against ethnic and cultural diversity, which is perceived as a threat to their own privileges.

2.2. The Omnibuses against democratic, social and environmental progress

After the European elections of May 2024, while the right and far-right had grown in the European Parliament, the European Commission prepared guidelines for the 'simplification' of existing regulations to be included in the Omnibus packages.⁴ Ten Omnibuses have been put forward by the Commission, and more are to follow.

Watering down corporate social and environmental responsibilities

The first Omnibus package significantly undermined companies' social and environmental obligations. It notably watered down the objectives of the 2020 Taxonomy regulation and two (already inadequate) directives on corporate responsibility:

- the 2022 Directive on Corporate Sustainability Reporting Directive (CSRD) providing for obligations for large companies to publish regular reports the way their activities may affect people and the environment
- and the 2024 Directive on Corporate Sustainability Due Diligence (CSDDD), that aims at promoting sustainable and responsible corporate behaviour in companies across their global value chains.

While companies were already pushing in that direction, the Trump administration's tariff policy added a new pressure. The alliance of the European People's Party with far-right groups in the European Parliament allowed for this process (Box 1).

Box 1. The Omnibus to weaken corporate social and environmental obligations

On 16 December 2025, the European Parliament approved the Omnibus I deregulation package, a move resulting from the joint votes of conservatives and far-right parties. This package amended the CSRD and CSDDD, notably delaying application dates to "simplify" sustainability rules. Sustainability reporting and due diligence requirements for companies were reduced as follows:

- social and environmental reporting will only apply to EU companies employing over 1,000 employees and with a net annual turnover of over €450 million. The net turnover threshold has also been increased for non-EU companies to €450 million generated in the EU,

⁴ Von der Leyen had been elected Commission President with the support of far-right votes. Jordan Bardella, chairman of the European Parliament's far-right Patriots for Europe, called for abolishing the EGD as 'a constraint on economic growth' and a threat to French workers.

- reporting requirements will become more quantitative, while sector-specific reporting would become voluntary
- new rules allow smaller companies below 1,000 employees to refuse reporting information beyond what is set out in the voluntary standards
- only large EU corporations with more than 5,000 employees and a net annual turnover of over €1.5 billion will need to carry out due diligence
- businesses within the scope of the revised due diligence rules will no longer need to prepare a transition plan to make their business model compatible with the Paris Agreement. They will remain liable at national rather than EU level for non-compliance and could face fines of up to 3% of the company's net worldwide turnover, the guidance on which will be provided by the Commission and member states.

The European Commission also proposed in 2025 a '28th company law regime', an EU-level company law framework for 'innovative companies', an undefined concept referring to start-ups and scale-ups. Such a framework could allow EU companies to circumvent national law for a lighter European regime. This will negatively affect labour rights, as well as taxation, social security, and insolvency rules; produce loopholes and provide insufficient safeguards for workers' participation; and facilitates the creation of 'letterbox' companies and social dumping. (Meyer-Erdmann&Hoffmann, 2025)

Moreover, on 16 December 2025, the committees of the European Parliament adopted compromise amendments to the Defence Readiness Omnibus that substantially revise how exemptions from EU chemicals legislation would apply to defence-related activities. The next day, the Council formally adopted a Regulation incentivising defence-related investments under the ReArm Europe Plan by making 'legal adjustments aimed at supporting faster, more flexible and coordinated defence-related investments across the EU'.

Watering down emissions reduction and pollution targets

In November 2025, shortly before the start of the COP 30, the European Parliament voted for a 90% emissions reduction target by 2040, though permitting the use of the carbon credits mechanism to achieve this goal. The 2030 target can still be met by less ambitious measures and 2050 remains distant enough to avoid necessary action.

In December 2025, the EU amended again the 2023 Deforestation Regulation aiming to bring down greenhouse gas emissions and biodiversity loss, by postponing its implementation and reducing companies' obligations. In addition, the Commission backed the Council's proposal to postpone by another year the application of the 2023 ETS2 that aimed at extending the 2005 Emissions Trading System (ETS) to cover emissions from buildings, road transport and additional sectors by 2027.

The European Commission is officially sticking to the agreed emission reduction targets, but does far too little to meet them. EU institutions are taking steps back from their own initiatives as regards corporate responsibility, forest protection

or the end of combustion engines. The argument is that the population must not be overburdened by ecological measures and, above all, that global competitiveness and military armament must not be negatively affected by ecological standards.

Meanwhile, public health is being sacrificed. The Commission is pushing for fewer controls for all pesticide active substances, making unlimited authorisations the rule, extending grace periods to up to three years for banned substances and removing the current requirement for authorities to consider the scientific and technical knowledge in their assessment. The 8th omnibus (Omnibus VIII) Commission proposal adopted on 10 December 2025 raises major concerns (Box 2).

Box 2. The Omnibus VIII proposal on environmental legislation

The Omnibus VIII (Commission proposal adopted on 10 December 2025) seeks to “simplify” the environmental legislation “in the area of industrial emissions, circular economy, environmental assessments and geospatial data”. It consists in rollbacks on key laws, including the revised Industrial and Livestock Rearing Emissions Directive (IED 2.0) and the Regulation establishing the Industrial Emissions Portal, which were just adopted in 2024. It provides for:

- reduced requirement to assess safer substitutes for hazardous chemicals
- no obligation for energy-intensive industries to explain how they will transition to climate-neutral and circular production
- further delays to catch up with state-of-the-art pollution prevention standards
- exclusion of organic poultry farms from the scope of the IED, and exemption for large poultry and pig farms from reporting basic resource use
- revision of the Waste Framework Directive to reduce the duty to inform on chemicals manufactured in and imported to the EU
- softening the Batteries Regulation aimed at the sustainability and safety of batteries
- rules on environmental assessments to accelerate the permission for energy infrastructure, storage, grids, etc.
- problematic amendments for the Renewable Energy Directive, the Electricity Market Directive, and the Gas Market Directive.

All in all, Omnibus packages ignore the effects on people and the planet. The free-trade agreements completed in 2025 and in the beginning of 2026 (Chile, Indonesia, Mercosour, India) adds to the Omnibus process and increase globally social and ecological destructive effects: greenhouse gases, biodiversity losses, the exploitation of workers and the destruction of local economies.

2.3. Wages, employment and poverty

Minimum wages. In 2025, the Minimum Wage Directive 2022/2041 has been transposed in most EU member states and consolidated after being challenged. On 11 November 2025, the Court of Justice of the EU confirmed its validity against the

Danish and Swedish 2023 action for annulment.⁵ The Directive has prompted the revaluation of minimum wages and become an important driver of structural minimum wage growth.

Poverty and social exclusion. In 2024, 21% of the EU population were living in a household at risk of monetary poverty, material and social deprivation and/or with very low work intensity. Although the European Pillar of Social Rights (EPSR) recognises the 'right to adequate minimum income benefits ensuring a life in dignity at all stages of life', in no member state does the minimum income scheme lift recipients above the poverty line or guarantee a decent living.

Housing crisis. Real wages recovered in 2024 and 2025, but housing costs grew faster than the inflation and disproportionately affect minimum wage earners who devote a larger share of their income to housing. In Slovenia, France and Portugal (three countries that met or nearly met the adequate minimum wage criteria in 2024), the estimated cost of renting a one-bedroom apartment ranges from 86.1% (Slovenia) to 95.5% (France) and even 172.4% (Portugal) of the minimum wage (ETUC-ETUI, 2025). Due to excessive housing costs, minimum wages in these countries are thus inadequate.

Employment slowdown, job losses and layoffs. After years of sustained rise (2013-2018 and 2020-2022), employment growth has recently decelerated. In Q3 2025 the unemployment rate was 5.8%, but unmet employment needs represented 11% of the extended labour force (23.9 million persons) (Eurostat, 2025b). Youth unemployment was also particularly high (15.2%). Besides, as restructuring processes continued in 2025, additional lay-offs were announced, including in strategic sectors (ETUC-ETUI, 2025). Despite its crucial character for the green transition and competitiveness, employment in the circular economy slightly decreased, contradicting the environmental sustainability objectives (Akgüç et al.).

Job quality and working conditions. Quality employment is critical for competitiveness, but job precariousness and bad working conditions remain major issues.

2.4. Social inequality, pollution and climate change

Social inequality. Whereas EU-wide income inequality declined in the long run (2006-2021) due to significant income growth in central and eastern member states, there is considerable contrast in the national situations. Fiscal retrenchment

⁵ According to these countries (without a statutory minimum wage), the Directive exceeded the EU's competence. They argued wage-setting should remain under the competences of social partners.

contributed to the rise of income inequality in several member states (Vacas-Soriano, 2024). The share of people below the poverty line has risen in two-thirds of member states.

Wealth inequality is even more marked. In 2021, in the EU, *‘The richest 5% of the population hold more than 40% of the total wealth in Estonia, Spain and Germany, between 30% and 40% in most countries, and at least 25% even in the most equal country, Slovakia. Meanwhile, the poorest 50% of the population hold only 4% of total wealth in Germany, around 10% in most countries and a maximum of 17% in Slovakia’* (Vacas-Soriano, 2025). Since housing disparities play a crucial role in explaining overall wealth inequality, housing policies could play a crucial role in reducing these inequalities, together with progressive income and wealth taxation (Darvas et al., 2025).

Social inequality is intricately involved in climate change and pollution that threatens the whole planet. At the global level, most Europeans belong to the richest 10% and the EU bears more than a quarter of the responsibility of climate change (Oxfam, 2025, p.73). At the EU level, *‘the richest 10% produce as much carbon as the bottom 50% combined’* and *‘someone from the richest 0.1% of Europeans emits 53 times more carbon than a person from the bottom 50%’* (Oxfam, 2025, Figure 1),

While the richest 0.1% increased their emissions (by +14%) between 1990 and 2022, the bottom 50% significantly reduced theirs (-27%) (Oxfam, 2025). Ordinary households thus bear most of the burden of carbon cuts. The super-rich are both overconsuming carbon and overinvesting in polluting activities, while also over-influencing climate negotiations – though lobbying or disinformation – and weakening their ambition. The poorest for their part are overexposed to the impact of climate change and pollution. To stay within the 1.5°C limit, everyone in the EU must cut their carbon emissions. The emissions of the super-rich 0.1% and the richest 10% should be a priority in the EU because they are the easiest (and the fairest) to cut. But since everyone in the EU must reduce their emissions *‘small steps will not work, transformation is essential’* (Oxfam, 2025).

The UN Global Environment Outlook report released on 9 December 2025 confirmed that environmental degradation destroys millions of lives, costs trillions every year, and that failure to act will have ever more considerable impact and come at an increasingly high price. It points to annual gains of at least US\$20 trillion that could be achieved by transforming five ‘key systems: economy and finance, materials and waste, energy, food and the environment.’ (UNEP, 2025).

2.5. Proposals

Considering Europe's historical responsibility in climate change, EU institutions should adopt an ambitious strategy instead of watering down their targets. Taxing the richest and excess profits (especially in fossil industries) should be a priority, together with regulating and prohibiting luxury emissions. It would enable both reducing social and carbon inequalities and investing in the transformation of the EU economy.

A crucial challenge is to protect the already achieved democratic, social and ecological standards. EU citizens in their majority (77%) support binding rules to hold companies accountable for their climate and human rights impacts (IPSOS, 2025). After the adoption of the Omnibus I package, member states have less than 3 years to incorporate the CSDDD into national law, and can still correct the damage they allowed in Brussels in December 2025. The remaining rules for corporate accountability⁶ still represent a foundation that can be built upon (BHRC, 2025).

The disclosure of power structures and political practices can be part of a strategy of progressive social movements helping people to mobilise. For instance, the Dutch NGO SOMO uncovered how a secretive alliance of eleven multinational companies – including some of the most powerful fossil fuel companies in the world – influenced EU law-making, undermining democratic accountability and the EU's credibility as a leader on human rights and sustainability (de Leth, 2025). Similarly, the EU Ombudswoman and her predecessor highlighted that the Commission bypassed democratic processes, especially as regards the CAP and corporate sustainability through Omnibus I. Specifically, it used an unjustified 'emergency' procedure lacking transparency, inclusivity, and scientific basis (Puymartin et al., 2025).

Together with restrictive regulations, price and tax measures could contribute to the combat against climate-damaging emissions. Right-wing populists and extremists are mobilising against the ETS2 and climate protection⁷. EU member states should be able to choose between participating in the ETS2 and setting their own CO2 taxes and climate levies. However, EU institutions should set clear and binding reduction targets for climate-damaging emissions and impose tough sanctions if these targets are not met. There must be clear reduction paths and flexibility for EU member states (Hübener, 2026, p. 15).

Another challenge is to combine environmental policies with social justice. Ecological measures must go hand in hand with measures to ensure social justice and

⁶ These rules include the duty for large companies to respect human rights and environment in their global value chains, to identify, prevent, stop and remediate harm to workers, communities, and the environment, and to ensure full compensation to victims of corporate abuse.

⁷ Romania and Poland want to delay the introduction of ETS 2, already postponed to 2028, until 2031, while Slovakia is completely opposed to ETS 2.

full protection for vulnerable groups. Housing needs must be met through active housing policies (construction, price and tax regulations) and low-income households must also be supported through the rise of minimum wages and minimum income guarantees, together with extended public services. Employment programmes should develop jobs in strategic sectors (construction, transportation, circular economy, etc.). A carbon tax must benefit the population in the form of climate investments in infrastructures to meet mobility and heating needs. In all EU countries, the wealthiest should pay a significant amount for their CO₂ emissions. The revenue from the ETS should be used specifically for climate investments.

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