

# Strong public services for a prosperous Europe: building on Enrico Letta's vision for a stronger single market

---

**Policy briefing** | Sebastian Mang | September 2024

Enrico Letta's landmark report<sup>1</sup> on the European Union (EU) single market makes the case for the importance of public services, referred to as "services of general interest" (SGIs), in building a healthy society for a strong and prosperous economy. The former Italian prime minister was tasked by the European Council and the European Commission to set out a strategic vision for enhancing competitiveness in the EU. A key recommendation is for "accessible, affordable, adaptable Services of General Interest across all regions" and "an Action Plan for high-quality SGIs in Europe". These include water and sanitation, healthcare, housing, education, energy, transport, access to essential banking, social services, and digital communications. Letta argues that gaps in the universal service provision prevent a number of EU citizens from effectively accessing the single market. His central logic is that strengthening SGIs will foster social and territorial cohesion across Europe, allow for shared prosperity through the single market, increase productivity and improve the resilience of our societies and economy.

Furthermore, the recent cost of living crisis, anti-green backlash, and growing discontent and mistrust of politics have underlined the importance of prioritising wellbeing and social cohesion. It is now clear that both the climate crisis and related mitigation and adaptation measures will impact certain groups and regions more than others, exacerbating already existing social inequalities and leading to new constellations of disparities. If the EU is to deliver on the European Green Deal pledge to "leave no one behind", it needs a stronger

---

<sup>1</sup> Letta, E. (2024). *More than Markets. Speed, security, solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*. European Council.

<https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

focus on the role of SGIs in reducing emissions and delivering social cohesion in the transition to a low-carbon economy.<sup>2</sup> In this paper we lay out the case for the EU to prioritise progress on SGIs and set out key policy recommendations.

## **Public services strengthen our economy, productivity and competitiveness**

Enrico Letta is absolutely right to emphasise that SGIs are essential to the EU's ongoing efforts to strengthen competitiveness. Collective measures that deliver life's essentials, such as housing, healthcare, education, energy and transport, play a foundational role in creating the conditions necessary for a thriving, competitive economy. These not only meet basic needs but also contribute directly to the development of a skilled, healthy and capable workforce—the backbone of any competitive economy.

For example, a robust public healthcare system supports workers to be healthier and better able to contribute to the economy, reducing absenteeism and improving overall productivity. Accessible and high-quality education services, from early childhood through to higher education and vocational training, equip individuals with the skills and knowledge needed to excel in the workforce. This, in turn, fosters innovation, drives technological advancement, and enhances the EU's ability to compete globally in high-value industries.

Moreover, SGIs can contribute to territorial cohesion by ensuring that even the most remote or economically disadvantaged regions have access to everyday necessities. This prevents the concentration of economic activity in already prosperous areas and promotes balanced regional development. By providing reliable public transport, affordable energy and quality education across all regions, the EU can reduce regional disparities, making it easier for businesses to operate anywhere within the Union. This not only enhances the overall competitiveness of the EU but also ensures that economic growth is inclusive and sustainable.

Inflation has driven up the cost of living, particularly in areas such as housing and food. Some climate policies, such as the Emissions Trading System for transport and heating will likely also increase prices.<sup>3</sup> Improved and more affordable SGIs can alleviate the financial

---

<sup>2</sup> Coote, A. and Mang, S. (2023). *Universal Basic Services: a Greener, More Affordable Life for All*. Green European Journal. <https://www.greeneuropeanjournal.eu/universal-basic-services-a-greener-more-affordable-life-for-all/>

<sup>3</sup> Social Platform (2024). *Position paper – Rebalancing the European Green Deal Towards a Green and Social Deal*. Social platform. <https://www.socialplatform.org/content/uploads/2024/03/Position-just-transition-2024.pdf>.

pressure on households, reducing their cost burden. When basic needs are met through accessible, sustainable, affordable public services, individuals retain more disposable income,<sup>4</sup> which they can then spend on other goods and services. This increased consumer spending acts as a demand-side stimulus, vital for maintaining a dynamic and resilient single market. At the same time, improving accessibility and quality SGIs would generate new employment at all skill levels to all corners of Europe. Most would be low-carbon jobs, where services depend on people and relationships rather than on energy-intensive hardware.

Ultimately, SGIs are about much more than supplying life's essentials: they are a strategic investment in the EU's future economic health.

## **Public services strengthen social cohesion, economic and political participation, and trust in politics**

Enrico Letta's report makes the argument that freedom to move and freedom to stay are two sides of the same coin—mutually reinforcing pillars of European integration that must be developed together. He argues that the single market should empower citizens, offering them opportunities without compelling them to relocate to thrive. High-quality jobs should be available locally, enabling individuals to contribute to the development of their communities. While free movement is a valuable asset, it should be a choice rather than a necessity. As former Commission President Jacques Delors noted in 2016, "if European policies jeopardise cohesion and sacrifice social standards, the European project has no chance of winning the support of European citizens".<sup>5</sup> The objectives of the single market should therefore align with both freedom of movement and the freedom to stay in the community of one's choice.

However, recent years have seen a troubling rise in regional disparities and inequalities across the EU. According to Eurofound's 2024 report,<sup>6</sup> income inequality has increased in

---

<sup>4</sup> Gough, I. (2021). *Two scenarios for sustainable welfare. New ideas for an eco-social contract*. ETUI.  
<https://www.etui.org/sites/default/files/2021-11/Two%20scenarios%20for%20sustainable%20welfare%20New%20ideas%20for%20an%20eco-social%20contract-2021.pdf>

<sup>5</sup> Letta, E. (2024). *More than Markets. Speed, security, solidarity. Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens*. European Council.  
<https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

<sup>6</sup> Eurofound (2024). *Promoting social cohesion and convergence. Developments in income inequality and the middle class in the EU*. Eurofound.  
<https://www.eurofound.europa.eu/en/publications/2024/developments-income-inequality-and-middle-class-eu>

several member states. There is evidence of a shrinking middle class in almost two-thirds of member states. These disparities are not uniform: some regions have been hit harder than others, exacerbating economic divergence within the EU. This increasing inequality undermines the cohesion that the Single Market aims to foster and threatens the principle of equal opportunity for all EU citizens, regardless of where they live.

As Letta proposes, any further development of the single market must include measures that guarantee social justice and cohesion. Investing in and prioritising public goods and services within the single market actively promotes inclusive prosperity. It ensures fair opportunities, upholds workers' rights, and provides robust social protection for everyone, while boosting the single market's long-term competitiveness.

## **Public services can reduce emissions and ensure the Green Deal leaves no one behind**

While Letta's report emphasises the role of SGIs in fostering competitiveness, economic stability and social cohesion, it does not explicitly address their substantial contribution to reducing carbon emissions. Public services can play a crucial role in aligning social policies and environmental goals so that they are mutually reinforcing.<sup>7</sup> Enhancing SGIs will thereby help to ensure that the European Green Deal is effective in rapidly decarbonising the continent while simultaneously securing public support. By meeting human needs through collectively organised services, potential regressive impacts of environmental policies can be mitigated. For instance, rising fuel duties or carbon pricing would exert less financial pressure on households if they had access to affordable and efficient public transport options. Similarly, if housing were to be more affordable and more social housing options available, the costs associated with retrofitting for energy efficiency could be distributed more equitably, ensuring that low-income households are not disproportionately burdened.

Public attitudes and behaviour are critical to achieving environmental objectives. SGIs are uniquely positioned to influence these by demonstrating sustainable practices and encouraging shifts towards more environmentally friendly habits.<sup>8</sup> For example, a robust public transport system can reduce reliance on private vehicles, thereby lowering carbon emissions. Public institutions like hospitals and schools can lead by example, serving sustainably sourced food and reducing or eliminating meat from their menus, thus

---

<sup>7</sup> Coote, A. (2022). *The case for a Social Guarantee: Universal access to life's essentials*. Heinrich Böll. <https://eu.boell.org/en/case-social-guarantee>

<sup>8</sup> Coote, A (2023). *Meeting needs within limits – the ecological case for universal basic services*. New Economics Foundation & The Social Guarantee. <https://neweconomics.org/uploads/files/Meeting-needs-within-limits-WEB.pdf>

promoting healthier and more sustainable diets. Childcare and education services can shape the awareness and behaviours of future generations, fostering a culture of environmental stewardship from an early age.

A stronger focus on SGIs can promote solidarity and underscore the importance of collective action in addressing global challenges like the climate crisis. By ensuring that everyone has access to the essential services they need to live and thrive, SGIs create the conditions necessary for a cooperative approach to safeguarding the planet. In these ways, SGIs positively contribute to a low-carbon economy while also ensuring that the transition is fair and inclusive, leaving no one behind.

SGIs also play a pivotal role in climate adaptation, helping communities to withstand and adapt to the increasing impacts of climate breakdown. As climate-related events such as heatwaves, droughts, floods, and storms become more frequent and severe, SGIs can be instrumental in building resilience by providing essential services tailored to the specific needs of vulnerable populations. For example, healthcare services can enhance public health infrastructure to better manage the rise in climate-induced health issues, such as heat-related illnesses and vector-borne diseases. Additionally, as the Letta report highlights, building resilient water management infrastructure is essential in ensuring access to clean water during droughts or managing flood risks through improved drainage and infrastructure systems. By integrating climate adaptation strategies into the provision of these services, SGIs can reduce the vulnerability of communities to the impacts of climate breakdown, ensuring that all citizens are better equipped to cope with the challenges ahead.

## **Public services can strengthen the EU's geopolitical resilience**

SGIs can enhance the EU's geopolitical resilience by fortifying its internal cohesion and reducing dependencies on external resources and actors. By ensuring universal access to essential services like healthcare, education, energy, and transportation, SGIs strengthen the social fabric and economic stability of EU member states, making the Union less vulnerable to external shocks and pressures. A focus on SGIs also promotes the efficient use of energy and resources, including critical raw materials, by encouraging sustainable practices and reducing overall consumption. For instance, investing in renewable energy infrastructure reduces reliance on imported fossil fuels, while a greater uptake in public transport can

lower the demand for private car ownership,<sup>9</sup> which in turn reduces the need for critical raw materials, thereby diminishing the geopolitical leverage of resource-exporting nations.

Furthermore, SGIs can play a crucial role in fostering unity and solidarity among EU member states and their residents. By promoting equitable access to essential services across the Union, SGIs help to narrow the gaps between more and less developed regions, mitigating internal disparities that could be exploited by external and internal actors (including the far right<sup>10</sup>) to sow division. For example, harmonising healthcare and education standards across the EU, backed up through public investments, can reduce the brain drain of skilled workers from less prosperous to more prosperous regions. By addressing such disparities, SGIs contribute to a more unified and resilient Europe, capable of responding collectively to global challenges and asserting its strategic autonomy in an increasingly multipolar world.

## **How can the next Commission work towards universal access to public services?**

Letta argues that, to deliver universal access to accessible, affordable, and adaptable SGIs across all EU regions, the next Commission should develop an action plan for high-quality services of general interest, including growing social economy businesses which play a pivotal role in their delivery. Below, we lay out a number of suggestions from Letta's report as well as additional policy recommendations that decision makers should include to further develop SGIs during the next mandate.

### **1. Implement existing rights, prioritise affordability of public services and involve people in decision making**

The treaty of the functioning of the EU (Article 14), the charter of fundamental rights (Article 36) and the European pillar of social rights already enshrine clear fundamental rights, freedoms and principles for social protection and social inclusion. As a first step, as Letta argues, governments must implement existing rights and regulations. In addition affordability of public service provision needs to be prioritised and a stronger involvement of Europeans in decision making is necessary.

---

<sup>9</sup> Holgren, J. (2020). *The effect of public transport quality on car ownership – A source of wider benefits?* Research in Transportation Economics.

<https://www.sciencedirect.com/science/article/pii/S0739885920301554>

<sup>10</sup> Cremaschi, S, Rettl, P., Cappelluti, M., de Vries, C.E. (2023). *Public service deprivation and the rise of the far right*. CEPR. <https://cepr.org/voxeu/columns/public-service-deprivation-and-rise-far-right>

- **Strengthening enforcement mechanisms:** Letta argues that the EU should ensure that existing laws related to SGIs are consistently enforced across the EU, reducing fragmentation and enhancing service delivery. This will involve closer monitoring of member states' compliance with EU legislation and, where necessary, initiating infringement procedures.
- **New rules for affordability of public services:** Letta argues for new rules for transparency of price setting of public services so as to ensure customers, in particular vulnerable ones, can benefit from services at reasonable prices. The goal of ensuring that everyone is able to afford the public services they need calls for a consistent approach across member states. This approach must build on established criteria for decent living standards<sup>11</sup> and apply thresholds for pricing through regulation and subsidies, customised to suit different services and adjusted so that access depends on need, not ability to pay. Examples of policies that could be looked at are fee caps and subsidies for childcare and safeguarding essential household energy consumption through block tariffs.<sup>12</sup>
- **Promoting coherence in policy implementation:** The Commission should address the gaps and inconsistencies in the application of SGI-related laws by developing clear guidelines and best practices for member states. This will help ensure that all citizens can equally benefit from high-quality SGIs, thus boosting regional competitiveness and overall productivity. Action plans on the pillar of social rights, housing and the upcoming need to be consistent and backed up with real financing (see below).
- **Permanent citizens' conference:** Letta argues that it is crucial to involve citizens more strongly in the future of Europe and suggests a permanent citizens' conference as a vital tool for regular and structured dialogue. In our view such a citizens conference should be structured so as to represent the full diversity of Europe, for the conference to be given a formal policy mandate and include enforcement mechanism for government accountability.

## 2. Increased public investments for public services

Public services like water, energy, housing, and healthcare are essential rights and key to productivity. Following Letta's call for an SGI action plan, the next Commission should propose a public investment vehicle to succeed the recovery and resilience facility, ending in

---

<sup>11</sup> Vélez-Henao, J.A. & Pauliuk, S. (2023). *Material Requirements of Decent Living Standards*. Environmental Science & Technology. <https://pubs.acs.org/doi/10.1021/acs.est.3c03957>

<sup>12</sup> Chapman, A. (2024). *Safeguarding essential household energy consumption: the role of the rising block*. Heinrich Böll. <https://eu.boell.org/en/factsheet-household-energy-consumption>

2026. A social taxonomy could direct public and private funds toward socially beneficial projects.

- **SGIs infrastructure:** Letta argues for addressing regional disparities by investing in infrastructure, particularly in rural, mountainous, and peripheral regions, to ensure equitable access to essential services.
- **Climate-resilient infrastructure:** In addition, we argue for investments in infrastructure that is not only modern but also resilient to climate breakdown. This includes water management systems, renewable energy projects, and sustainable transport solutions that are essential to deliver the transition to a low-carbon economy.
- **Digital infrastructure:** Letta argues, to prioritise the expansion of digital infrastructure, including high-speed broadband and digital literacy programs, as part of the SGIs. This will ensure that all EU citizens can access essential services online, which is increasingly important for education, healthcare, and social services.
- **Social impact financing:** The Letta report further argues for the development of an EU-wide approach and definition of social impact financing, including relevant financial instruments and labels, to encourage private investment in initiatives with a social focus.
- **Social taxonomy:** The Commission should propose a social taxonomy regulation that lists socially sustainable activities. A social taxonomy would also reinforce existing EU policy such as the European pillar of social rights, the equality strategies and the initiative to eradicate child labour or forced labour. It would contribute to attaining the sustainable development goals just as the environmental taxonomy contributes to the implementation of the Paris agreement on climate.

### 3. Integrate climate mitigation and preparedness into public service provision

The intersection of the climate crisis and social equity is increasingly important in providing SGIs. Climate impacts and related measures will disproportionately affect certain groups, worsening social inequalities. Public services play a key role in mitigating these effects and improving resilience. The next European Commission must embed climate considerations in its strategy for universal access to SGIs.

- **Comprehensive data gathering on social impacts of the climate crisis:** We argue, that in the revision of the climate governance regulation, the Commission should propose enhancing data collection related to the social impacts of the climate crisis, particularly in vulnerable communities. This data will be critical in tailoring SGI provision to address the specific needs of these populations, ensuring that no one is left behind in the transition to a sustainable economy.



- **Mitigation and adaptation strategies in SGI planning:** We argue that in climate governance regulation, member states should be asked to explicitly explain the role of SGIs in mitigation and adaptation to climate breakdown. This could include developing whole-economy just-transition strategies that align environmental goals with social equity, ensuring that the green transition does not exacerbate existing inequalities.

#### 4. Develop an action plan on housing

Letta is correct in demanding an action plan on housing and the creation of a EU taskforce on housing affordability. This taskforce would be responsible for collecting data on housing markets in EU cities, fostering the exchange of best practices and developing targeted solutions to address housing affordability issues.

- **Policies to support construction and availability of affordable housing:** Letta proposes that the action plan on housing would suggest revisions to existing EU regulations and policies to better support the construction and availability of affordable housing. The definition of "social housing" within EU regulations must be expanded to give public authorities more flexibility in implementing effective public housing strategies, thereby ensuring that housing remains accessible and affordable for all citizens, particularly in regions facing significant market pressures.
- **Investigate role of vulture funds.** The housing crisis is not solely a matter of supply and demand. Many member states have provided incentives to large investment firms that are purchasing housing and driving up prices, making it unaffordable for low- and middle-income groups. A comprehensive action plan on housing must prioritise people over profits and investigate the often harmful role "vulture funds" contribute to rising house and rent prices.

#### 5. Reform state aid rules to support public services

Current state aid rules often hinder public investment in essential services. To promote the freedom to stay and reduce regional disparities the Commission should revise the state aid regulations and support social economy enterprises.

- **Revise state aid regulations:** Letta argues for amending state aid rules to allow for increased public funding for SGIs, especially in regions experiencing development traps, facing severe economic constraints or exorbitant cost of living rises (eg in housing).
- **Support for social economy enterprises:** Letta argues for encouraging the role of social economy businesses in delivering SGIs, leveraging their proximity and focusing on sustainable development. He argues that the EU should facilitate access to finance for social economy actors throughout their life cycle. This could include adapting the

general block exemption regulation for state aid to social enterprises and reassessing the rules on aid for the recruitment of disadvantaged workers.

## 6. Enhance public procurement policies

Letta argues that public procurement is a powerful tool for promoting high-quality SGIs and achieving broader social goals.

- **Public procurement as a tool for high-quality job creation:** Letta argues that public procurement regulations must be designed to ensure that contracts foster the creation of high-quality jobs, characterised by fair wages and conditions underpinned by collective agreements.
- **Reconsider the lowest price award criterion:** Letta argues that the reliance on the lowest price award criterion as the default approach in public procurement warrants critical examination. We agree and suggest a much stronger focus on a clear set of conditions that reflect social and environmental value.
- **Green and social criteria and conditions:** We argue that the public procurement must introduce mandatory green and social criteria and conditions in public procurement processes, ensuring that all public contracts contribute to environmental sustainability and social equity. This should include criteria that ensures that private, social and public enterprises ensure the affordability of public services.
- **Social economy and social enterprises:** As Letta argues, social economy businesses are pivotal in fostering proximity and the sustainable development of territories. Special provisions should be introduced to allow access of these players to deliver high-quality SGIs across the EU.

New Economics Foundation  
www.neweconomics.org  
info@neweconomics.org  
+44 (0)20 7820 6300

NEF is a charitable think tank. We are wholly independent of political parties and committed to being transparent about how we are funded.

Registered charity number 1055254  
© 2024 The New Economics Foundation