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# European Welfare Systems in an Age of Convergent Crises: Resilience, Reform and the New Politics of Social Protection

Elsa Lindgren[1] & Lars Johansson[1]

[1] Department of Social Sciences and Humanities, Mälardalen University, Västerås, Sweden

Correspondence: Elsa Lindgren, Department of Social Sciences and Humanities, Mälardalen University, Västerås, Sweden.

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**Abstract**

European welfare systems have entered a period of convergent, compounding crises. The fiscal consolidation and demographic pressures documented over the past two decades have been overtaken by a sequence of shocks that began with the COVID-19 pandemic and continued with the post-2021 inflation surge, the energy and cost-of-living crisis, the fiscal consequences of the war in Ukraine, and the distributive demands of the green transition. Drawing on official EU statistics, comparative social-policy scholarship and recent policy evaluations, this article offers a synthetic analysis of how European welfare states have responded to these crises and whether the responses amount to retrenchment, renewal, or a reconfiguration of the social-protection architecture. Conceptually, the analysis is anchored in the welfare-regime and social-investment literatures; methodologically, it combines a structured review of recent comparative evidence with a descriptive analysis of indicators on social expenditure, poverty and energy affordability for the period 2021-2025. The results show that the pandemic-era measures were broadly protective, but that the subsequent cost-of-living shock reopened poverty and affordability gaps, particularly in energy poverty, which rose to 10.6% of the EU population in 2023 before receding. The article identifies three cross-cutting dynamics: the resilience of established institutions under acute stress, the uneven diffusion of the social-investment agenda, and the accelerating digitalisation of benefit administration. It concludes that European welfare states are neither simply retrenching nor decisively expanding, but are being recalibrated around minimum-income guarantees, social investment and digital service delivery, with significant variation in distributive outcomes.

**Keywords:** European welfare states, social investment, welfare resilience, cost-of-living crisis, energy poverty, social protection, European Pillar of Social Rights, digital welfare

## 1. Introduction

The welfare state has been a defining institution of post-war Europe, embodying a cross-class compromise between the market and social solidarity that distinguished the continent from other advanced economies (Esping-Andersen, 1990; Titmuss, 1974). For most of the past half-century, the analytical debate centred on whether and how these institutions could survive the pressures of globalisation, post-industrialisation and ageing populations (Pierson, 2001). The prevailing answer, refined over many years of comparative research, was that European welfare states are remarkably resilient: they change, but they rarely dismantle (Pierson, 2001; Hemerijck, 2013). Yet the sequence of shocks that has unfolded since 2020 has tested this resilience in ways that earlier debates did not anticipate.

The COVID-19 pandemic was the first simultaneous external shock to hit every European welfare system at once, forcing governments to deploy income-support and job-retention instruments on an unprecedented scale (Clegg et al., 2023). Within little more than a year, however, the pandemic receded only to be replaced by an inflationary surge driven first by the post-pandemic recovery and then by the energy and food-price shock that followed Russia's invasion of Ukraine (European Commission, 2024; IFS, 2025). Households across the EU confronted a cost-of-living crisis in which essential expenditures, especially energy, rose faster than incomes, producing the sharpest rise in energy poverty for more than a decade (European Commission, 2023; JRC, 2024). These pressures arrived, moreover, at a moment when European welfare states were already reorienting their agendas toward social investment and the social dimension of the green transition, formalised in the European Pillar of Social Rights and its Action Plan (Council of the European Union, 2023; European Commission, 2024).

A further reason the question is timely concerns the changing governance of social policy in the EU. Social policy

remains a largely national competence, but the European Pillar of Social Rights, proclaimed in 2017, and its 2021 Action Plan have given the Union a more visible role in setting social objectives, monitoring progress through the Social Scoreboard, and steering national policy through the European Semester (European Commission, 2024). The 2023 Council Recommendation on adequate minimum income illustrates how EU soft law increasingly seeks to shape the adequacy and accessibility of national safety nets (Council of the European Union, 2023). This supranational layer does not replace national welfare politics, but it frames them, and it means that welfare-system change in Europe cannot be understood without reference to the interaction between national institutions and EU-level coordination. The question of what is happening to European welfare systems is therefore also a question about the emerging European social architecture.

The contribution of the article is threefold. Conceptually, it connects the welfare-regime, social-investment and crisis-resilience literatures, which have often developed in parallel, into a single account of welfare-system change. Empirically, it assembles recent official statistics and comparative evidence on indicators that capture both the fiscal scale of welfare states and their distributive outcomes, including the under-studied dimension of energy affordability. Analytically, it proposes that the current period is best characterised not as retrenchment or expansion but as a recalibration of welfare institutions around minimum-income guarantees, digital service delivery and the social dimension of the green transition. It is argued that this framing does more justice to the evidence than either a straightforward 'crisis of the welfare state' narrative or an uncritical account of uninterrupted resilience (Farnsworth & Irving, 2024).

This article asks a deceptively simple question: what has actually happened to European welfare systems during this period of convergent crises? Are they being dismantled under fiscal pressure, strengthened by crisis-induced solidarity, or transformed into something qualitatively different? The question matters because the answers carry direct implications for poverty, inequality, and the social legitimacy of European integration (Farnsworth & Irving, 2024). The article pursues a synthetic, comparative approach. It combines the conceptual vocabulary of the welfare-regime and social-investment literatures with recent official statistics on social expenditure, poverty and energy affordability, and with a structured review of post-2020 comparative evidence. It does not pretend to report a new econometric study; rather, it draws together the dispersed evidence on how welfare states have responded to the pandemic, the cost-of-living crisis, demographic ageing, digitalisation and the green transition, and interprets the overall direction of change.

The remainder of the article is organised as follows. Section 2 reviews the literature on welfare regimes, welfare-state change and the social-investment perspective. Section 3 describes the methods and data. Section 4 presents the results, organised around social expenditure, poverty and affordability, and the institutional response to crises. Section 5 discusses the findings. Section 6 concludes, and Section 7 sets out limitations and recommendations.

## 2. Literature Review

### *2.1 Welfare Regimes and Welfare-State Change*

Comparative welfare-state research has long been structured by the distinction between welfare regimes. Titmuss (1974) contrasted residual, industrial-achievement and institutional-redistributive models of social policy, while Esping-Andersen (1990) famously condensed these differences into three 'worlds of welfare capitalism': the liberal, the conservative-corporatist and the social-democratic regimes. The liberal regime, exemplified by the United Kingdom and Ireland, is characterised by means-tested benefits, modest universalism and a strong reliance on the market. The conservative-corporatist regime of continental Europe, including Germany, France and Austria, is organised around employment-linked social insurance and status preservation, with a traditionally strong role for the family. The social-democratic regime of the Nordic countries combines generous universal benefits with high taxation and a strong commitment to equality and full employment (Esping-Andersen, 1990).

This typology has been extensively criticised and refined. Ferrera (1996) identified a distinct Southern European model in Italy, Spain, Portugal and Greece, marked by a fragmented and occupationally based benefit structure, a heavy reliance on family solidarity, a large informal economy and, historically, weak minimum-income protection. Later scholarship questioned whether the three (or four) worlds still capture contemporary reality, pointing to hybridisation and within-cluster divergence (Arts & Gelissen, 2002). Nonetheless, the regime framework retains analytical value as a map of institutional legacies that shape how countries respond to crisis (Clegg et al., 2023).

The Mediterranean and post-communist cases illustrate the limits of any simple typology. The Southern European model identified by Ferrera (1996) has been transformed by the introduction and gradual strengthening of minimum-income schemes, by the labour-market dualism inherited from the 1980s, and by repeated exposure to fiscal crisis. The Central and Eastern European welfare states, for their part, combine a Bismarckian inheritance,

the redistributive legacy of communism, and elements of neoliberal residualism, producing hybrid systems whose popular expectations of generous welfare coexist with modest levels of provision (Bell & Valenta, 2024). These cases matter because they show that welfare-regime categories are best understood as ideal types rather than empirical descriptions, and because they are often the sites of the sharpest distributive tensions, from energy poverty to welfare chauvinism, that the recent crises have intensified.

The second foundational debate concerns welfare-state change. Pierson (2001) argued that welfare states are 'policy inheritances' that generate their own constituencies, making retrenchment politically costly; consequently, governments engage in blame avoidance and 'recalibration' rather than open dismantling. This claim was contested by scholars who documented substantial retrenchment, especially in replacement rates, benefit conditionality and the coverage of 'outsiders' in non-standard employment (Hemerijck, 2013). The more recent literature has therefore moved toward a vocabulary of transformation rather than expansion or retrenchment, emphasising that welfare states are being restructured along axes of activation, conditionality and investment (Morel, Palier & Palme, 2012; Farnsworth & Irving, 2024).

### *2.2 The Social-Investment Perspective*

The social-investment perspective emerged as the leading normative and analytical framework for welfare reform in the new century. Its core claim is that social policy should not merely repair the damage of the market, but actively invest in human capital, labour-market participation and the reconciliation of work and family life, thereby reconciling social justice with economic competitiveness (Morel, Palier & Palme, 2012; Hemerijck, 2013). The paradigm privileges early-childhood education and care, lifelong learning, active labour-market policies and family support over passive income maintenance. It was embraced at the EU level in the Europe 2020 strategy and, more ambitiously, in the European Pillar of Social Rights and its Action Plan, which frame social rights as a complement to the single market (European Commission, 2024).

Critics have argued that social investment is economically functionalist, that it can displace the redistributive core of the welfare state, and that it leaves vulnerable groups - particularly those far from the labour market - without adequate protection (Farnsworth & Irving, 2024). The recent crisis sequence has given these debates renewed urgency. The European Commission's Employment and Social Developments in Europe (ESDE) 2024 report made the case that well-designed social investments, especially in early childhood education, skills and active labour-market support, generate economic returns while advancing social objectives (European Commission, 2024). At the same time, the cost-of-living crisis redirected attention to the adequacy of minimum-income protection, culminating in the 2023 Council Recommendation on adequate minimum income (Council of the European Union, 2023; Eurofound, 2024).

This reorientation has been accompanied by a parallel shift toward activation and conditionality. Across European welfare states, access to income support has become increasingly tied to participation in activation programmes, job-search requirements and, in some cases, stricter sanctioning regimes. The social-investment paradigm's emphasis on employability has thus been operationalised through activation policies that, critics argue, shift responsibility for unemployment onto individuals and reinforce the distinction between the 'deserving' and 'undeserving' poor (Farnsworth & Irving, 2024). Recent reforms have moved in both directions at once. Germany's reform of its basic income support in 2023, for example, relaxed some of the conditionality attached to the benefit and increased benefit levels by roughly twelve per cent in each of 2023 and 2024, a shift that some observers characterise as a 'dovish' turn in activation policy (Weber, 2026). Such reforms underline that the balance between investment, protection and conditionality remains politically contested and institutionally variable, and that the social-investment agenda is being implemented unevenly rather than uniformly.

### *2.3 Crises and Welfare-State Resilience*

A third, rapidly expanding literature examines how welfare states behave under crisis. The COVID-19 pandemic provided a natural experiment. Comparative research on Western Europe found that governments relied heavily on existing instruments, especially short-time work schemes, and that the combination of institutional legacies and the political power of beneficiary groups shaped the adequacy and targeting of new measures (Clegg et al., 2023). Studies of the pandemic also emphasised a striking 'de-ideologization' of welfare politics: social-policy responses did not simply mirror the ideological positions of incumbent governments, suggesting that crisis solidarity temporarily suspended normal partisan contestation (Peltoniemi et al., 2024). Microsimulation evidence using EUROMOD showed that tax-benefit systems and emergency schemes cushioned a substantial part of pandemic-related income losses across the EU, but that the degree of protection varied markedly between countries and household types (World Bank, 2023).

This literature is divided on how to read the evidence. One strand stresses resilience: welfare states performed their

protective functions under extreme stress, and crisis measures were broadly preserved. Another strand is more pessimistic, arguing that the same crises revealed structural weaknesses - insufficient minimum-income adequacy, coverage gaps for non-standard workers, and the fragility of protection for the most exposed groups - and that the fiscal consolidation that followed threatens to erode gains (Farnsworth & Irving, 2024). The cost-of-living and energy crisis sharpened this concern, because inflation erodes the real value of cash benefits and because low-income households spend a larger share of their budgets on energy and food (European Commission, 2023; JRC, 2024). The resulting picture is one of resilience in aggregate, combined with persistent or widening gaps at the margins.

The cost-of-living crisis has also refocused attention on the adequacy of minimum-income schemes, which had long been a weak point of European welfare states, particularly in Southern and Central-Eastern Europe (Ferrera, 1996; Eurofound, 2024). Adequacy is now widely understood as a two-dimensional problem: benefits must be sufficient relative to the cost of living, and they must be adjusted in real time to price shocks. Inflation erodes the real value of flat-rate or poorly indexed benefits quickly, and households dependent on such benefits are therefore among the most exposed to the recent inflation episode (European Commission, 2023). The 2023 Council Recommendation responds directly to this problem by calling for adequate, accessible and inclusive minimum-income protection, linked to enabling services and labour-market integration (Council of the European Union, 2023). Comparative research nonetheless cautions that recommendations are not the same as implementation, and that the adequacy gap persists in several member states (Eurofound, 2024).

### *2.4 New Frontiers: Digitalisation, Migration and the Green Transition*

Finally, a set of newer pressures is redefining the environment of European welfare states. The first is digitalisation. Public administrations across Europe are automating benefit delivery, moving services online and, increasingly, deploying data-driven and artificial-intelligence systems in eligibility assessment and fraud detection (Eurofound, 2025; OECD, 2025). Proponents argue that automation improves efficiency and reduces non-take-up, the phenomenon whereby entitled individuals fail to claim benefits. Critics caution that algorithmic decision-making raises risks of bias, opacity and exclusion, and that the legal frameworks of the General Data Protection Regulation and the Artificial Intelligence Act constrain but do not resolve these tensions (Enqvist, 2024).

The second new frontier is migration and welfare chauvinism. Public support for restricting welfare access for migrants has become a persistent feature of European politics, and comparative studies show that deservingness judgements vary by migrant type and benefit scheme (Negash et al., 2026). Welfare-chauvinist attitudes are strong across Europe, though rarely in their most exclusionary forms in the Nordic countries, and they interact with the distinct post-communist context of Central and Eastern Europe (Bell & Valenta, 2024; Bell, Valenta & Strabac, 2023). These attitudes interact with the fiscal pressures of welfare systems and with debates about the social rights of irregular migrants.

The third frontier is the green transition. Comparative welfare-state scholarship has begun to examine 'eco-social' policies that seek to meet human needs within planetary boundaries, and to analyse how climate policy generates winners and losers across welfare regimes (Zimmermann, 2024). Carbon pricing, for instance, is regressive in the absence of compensating transfers, and the distributive conflicts this generates are increasingly central to welfare politics. The literature is therefore converging on the conclusion that European welfare states are being asked to respond to multiple, overlapping transitions - demographic, digital, ecological and geopolitical - for which the inherited institutions of the twentieth century were not designed (Farnsworth & Irving, 2024; European Commission, 2024).

## 3. Methods

This article adopts a synthetic, comparative-descriptive research design. It does not report a new primary data collection or an econometric model; instead, it integrates three bodies of evidence in order to characterise the direction of change in European welfare systems during the period 2020-2025.

First, the analysis rests on a structured review of recent comparative social-policy scholarship. Drawing on the welfare-regime, welfare-state-change and social-investment literatures identified in Section 2, the review covers peer-reviewed research and authoritative policy evaluations published between 2020 and 2026, with particular attention to studies of pandemic responses (Clegg et al., 2023; World Bank, 2023), the cost-of-living and energy crisis (IFS, 2025; European Commission, 2023; JRC, 2024), minimum-income reform (Eurofound, 2024; Council of the European Union, 2023), digitalisation (Eurofound, 2025; OECD, 2025), and the green transition (Zimmermann, 2024). Studies were selected on the basis of relevance, recency and evidentiary quality, following the principle that claims should be supported by verifiable sources.

Second, the analysis uses official statistical indicators from the European statistical system. The principal sources are Eurostat's Statistics on Income and Living Conditions (EU-SILC) and social-protection statistics (ESSPROS), the European Commission's Employment and Social Developments in Europe (ESDE) reports, and the Joint Research Centre's analyses of energy poverty and household finances (European Commission, 2024; JRC, 2024). Four indicators are used descriptively: total social-protection expenditure as a share of GDP; the at-risk-of-poverty rate; the at-risk-of-poverty-or-social-exclusion rate; and the share of the population unable to keep their home adequately warm, which is the standard EU indicator of energy poverty. These indicators were chosen because they are directly comparable across countries and time, and because they capture the distributive outcomes that welfare policy seeks to influence.

Third, the analysis is organised thematically rather than by country. It examines four dimensions of welfare-state change: fiscal capacity and social expenditure; poverty and affordability outcomes; the institutional response to acute crises; and the forward-looking agendas of social investment, digitalisation and the green transition. This thematic organisation permits the identification of cross-cutting patterns while acknowledging national variation. The findings are presented as descriptive syntheses supported by two figures and two tables constructed from the verified indicators above.

The choice of a descriptive-synthetic design reflects the state of the field. Because the pandemic and the cost-of-living crisis are recent and, in some respects, still unfolding, the most reliable evidence on their welfare consequences comes from official statistics and from evaluations that are still being produced; a synthesis that draws these together is therefore more appropriate than a single new empirical study whose data would necessarily lag the events. Moreover, because the question concerns the direction of change across a heterogeneous set of countries, a comparative and configurational approach is better suited to capturing the interaction between institutional legacies, fiscal capacity and policy choice than a narrower single-country or single-variable design would be. The aim is not to estimate causal effects but to identify robust patterns in the recent record and to interpret them within the framework of the comparative welfare-state literature reviewed above.

Several methodological limitations should be acknowledged from the outset and are discussed further in Section 7. The analysis is synthetic rather than causal; it cannot establish the precise contribution of particular policies to observed outcomes. The indicator set is limited to income-based measures and does not capture the full range of in-kind services, health and care provision. Finally, the recency of the crisis sequence means that some evaluations are still preliminary.

## 4. Results

### *4.1 Welfare Regimes: Persistent Diversity, Convergent Pressures*

The comparative literature reviewed in Section 2 strongly suggests that welfare-regime differences remain visible, but that they now operate against a background of convergent pressures. Table 1 summarises the distinguishing features of the principal European welfare regimes and the ways in which they have been affected by recent developments. The typology is offered as an analytic device rather than an exhaustive classification, in line with the recognition that real welfare states are hybrid cases (Arts & Gelissen, 2002).

Table 1. Welfare regimes in Europe: characteristics and recent trajectories

| Regime | Core characteristics | Recent trajectory |
|---|---|---|
| Social-democratic (Nordic) | Universal benefits; high taxation; employment orientation; strong equality; comprehensive services | Resilient; strong crisis protection; leader in social investment and digitalisation |
| Conservative-corporatist (Continental) | Employment-linked insurance; status preservation; family-based; fragmented coverage | Reform toward activation and investment; pension sustainability concerns; significant minimum-income gaps |
| Liberal (Anglo-Irish) | Means-tested benefits; modest universalism; market reliance; stronger conditionality | Retrenchment and targeted support; marked cost-of-living vulnerability among low earners |
| Southern European | Fragmented insurance; family solidarity; large informal economy; historically weak minimum income | Converging toward minimum-income schemes; exposed to energy and cost-of-living shocks; fiscal constraints |
| Central and Eastern European | Mixed heritage; flat or modest benefits; strong reliance on family; expanding coverage | Rising welfare chauvinism; catch-up in coverage; pension and demographic pressures |

Note. Compiled by the author from the comparative literature (Esping-Andersen, 1990; Ferrera, 1996; Morel, Palier & Palme, 2012; Zimmermann, 2024).

Three observations follow from Table 1. First, the broad architecture of welfare regimes has proved durable: Nordic universalism, continental insurance, liberal means-testing and Southern reliance on family remain recognisable. Second, all regimes have been subjected to the same external shocks - pandemic, inflation, energy prices, fiscal pressure and the green transition - so that national responses increasingly resemble each other even where institutions differ. Third, the most consequential divide may no longer be between regimes but between countries with strong fiscal and institutional capacity and those facing acute fiscal or demographic constraints (European Commission, 2024; Farnsworth & Irving, 2024).

*4.2 Social Expenditure: Resilience at the Aggregate Level*

Aggregate social-protection expenditure confirms a picture of broad resilience. In 2023, expenditure on social protection in the EU-27 amounted to 27.8% of GDP, having remained close to pre-crisis levels despite the turbulence of the preceding years (European Commission, 2024; Eurostat, 2024). The aggregate masks considerable cross-national variation: France spent 33.8% of GDP on social protection, the highest in the EU, whereas Malta (13.2%) and Ireland (12.6%) spent less than half that share (Figure 2). This dispersion is consistent with the persistent diversity of welfare regimes and with the differing fiscal space available to national governments.

The stability of the aggregate ratio is itself significant. In contrast to earlier austerity episodes, the pandemic and the cost-of-living crisis did not trigger a generalised retrenchment of social spending in Europe. Emergency job-retention schemes, expanded unemployment protection and targeted cost-of-living compensation were introduced across the continent, and most were preserved into 2023 and 2024 rather than withdrawn (Clegg et al., 2023; European Commission, 2024). This is consistent with the resilience interpretation in the literature, which stresses the political cost of cutting established programmes (Pierson, 2001). At the same time, the aggregate conceals the composition of spending: a growing share is directed to pensions and health as populations age, while means-tested and activation measures remain a relatively small component, accounting for roughly one-tenth of benefit expenditure (European Commission, 2024).

The stability of aggregate expenditure has been sustained, however, within tighter fiscal constraints. The activation of the EU's Stability and Growth Pact and the post-2022 rise in interest rates have narrowed the fiscal space available to several member states, and debates about debt sustainability have returned to the centre of economic governance (European Commission, 2024). This matters for welfare systems because fiscal consolidation disproportionately targets social spending, and because the countries with the least fiscal space often coincide with those whose welfare systems are already weakest and whose populations are most exposed to poverty and energy

price shocks (European Commission, 2023; Farnsworth & Irving, 2024). The aggregate picture of resilience therefore coexists with a more fragile fiscal basis in parts of Southern and Central-Eastern Europe, a point to which the article returns in the discussion.

Two further compositional trends are worth noting. First, the share of social expenditure devoted to pensions and health is rising as populations age, so that the discretionary space for active measures and minimum-income support is squeezed within a stable overall budget (OECD, 2023; European Commission, 2024). Second, the balance between cash benefits and services is shifting, with a growing emphasis on in-kind provision such as early-childhood education, care and activation services, consistent with the social-investment agenda (Morel, Palier & Palme, 2012). These compositional shifts mean that the aggregate stability documented above is not simply a defence of the status quo; it is being used to fund a different kind of welfare state, one that is simultaneously more aged, more invested in human capital and more digitalised.

*4.3 Poverty and Affordability: The Reopening of Gaps*

Despite resilient aggregate expenditure, income-based poverty indicators show that the crisis sequence eroded progress. In 2023, 94.6 million people in the EU, or 21.3% of the population, were at risk of poverty or social exclusion - a figure that had remained broadly stable since before the pandemic (European Commission, 2024; Eurostat, 2024). The monetary at-risk-of-poverty rate stood at approximately 16.2% of the population in the most recent EU-SILC data, again little changed from earlier years. The stability of these headline measures is partly attributable to the cushioning provided by tax-benefit systems and emergency schemes, which absorbed a substantial share of pandemic-related income losses across the EU (World Bank, 2023). But it also reflects the fact that cash benefits do not fully insulate households from inflation, which eroded the real value of benefits even where nominal rates were increased (European Commission, 2023).

The most dramatic indicator of renewed pressure is energy poverty. The share of the EU population unable to keep their home adequately warm - the standard measure of energy poverty - rose sharply from 6.9% in 2021 to 9.3% in 2022 and peaked at 10.6% in 2023, before easing to 9.2% in 2024 and 8.8% in 2025 as energy prices moderated (European Commission, 2024; JRC, 2024; Eurostat, 2024). This trajectory is shown in Figure 1. The increase reversed more than a decade of gradual decline and was driven by the energy-price shock that followed Russia's invasion of Ukraine, with low-income households hit hardest because they spend a larger share of their budgets on energy and food (European Commission, 2023; JRC, 2024). Cross-national variation is large: the share in 2023 ranged from about 2% in Luxembourg to more than 20% in Bulgaria, Spain and Portugal, illustrating the uneven capacity of welfare systems to shield households from energy price volatility (European Commission, 2024).

The affordability pressure was not confined to energy. Inflation in food and other essentials also eroded purchasing power, and households in the lowest income deciles, which spend a larger share of their budgets on such goods, experienced the sharpest losses in real income (European Commission, 2023; IFS, 2025). Microsimulation evidence from the energy crisis indicates that households reduced consumption in response to price rises, but still suffered large and heterogeneous welfare losses that correlated only weakly with income, implying that some better-off but energy-intensive households were also exposed even as the poorest remained most vulnerable (IFS, 2025). The design of relief measures proved decisive: price subsidies and income support reduced hardship where they were well targeted, whereas untargeted measures were fiscally costly and distributed benefits unevenly (IFS, 2025; European Commission, 2024). These findings reinforce the argument that the adequacy of minimum-income protection, and its responsiveness to price shocks, is now the central distributive issue facing European welfare systems (Council of the European Union, 2023; Eurofound, 2024).

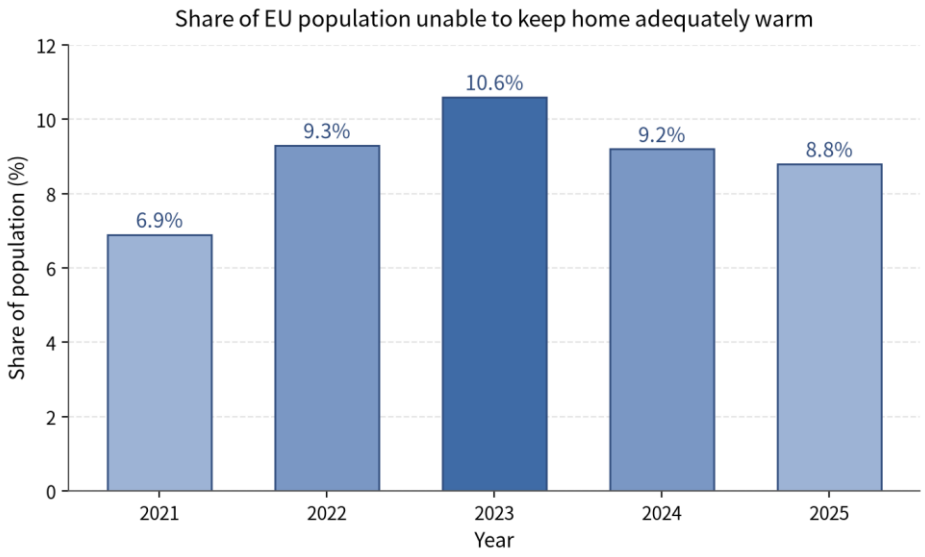



Figure 1. Share of the EU population unable to keep home adequately warm (%), 2021-2025

Source: Eurostat (EU-SILC), as reported in European Commission (2024) and JRC (2024).

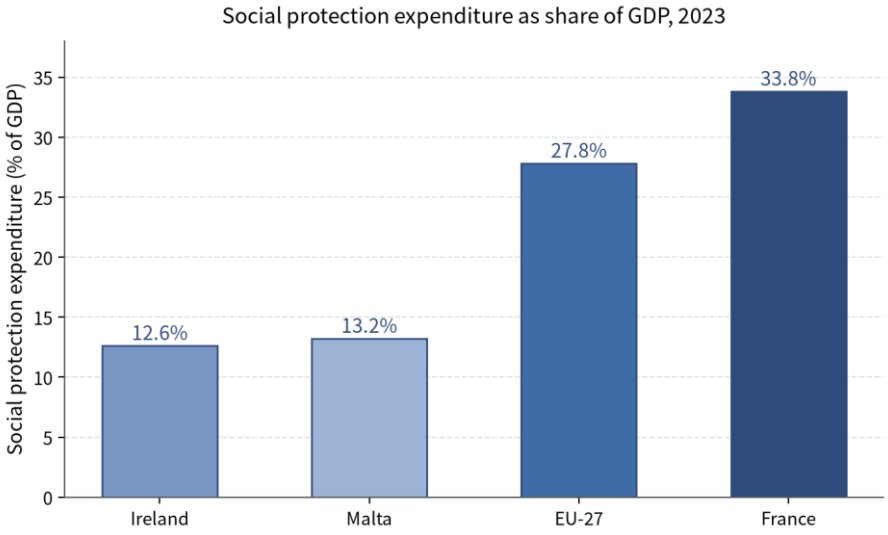



Figure 2. Social protection expenditure as a share of GDP (%), selected EU countries, 2023

Source: Eurostat, social protection statistics (ESSPROS), as reported in European Commission (2024).

Table 2 assembles the key EU-level indicators used in this section. Together, they suggest that the aggregate welfare state has been resilient, but that affordability - particularly the affordability of energy - has been the weak point, exposing low-income households to the sharpest effects of the cost-of-living crisis (European Commission, 2023; JRC, 2024; IFS, 2025).

Table 2. Selected EU-27 social indicators, 2023

| Indicator | Value (2023) |
|---|---|
| Social protection expenditure (% of GDP) | 27.8 |
| People at risk of poverty or social exclusion (AROPE) | 94.6 million (21.3% of population) |
| At-risk-of-poverty rate (AROP, monetary) | ~16.2% of population |
| Population unable to keep home adequately warm (energy poverty) | 10.6% (peak; 6.9% in 2021) |
| Means-tested benefits (share of total benefit expenditure) | 10.8% |
| Social protection expenditure, highest / lowest country | France 33.8% / Ireland 12.6% |

Note. Source: Eurostat (EU-SILC and ESSPROS); European Commission (2024); JRC (2024).

*4.4 Institutional Responses: From Emergency to Recalibration*

Beyond the headline indicators, the crisis sequence has produced important institutional changes. The pandemic response was dominated by job-retention schemes such as short-time work, which were extended and made more accessible across Western Europe, and by temporary expansions of unemployment and self-employment support (Clegg et al., 2023). These measures drew on established instruments and, in most cases, were scaled back as the economy recovered rather than being fully dismantled, leaving a durable legacy of enhanced activation and social-protection capacity.

The cost-of-living crisis prompted a second round of measures, more targeted and more heterogeneous than the pandemic response. Many governments introduced energy-price caps, subsidies and one-off transfers, alongside increases in minimum benefits and pensions (European Commission, 2024; IFS, 2025). Evidence from the energy crisis indicates that the design of these relief packages mattered considerably for their distributive effects, and that poorly targeted support did not always reach the households most exposed to price shocks (IFS, 2025). The institutional significance of this period lies in the renewed emphasis on minimum-income adequacy, formalised at the EU level in the 2023 Council Recommendation, which calls on member states to ensure adequate minimum income combined with access to enabling services and labour-market integration (Council of the European Union, 2023; Eurofound, 2024).

A further institutional development is the accelerating digitalisation of benefit administration. Across Europe, welfare administrations are moving services online, automating eligibility assessment and exploring data-driven and AI-based systems to reduce non-take-up and improve efficiency (Eurofound, 2025; OECD, 2025). The 2025 Eurofound report documents that digital application is now possible for nearly all major benefits in most member states, and that automation of benefits, which removes the need to apply, is most advanced for child benefits (Eurofound, 2025). This trend carries both promise and risk: it can reduce administrative barriers and non-take-up, but it also raises concerns about digital exclusion and the governance of automated decision-making, concerns that the legal framework of the GDPR and the Artificial Intelligence Act only partially addresses (Enqvist, 2024).

Digitalisation also reshapes the relationship between citizens and the welfare state in ways that go beyond administrative efficiency. Automated systems can reduce errors and speed up decisions, and automation that removes the need to apply at all, as in the case of some child benefits, is among the most effective instruments against non-take-up (Eurofound, 2025). Yet the welfare literature has documented cases in which automated systems produced large-scale errors with severe consequences for claimants, from the Australian Robodebt scheme to the Dutch child-benefits scandal, raising fundamental questions about accountability, transparency and the right to human review (Enqvist, 2024). The balance between the benefits and the risks of automation is therefore a central issue for the future governance of European welfare, and it is likely to intensify as artificial-intelligence systems become more capable (OECD, 2025).

Finally, the pension and demographic dimension remains central to the sustainability of European welfare systems. Ageing populations continue to exert upward pressure on pension and long-term-care spending, and recent OECD analysis documents a broad trend toward later retirement, longer contribution periods and more flexible pension pathways as countries seek to reconcile adequacy with sustainability (OECD, 2023). These reforms are gradual but consequential, and they interact with the social-investment agenda through their emphasis on longer working lives and on investments in the skills of older workers.

Taken together, the crisis responses across Europe can be summarised in terms of the instruments deployed in each

phase, as set out in Table 3. The table distinguishes between the acute pandemic phase (2020-2021), the cost-of-living and energy phase (2022-2024), and the consolidating phase (2024-2025), and shows how instruments shifted from broad, employment-preserving measures toward more targeted income support and forward-looking investment. This sequence illustrates the broader argument of the article: that European welfare states have been resilient in preserving their scale, but are being recalibrated in their composition and instruments.

Table 3. Dominant welfare-policy instruments across the crisis sequence

| Phase | Principal instruments | Dominant logic |
|---|---|---|
| Pandemic (2020-2021) | Short-time work and job retention; expanded unemployment and self-employment support; temporary income measures | Preserving employment and income; solidarity in acute shock |
| Cost-of-living / energy (2022-2024) | Energy price caps and subsidies; targeted cash transfers; minimum-income and pension top-ups | Protecting affordability; compensating price shocks |
| Consolidation (2024-2025) | Social investment in skills and childcare; digitalisation of benefits; pension and labour-market reform; green-transition measures | Rebalancing toward investment, digital delivery and ecological sustainability |

Note. Compiled by the author from Clegg et al. (2023); European Commission (2024); IFS (2025); Eurofound (2025).

## 5. Discussion

The results suggest three cross-cutting dynamics that together characterise the current trajectory of European welfare systems: resilience under acute stress, uneven diffusion of the social-investment agenda, and a gradual reconfiguration around minimum-income guarantees, digital delivery and the green transition.

The first dynamic is resilience. Aggregate social expenditure has remained stable, emergency measures were broadly protective, and welfare institutions proved capable of mobilising support at scale during the pandemic and the cost-of-living crisis (Clegg et al., 2023; European Commission, 2024; World Bank, 2023). This is consistent with the 'new politics of the welfare state' argument that established programmes create their own constituencies and are difficult to cut (Pierson, 2001). It also echoes the finding of de-ideologization during the pandemic, when partisan differences temporarily receded in the face of a common external shock (Peltoniemi et al., 2024). The resilience reading, however, requires an important qualification: aggregate stability is compatible with the erosion of protection at the margins, and the energy-poverty data illustrate precisely this gap.

The second dynamic is the uneven and contested diffusion of the social-investment agenda. The ESDE 2024 report and the social-investment literature both argue that investment in human capital and activation generates economic and social returns (European Commission, 2024; Morel, Palier & Palme, 2012; Hemerijck, 2013). Yet the crisis has simultaneously directed attention to the protective function that the social-investment paradigm has historically underweighted: minimum-income adequacy for those who cannot benefit from activation. The 2023 Council Recommendation on minimum income represents an attempt to rebalance the paradigm by strengthening the floor beneath the investment strategy (Council of the European Union, 2023; Eurofound, 2024). Critics would argue that this rebalancing remains incomplete, and that the persistence of poverty and energy poverty indicates that protection is still insufficient for the most exposed groups (Farnsworth & Irving, 2024).

The third dynamic is reconfiguration, understood as a shift in the instruments and architecture of welfare rather than in its aggregate size. Three elements stand out. First, the centre of gravity is moving toward minimum-income guarantees and targeted support, in part because the cost-of-living crisis demonstrated the vulnerability of cash-benefit adequacy to inflation (European Commission, 2023; Eurofound, 2024). Second, digitalisation is transforming the front and back offices of the welfare state, with implications for access, efficiency and the governance of automated decisions (Eurofound, 2025; OECD, 2025; Rule-based versus AI-driven benefits allocation, 2024). Third, the green transition is beginning to impose new distributive questions on welfare systems, as carbon pricing and the phase-out of fossil-fuel subsidies generate winners and losers that vary systematically across welfare regimes (Varieties of green transitions, 2024).

An important qualification to the three dynamics concerns the role of EU-level coordination. Social policy remains a national competence, but the European Semester, the Social Scoreboard and instruments such as the 2023 minimum-income Recommendation create a framework in which national welfare choices are made, compared and, to a degree, steered (Council of the European Union, 2023; European Commission, 2024). This supranational layer is double-edged. On the one hand, it can diffuse good practice and hold member states to social commitments, as the European Pillar of Social Rights was intended to do. On the other hand, EU economic governance, particularly fiscal rules and the demands of debt sustainability, can constrain the very social spending that the Pillar encourages, a tension that the recent reactivation of fiscal rules has brought to the surface (European Commission, 2024; Farnsworth & Irving, 2024). The interaction between national welfare politics and EU-level coordination is therefore a constitutive feature of contemporary European welfare, and it complicates any simple account of national retrenchment or expansion.

Finally, the direction of change depends on the politics of who bears the costs of the convergent crises. Welfare states are not only instruments of protection; they are also arenas in which the distributive conflicts generated by inflation, energy prices, ageing and the green transition are resolved. The cost-of-living crisis made these conflicts visible, as governments chose between protecting households through price regulation and subsidies, which are fiscally costly and often regressive, and relying on targeted income support, which is more efficient but more demanding administratively (IFS, 2025). The green transition promises to generate a new and potentially enduring set of such conflicts, as the costs of decarbonisation fall unevenly on households and regions (Zimmermann, 2024). The sustainability of European welfare states in the coming decades will therefore depend not only on their fiscal and institutional capacity, but on their ability to maintain political legitimacy in the face of these distributive strains (Farnsworth & Irving, 2024).

These dynamics interact with the politics of welfare chauvinism and migration. Public support for restricting migrant access to welfare is widespread but variable, and it constrains the expansionary options of governments in parts of Central and Eastern Europe in particular (Bell & Valenta, 2024; Negash et al., 2026). At the same time, the fiscal and demographic pressures identified above make the sustainability of generous systems contingent on political coalitions that welfare-chauvinist mobilisation can undermine.

The overall interpretation is therefore neither simple retrenchment nor decisive expansion. European welfare states are being recalibrated: their aggregate scale is preserved, their composition is shifting toward investment and minimum-income guarantees, their delivery is being digitised, and their distributive outcomes remain uneven, with energy poverty and the adequacy of benefits for low-income households the most evident fault lines. This characterisation is broadly consistent with the more pessimistic strand of the literature, which warns against over-reading resilience and draws attention to the persistence of structural weaknesses (Farnsworth & Irving, 2024).

## 6. Conclusions

This article set out to assess what has happened to European welfare systems during the convergent crises of the early 2020s. The central conclusion is that European welfare states have proved resilient in the aggregate while being transformed at the margins. Social-protection expenditure remained close to pre-crisis levels; pandemic-era income protection and job retention cushioned the shock; and the cost-of-living crisis was met with a further round of targeted support. At the same time, the crisis sequence exposed and, in the case of energy poverty, widened significant gaps in affordability and protection, and it accelerated a reconfiguration of welfare institutions around minimum-income guarantees, digital service delivery and the distributive demands of the green transition.

Three implications follow. First, the resilience of aggregate welfare spending should not obscure the persistence of poverty and the particular vulnerability of low-income households to price shocks; affordability, not just adequacy, has become a central concern. Second, the social-investment paradigm is being supplemented, if not fully rebalanced, by a renewed emphasis on minimum-income protection, as exemplified by the 2023 Council Recommendation. Third, digitalisation and the green transition are emerging as the defining frontiers of welfare-state reform, bringing new opportunities and new risks. European welfare systems are not simply reproducing the institutions of the twentieth century; they are being recalibrated for a more volatile, digital and ecologically constrained world, with outcomes that remain uneven across countries and households.

The findings also carry a normative implication for how we should evaluate the recent record. The evidence does not support either complacent claims of uninterrupted welfare-state strength or alarmist claims of collapse. Both readings are too simple. What the record shows is a welfare system that is strong enough to protect most households through acute shocks, but uneven enough to leave significant groups exposed, particularly those dependent on minimum incomes and those facing unaffordable energy. The policy agenda that follows is therefore

not one of wholesale expansion or retrenchment, but one of strengthening the floor beneath the welfare state, improving the responsiveness of benefits to price shocks, and managing the digital and ecological transitions in ways that are socially inclusive. Whether European welfare systems can meet this agenda will determine whether the resilience documented in this article is translated into durable protection or merely into a temporary reprieve (Farnsworth & Irving, 2024).

## 7. Limitations and Recommendations

This article has several limitations that qualify its conclusions. Methodologically, it is a synthetic and descriptive analysis rather than a causal study; it cannot attribute observed outcomes to specific policies with precision. The indicator set is limited to income-based measures of expenditure, poverty and energy affordability, and does not capture in-kind services, health and long-term care, or the quality of benefit delivery. The analysis is also time-bound: much of the crisis sequence is recent, several policy evaluations remain preliminary, and the full effects of digitalisation and the green transition are not yet visible. Finally, the article treats the EU as a set of member states and does not fully explore the distinctive situation of non-EU European countries.

Several data-related caveats also warrant emphasis. The headline indicators used here are aggregate and national in scope, and they can mask substantial within-country heterogeneity, both across regions and across household types, that is central to understanding who exactly is protected and who is left exposed (European Commission, 2023; JRC, 2024). The energy-poverty indicator, for example, is a self-reported measure and captures one dimension of affordability only; it does not reflect arrears, health consequences or the quality of housing. Comparisons over time are further complicated by definitional changes and by the fact that income-based poverty measures lag real-time price developments. These caveats mean that the quantitative results should be read as indicative of broad patterns rather than as precise point estimates, and that cross-country comparisons in particular are best treated with appropriate caution.

A further limitation is geographical and institutional scope. The article concentrates on the EU member states and the categories of the comparative welfare-state literature, and it does not treat in detail the distinctive situations of non-EU European countries, the specificities of individual member states, or the full heterogeneity within welfare regimes. The Southern and Central-Eastern European cases, which are particularly instructive for the question of fiscal constraint and catch-up, are discussed only in general terms. A fuller account would require dedicated country studies that can attend to the institutional details and political dynamics that a synthetic article necessarily compresses.

Notwithstanding these limitations, the analysis supports a set of recommendations for policy and research. For policymakers, the most immediate recommendation is to strengthen the adequacy and automaticity of minimum-income protection, ensuring that benefits are adjusted for inflation and that support reaches households in times of price shocks without requiring burdensome applications. The energy-poverty experience underscores the need for energy-efficiency investment and targeted compensation as complements to price regulation, rather than reliance on untargeted subsidies that are fiscally costly and distributively inefficient (IFS, 2025; JRC, 2024). The social-investment agenda should be pursued in tandem with, not instead of, protective measures, so that the labour-market and family-policy investments that generate long-run returns are not achieved at the expense of the minimum floor beneath them (Council of the European Union, 2023; Eurofound, 2024; European Commission, 2024).

For digital welfare, the recommendation is to pursue automation and data-driven administration while building in safeguards against digital exclusion and algorithmic bias, clarifying accountability under the GDPR and the Artificial Intelligence Act, and preserving human channels of access for groups that cannot transact online (Eurofound, 2025; OECD, 2025; Enqvist, 2024). For the green transition, the recommendation is to embed distributive analysis and compensating measures in climate policy from the outset, recognising that the fairness of the transition is a precondition for its political sustainability (Zimmermann, 2024).

For researchers, the analysis points to several priorities. Comparative work should move beyond the aggregate to examine the composition of welfare effort and the adequacy of benefits for specific households, particularly in the context of inflation. The interaction between digitalisation, migration and welfare legitimacy deserves sustained attention, as does the distributive dimension of the green transition across welfare regimes. Finally, given the rapid policy change of recent years, continued monitoring of minimum-income adequacy, energy affordability and the governance of automated welfare decisions will be essential to an accurate account of the direction of European welfare systems.

At the EU level, the recommendations point toward strengthening the social dimension of economic governance. The 2023 minimum-income Recommendation should be accompanied by robust monitoring and, where necessary,

by support for member states with limited fiscal space to finance adequate safety nets, so that the supranational commitment to social rights is not undermined by the very fiscal rules that frame national budgets (Council of the European Union, 2023; European Commission, 2024). The European Semester and the Social Scoreboard offer instruments for this purpose, but they need to be used with sufficient weight relative to fiscal and competitiveness objectives. Finally, given the scale of the digital and ecological transitions, the EU should continue to develop common standards for the responsible use of artificial intelligence in social administration and for the fair distribution of the costs and benefits of the green transition across welfare regimes (Enqvist, 2024; OECD, 2025; Varieties of green transitions, 2024).

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