



Co-funded by the Horizon 2020 programme of the European Union



D1.2 Positioning paper on relevant EU policy areas and Governance models/instruments

WP1 Setting the scene: framework, approaches, methodology

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Associate Work Package:	WP1
Lead Beneficiary:	TNO, all project teams
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Document Summary

Document type:	<i>Report</i>
Title:	<i>Positioning paper on relevant EU policy areas and Governance models/instruments</i>
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Date:	<i>August 19th, 2023</i>
Document status:	<i>Revised Final (after review meeting)</i>
Keywords:	<i>Report</i>
Version:	<i>Positioning paper on relevant EU policy areas and Governance models/instruments</i>
Document level:	<i>Steven Dhondt (TNO), Cinzia Alcidi (CEPS), Hans-Christian Garmann Johnsen (UiA), Ronald Dekker (TNO)</i>

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Abbreviations

ECDC	European Centre for Disease Prevention and Control
EPSR	European Pillar of Social Rights
ESDR	Europe Sustainable Development Report
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
EU	European Union
IMF	International Monetary Foundation
MS	Member States
OMC	Open Method of Co-ordination
RRF	Recovery and Resilience Fund
SDG	Sustainable Development Goals
SSM	Single Supervisory Mechanism
TCN	Third Country Nationals
WTO	World Trade Organisation

Management summary

This report contains an assessment of the policy relevance of the GI-NI project. It starts from the European Social Model, which states that the European Union strives for less poverty and inequality, and convergence to higher living conditions. More skills are conducive to these goals. With this starting point, the position paper assesses the complexity of the European governance model. The EU has different competencies and instruments to manage the three transformations that are central to the GI-NI project: technology, globalisation and migration. The European policy context is one of constant change. Even the COVID-19 pandemic and the Ukrainian crisis are changing the content of the current European policy. An extra event was on 7 June 2022, when the presidency of the Council and European Parliament reached a provisional political agreement on the draft directive on adequate minimum wages in the EU. The objective of this directive is to promote the adequacy of minimum wages for European employees. Next to the changing European policy context, the global policy context is also shifting. After decades of believing in the strengths of further globalisation, the debate is shifting towards deglobalisation. Given these changes, the position paper maps the relevant policy initiatives for the project. Chapter 5 focuses on the scope of what the GI-NI project can deliver as possible recommendations. This is done by relating the different tasks to the policy debate. The final section of the position paper summarises the main impact the project can bring and identifies the main limitations.

The revised parts can be found in grey colour. Mainly Chapters 5 and 6 have been rewritten.

1. Introduction

The GI-NI-acronym stands for *Growing Inequality: A Novel Integration of transformations research*. The Gini coefficient is a widely recognised measure representing the income or wealth distribution over a population. It measures inequality, hence the name for our GI-NI project. GI-NI wants to better understand which inequalities are rising and what the driving mechanisms of inequality are. The focus of the project is on three major transformations: technology, globalisation, and migration. All three separately, but also in conjunction, have major impacts on inequality and skills in Europe. The GI-NI project ultimately aims to provide policy directions for both the EU and its Member States to deal with these three transformations.

The starting point of this paper is that more inequality and downgrading of skills, possible impacts of the three transformations, do not fit the **European Social Model well**. The central tenet of the European Social Model is the prevention of poverty, the reduction of inequality and exclusion, and ensuring upward convergence in living conditions (Fischer and Strauss 2021). The research of GI-NI is designed to investigate a specific set of questions related to inequality in different forms and skills development. The GI-NI research does not cover all aspects of these two topics. In this position paper, we need to clarify from the outset what the limitations of the work will be and, at the same time, clarify the added benefits in regard to the EU policy debate.

This deliverable D1.2 aims to identify the **relevant policy areas and interventions** needed to deal with the impacts of digital technologies, globalisation, and migration. Such positioning is not a trivial exercise, as the assumed chain of causality between these transformations and the outcomes related to inequality and skills demand is long and complex. Responding to these impacts requires attention across a wide range of policy areas. In Europe, this requires alignment and coordination at the European level, between Europe and the country level, and within the different countries. This coordination between the different levels of government adds to the complexity of managing the topics. The cooperation between the European Council, the European Commission, the Presidency and the European Parliament is not always aligned with how governments and parliaments work in the individual Member States. The issues we are looking at are quite important to European citizens. It is questionable whether European institutions are able to get a complete grip on inequality and skills development for these citizens. Over the recent decades, a set of solutions has been developed and elaborated. Lessons have been learned. However, citizens' expectations remain high, and Europe cannot always meet them. In this position paper, we look at this governance model and how it has been delivered in the past and what challenges there are for the future.

The intended outcomes of this project are weighed up against this European context. The European institutions do not solve everything themselves. Much of the responsibility lies with the member states. Europe itself is thinking about what those Member States should do (see European Commission (2021)). What shifts are occurring and could occur between what Europe and the Member States do? To what extent does alignment help to solve but perhaps also aggravate the problems (Fischer and Strauss 2021)? The differences between the Member States also provide a different perspective on the issues of inequality and skills (Piatkowski 2020). This position paper discusses these possible "governance modalities" and "policy instruments" to address the consequences of the three transformations.

GI-NI's project proposal was submitted in December 2019. However, the project itself only started in April 2021. In this short time span, the whole world has undergone **some shocking changes** that put the three transformations in a different perspective. The GI-NI project will also take into account other developments:

- 1) The **COVID-19 crisis** has had a profound impact on public health. The policy response with lockdowns, public support and debt financing at the European level has been unprecedented. As Vanhercke says, COVID-19 has hijacked a lot of attention (Vanhercke and Spasova 2021).
- 2) The **macroeconomic environment** has changed from steady growth and decreasing unemployment to a context of sharply rising inflation and increasing uncertainty about the state of the economy.
- 3) And, since the end of February 2022, the EU has been facing war at its borders, the **war in Ukraine**. The war has changed the globalisation discussion completely. Opinions are divided if we are cruising to a multi-polar world in which deglobalisation will occur, or that the forces of globalisation will remain in place.

At the policy level, the European Union launched initiatives to achieve a green transition and aims to contribute, together with the United Nations, to the realisation of the **Sustainable Development Goals**. A separate new fact occurred on 7 June 2022, when the presidency of the Council and European Parliament reached a provisional political agreement on the draft directive on adequate minimum wages in the EU. The objective is to promote the adequacy of minimum wages for European employees. The transformations of technology, globalisation and migration need to consider this changing context. COVID-19, macroeconomic changes, and the war in Ukraine interact with the three major transformations, which makes identifying the relevant policy areas and policy options more complex.

To answer the objective of this position paper, the following separate analyses have been conducted and integrated into **separate sections**:

- We first start with the European Social Model and how inequality and skills are dealt with at the European level.
- Next, we look at the central drivers of change and how the European policy framework plays a role. This also clarifies the main actors in the policy process on the issues of skills and inequality.
- To develop policy positions in the project, we provide an overview of the existing EU policy initiatives and how they relate to national policies in areas that are relevant to addressing the transformations. The selection is based on the review of the official documents of the EU and the literature.
- With this **background**, it is appropriate to outline the various 'deep dives' and indicate the extent of our research. This clarifies the scope of the project.
- Further action is a connection to the new political context, such as the New Green Deal, a major agenda for change in the EU, **the new minimum wage directive**, but also to how the European Labour Authority (see: <https://ela.europa.eu/>) might serve as a 'hub' in multi-level architectures that integrate national labour authorities in joint-up governance processes. The governance discussion will be linked to the international debate on the Sustainable Development Goals (SDGs).
- In conclusion, we offer some first policy pointers. We are certainly not in a position to give recommendations at this point. However, we do indicate the scope we have to formulate those policy recommendations.

The report thus relies on an overview of the latest policy actions at the EU-level. The literature of the past two years has been checked to inform the perspectives in this position paper.

2. The European Social Model, inequality and skills

The European Social Model requires action to counter poverty, inequality and exclusion, and promote upwards convergence in living conditions of the European citizen (de la Cruz-Ayuso 2020). European countries claim to be welfare states. Governments in these countries take political responsibility for full employment, social protection of citizens, social inclusion, health care, education and democratic processes to support the formulation of these social objectives. The EU-

countries achieve high levels of care with very different systems (workfare, social insurance) (Hiilamo 2022). Esping-Andersen talks about different welfare states (Esping-Andersen 1990). Together, these welfare states compose the European Social Model, a model that is very different from how other parts of the world provide support and care to citizens. Not only is the ambition different, but the European Social Model also uses unique methods to discuss these objectives, such as the cooperation between social partners and other stakeholder groups. However, the success of the European Social Model depends on the extent to which the economies can achieve sufficient economic growth to support the high costs of the welfare arrangements. The three transformations researched in GI-NI promise tremendous opportunities for the European Social Model while also posing considerable challenges. International trade, technological change and immigration, if well managed, can greatly enhance the possibilities for economic growth and improving social situations. A key objective must be to identify the most efficient ways of making sure that *all* European citizens can enjoy the benefits of these three major transformations, which are central to the GI-NI project.

The challenges to the European Social Model are reflected in the shifts in votes of the European electorate over the past decade. Sharp increases in inequality and reduced employment opportunities have helped populist parties gain a stronger foothold in national parliaments. Seismic policy shifts have occurred in some countries that political elites did not think possible. The case of Brexit is exemplary (Coyle 2016; Merkel 2018). Some link the transformations to these political shifts (Frey 2019).

The attention to how inequality is affected by the three transformations is therefore not trivial. However, not all forms of inequality can be addressed in our research. Our research is mainly focused on income inequality and inequality in opportunities or security. We are not focused on the inequality of wealth (Piketty 2014). We do look at inequality of income and opportunities, between individuals and among social groups, e.g., man/woman or immigrant/native. The scope of current EU policies guides the selection of inequalities studied. Reducing economic divergence across EU member states and achieving shared prosperity remains the overarching aims of the EU. The Euro crisis (2012-14) was an important moment for the European Union, where the lack of solidarity was seen as some countries saving the European Union mainly at the expense of others (Fischer and Strauss 2021; Merkel 2018). This income inequality will be discussed in several of the studies.

Not all aspects of inequality can be tackled by EU policies. The next sections explore the boundaries and indicate how our research results will respond to them. The same applies broadly to changes in skills. EU policies touch on minimum wage, adult education, lifelong learning and

vocational training. There is a desire to influence business policy, but the role of the EU remains limited.

GI-NI-research includes a total of 33 tasks that all are focused on the core topics of inequality and skills. The analyses are EU-wide, but the focus is not always on the EU instruments. To find out what policy outcomes the GI-NI project can deliver, a deeper analysis of the outcomes of the different subprojects is needed. What kind of results can we expect? And to what extent will our results mainly play a role on the European or the national level. The next sections provide an overview of our scope.

3. Modes of governance for co-ordination between policy areas

The three transformations in focus of the GI-NI project are recurring phenomena. The entire history of European cooperation has been marked by dealing with all kinds of economic shocks and transformations. The question is whether Europe's current set of policy instruments is sufficiently adequate to deal with these transformations' consequences (and opportunities). It is not only about what Europe can do but also about what is possible in the cooperation between Europe and the member states. It is also about understanding the impact of the institutional and cultural context on these policy instruments.

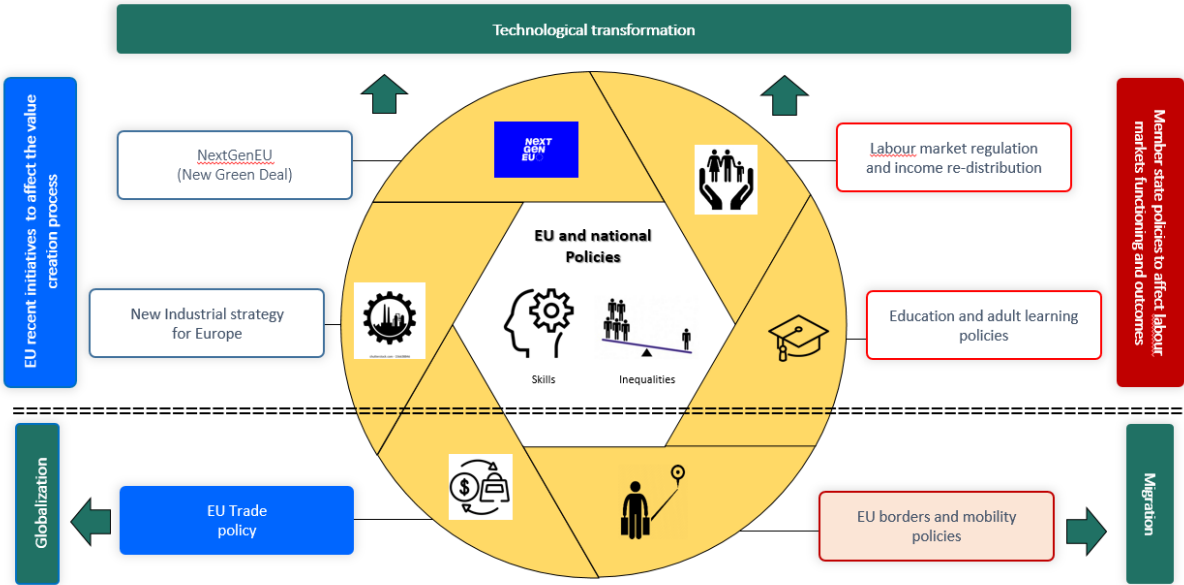
This section provides an overview of the **policy** areas and EU policy initiatives that can affect the development of the three transformations and their interactions as well as their impact on inequalities and the skills composition of the workforce. Figure 3-1 illustrates the complex linkages between transformations, outcomes, and policies in a schematic way.

3.1 Policy areas

At the EU level, the focus is limited to major recent policy initiatives (*Next generation EU* and the *EU industrial strategy*), which aim to affect the functioning of the EU economy by providing guidance and directing common funds towards strategic areas expected to foster EU prosperity, sustainability and resilience. At national levels, the focus is on policy areas that traditionally affect labour market outcomes and inequalities. While in these areas, member states have national sovereignty, as it will be illustrated below, the EU and the national levels are not completely separate. In the approach illustrated in the figure above, technological transformation, which is closely associated with the green transition, is considered the major challenge at both the EU and national

levels. This is not to say that migration and globalisation are not less relevant, but their scope appears narrower than the one of technological transformation. The latter has deep and transversal impacts on society, the economy and the environment, which also affect the other transformations. Concerning globalisation, trade policy, which is an exclusive EU competence, is an important instrument to address major emerging challenges arising from international relations, but certainly not the only one.¹ Lastly, EU border and mobility policies, a shared competence (between the EU and the member states), are the main instrument to address migration challenges. Both the transformations and the policies meant to address the challenges they pose have an indirect impact on the production system and labour market dynamics, hence on inequalities and skill needs.

Figure 3-1 Overview of the main policy areas relevant to the transformations and the EU vs Member States' division of competencies and initiatives



Source: Authors' elaboration

Note: Boxes in green identify the transformations; boxes in blue (filled and outlined) refer to EU competencies and initiatives; box in red to national competencies. The box in pink identifies a shared competence.

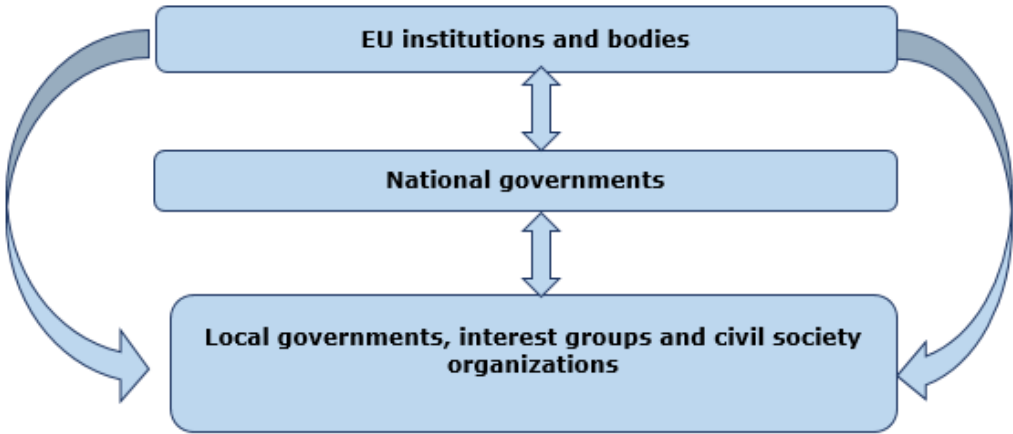
3.2 Governance model

In this simplified, still complex structure, some questions emerge. Who takes the decision, and how? What are these policies about? How do they affect inequalities? Answering the first

¹ Competitiveness, which is key in international trade, is one of the main concerns of the EU industrial strategy and typically the objective of various national policies.

question implies understanding **the system of governance** in the EU. The word *governance* is meant to capture the complex reality of policy processes, which reflect the action of those who govern and those who are governed. Defining modes of governance implies identifying actors (state and non-state, including markets), institutions (both formal and informal), how they interact, how decisions (under which democratic legitimacy) are taken and what (binding or non-binding) legislative tools they produce (laws, directives, regulations etc.). In the EU context, this is a complex matter whose full understanding goes beyond the scope of this paper. However, it is important to recall that in the EU, governance is a system with multiple levels (see Figure 3.2) in which decisions are taken based on assigned powers and competencies. In addition to the EU institutions and national governments, in most countries, sub-national entities (regions and local authorities) play a key role in the definition of the policies and, even more often, in the operationalisation of policies decided at the central level.

Figure 3-2. Multi-level governance of the EU



Source: Authors' elaboration

Since 2008, modes of governance in the EU have evolved and have been strongly affected by multiple crises: the financial crisis in 2009, the migration crisis in 2015, the COVID-19 pandemic in 2020 and further changes are expected because of the security crisis. Past crises have been accompanied by a broad move toward increasing intergovernmentalism in the decision making and a decline of the EU parliament oversight. During the financial crisis, this new trend was driven by the coercive power of dominant member states in the European Council (Carstensen and Schmidt 2018) and the need to respond to the crisis with resources that were not available at the EU level. The response to the pandemic was different from the financial crisis (Alcidi and Corti 2022), yet *Next Generation EU*, which was proposed and designed by the European Commission, was ultimately dependent on the member states' decision. Another general trend common to all crises has been the

creation of new institutions and bodies, from the European Stability Mechanism (ESM) to the banking union (and its bodies like the SSM, the ESRB), to the creation of the European Labour Authority², to the relaunch of Frontex during the migration influx and European Centre for Disease Prevention and Control (ECDC) during the pandemic.

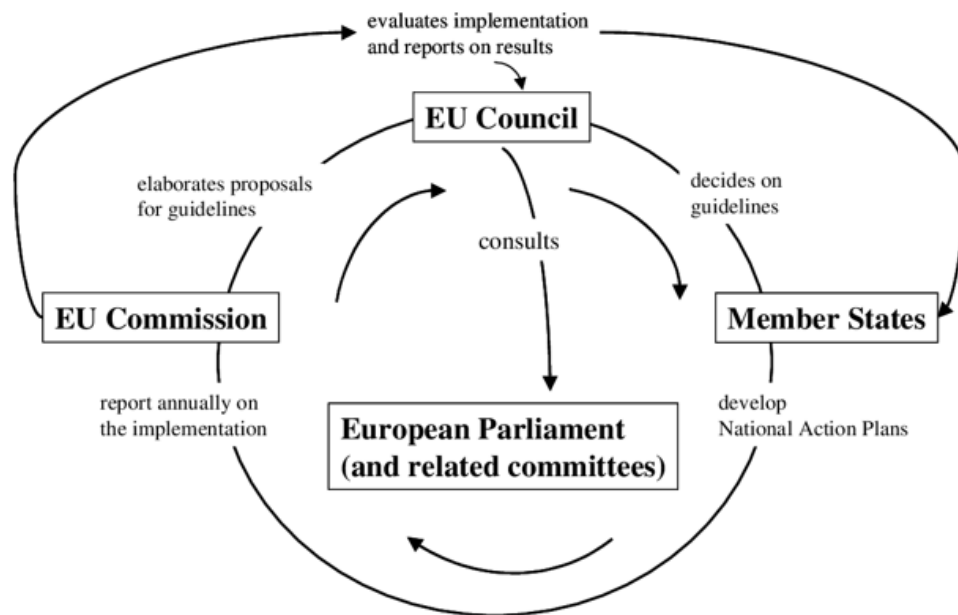
Besides these broad trends in governance modes related to EU institutions and bodies, two other aspects, which are inherently related to the EU internal dynamics, deserve to be mentioned. First, **private actors, social partners and NGOs** also affect policy decisions at the EU level. This is especially the case in regulatory policies, which affect markets, sectors, and industries. In recent years, the multi-stakeholder approach and participation of civil society in the EU decision-making have been increasing, with the objective of fostering democratic accountability. However, there is no clear evidence that accountability has actually improved (Potjomkina discusses the case of trade policies (Potjomkina 2018)).

Second, social policies in the EU are characterised by a *sui generis* mode of governance, namely the **Open Method of Co-ordination** (OMC). The OMC was introduced at the time of the Lisbon European Council in 2000 and is a method of soft governance, which aims to reach common support for EU goals in policy areas in which the EU has partial or no competence; hence EU rules cannot be binding. In practice, the OMC relies on establishing guidelines, benchmarks, and targets, set during a process involving the three EU institutions (European Commission, European Parliament and the EU Council) and the member states (see Figure 3.3). Periodic evaluations that accompany the process are meant to help the Member States learn from one another and consequently improve their domestic policies.

Social policies, particularly employment policies, have been one of the areas in which the OMC has been more widely used since the financial crisis. A new area is the European directive on minimum wages. Section 4.5 contains some concrete examples of EU initiatives resulting from such a process related to skills.

² As stated on the website, “The European Labour Authority was established on 31 July 2019 and its activities started in mid-October 2019, with the first Management Board meeting. ELA is expected to reach its full operational capacity by 2024”. (<https://www.ela.europa.eu/en>)

Figure 3-3 Open method of co-ordination



Source: Kohl and Vahlpahl 2004

3.3 European values and governance

The structure and the modalities that govern the EU on the international scene are quite different from the internal ones. For years, the EU has enjoyed considerable influence on the global stage on aspects related to trade but also to global security, environmental, financial, and social governance. The EU Treaties give the EU institutions a strong and legally binding mission to pursue international relations on a multilateral basis. The underlying political vision for this is that the EU should export its values of the rule of law and sophisticated governance mechanisms to the international sphere. However, globalisation and the financial crisis highlighted some limits of this vision (Van Vooren, Blockmans, and Wouters 2013). In the area of trade, a major shift at the beginning of the new century, namely a substantial reorientation of the EU's trade policy towards a more selfish EU export interest, has contributed to move away from the pursuit of multilateral solutions. **The perspective of (unfettered) globalisation seems to be replaced by deglobalisation. The contours of this deglobalisation ('reshoring of production', 'national borders as key to economic development and security') are far from clear (Stiglitz 2022).** In those bilateral solutions, broader public interest gradually led to the addition of environmental and social concerns as well as human and labour rights (see ESG dimensions) and reinforced the aspiration of the EU to become a global regulator. Such a trend, which broadly captures the EU approach to global governance, is being

strongly challenged by the war in Ukraine. As security, from energy to military, to cyber security, enter the central stage of the EU common action, major changes are to be expected in the global governance and the modality used by the EU (but also member states) to define its role in the international scene. **And, for Europe in particular, the actual policy response will be different in the specific parts of the EU, mainly because of different institutional and cultural configurations (Héritier 2002; Héritier and Lekhmuhl 2008; Smismans 2008; Treib, Bähr, and Falkner 2007).**

4. EU policy initiatives to respond to and shape the three transformations

4.1 Introduction

Over time, the EU has undertaken a number of initiatives, which have addressed the three main transformations under consideration in a broad and specific manner. In some areas, given the direct EU competencies, this has been quite straightforward. This is the case for **EU trade policy, which has dramatically changed over** time to adapt to the changes brought about by globalisation. In other areas, the EU has tried to steer in different ways and through different tools, the action of the member states, either by (re-)regulating sectors and markets or by offering financial support to achieve objectives that are considered of common interest (e.g. EU border policies and more recently security). We also discuss the way the EU is looking at the international dimension, considering the role of the Sustainable Development Goals (SDGs) in EU policy (see 4.5).

Below we offer an overview of the recent evolution and the main features of current EU policies in the areas which are relevant for the GI-NI project. This is an important premise for future work aiming to understand gaps in policies, offer sensible policy options, and address the right policymakers.

4.2 The EU dealing with technological change

Technological change is the driver of major transformations in people's lives, with cross-cutting and profound impacts on people and businesses. Over the years, the European Commission has proposed a long list of specific policies and initiatives³ with the ultimate objective of increasing EU digital sovereignty and **becoming a standard setter** by focussing on data, technology, and

³ [The European Chips Act](#) is the latest example.

infrastructure (European Commission 2019). An **Artificial Intelligence Act** is under way, with a focus on strong protections of fundamental rights of citizens and workers⁴. The proposed act does not protect the monitoring of migrants or have specific rules for workers.

In practice, besides sectoral initiatives, the EU approach has always emphasised the linkages between the **green and digital transition** (see next section on the *New Green Deal*) and the need for green and digital investment. The COVID-19 pandemic has strongly reinforced the latter trend. As described below, *Next Generation EU*, which represents the EU response to it, was designed to support such investments. Lastly, technology is recognised as a key factor determining EU competitiveness in the global economy as well affecting its autonomy (or dependencies) relative to international partners and competitors. As illustrated below, considerations about technology and strategic autonomy are shaping the EU industrial strategy. The HorizonEurope programme has been redesigned from the perspective of the NextGenerationEU.

4.2.1 The New Green Deal and Next Generation EU

At the end of 2019, the European Commission announced the *European Green Deal*. It was presented as the new policy framework for the Union, aiming to improve people's well-being and leave no one behind. Such an objective was meant to be achieved by making Europe the first climate-neutral continent by 2050, resulting in a cleaner environment, more affordable energy, smarter transport, new jobs and overall better quality of life. The *European Green Deal*, at least on paper, marked **a major shift from the previous EU approach** of setting a 10-year broad growth strategy for the Union (The Lisbon Strategy and the Europe 2020 Strategy during the first two decades of the XXI century) typically based on long term supply-side targets. In addition to the focus on climate objectives and the green transition, the Deal also includes a number of funding mechanisms, the *EU Green Deal Investment Plan*, expected to mobilise over €1 trillion,⁵ to finance reforms needed for the EU's economic growth and climate neutrality. This represented **a major change compared to the past**. Furthermore, the *Deal* recognises that costs are associated with the green transition, and

⁴ <https://www.social-europe.eu/european-parliament-on-ai-act-still-rights-gaps-to-fill>

⁵ Of the total plan EU budget will provide €503 billion. This is expected to trigger additional national co-financing of around €114 billion on climate and environment projects. In addition to it, InvestEU will leverage around €279 billion of private and public climate and environment related investments over the period 2021-2030. It will provide an EU budget guarantee to allow the EIB Group and other implementing partners to invest in more and higher-risk projects, crowding in private investors. More details https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_24

therefore an Investment Plan is included via the Just Transition Mechanism⁶ designed to support regions and sectors that are most affected by the transition.

The *Green Deal* is made of a clear list of actions and areas of intervention⁷ that are not only meant to achieve green objectives but will also affect production systems and the strategic approach in the EU in many sectors. As a matter of fact, the *European Green Deal* was meant to set in motion a profound industrial transformation in line with the EU's 2050 climate neutrality objective. However, two catastrophic events in 2020 and in 2022 have resulted in a change of priorities. First, the pandemic called for a new and bolder EU plan to support the economy, which, as described, moved the emphasis also on other objectives. More recently, the war in Ukraine with its impact on energy prices and security considerations, results in a dramatic rethinking of EU energy strategy. This means that the *Green Deal* will be, at best, put on hold. It is still too early how this will play out.

For the time being, *NextGenEU*, which was agreed upon in July 2020 by the European Council to support member states adversely impacted by the pandemic, has become the main EU growth strategy. De facto, the plan and its Recovery and Resilience Fund (RRF) redefined the EU strategy and supplanted the Green Deal. The plan offers financial support (part in grants) to member states to rebuild a more resilient economy. While the principles of the EU Green Deal are maintained – and the EU imposes that a large share (37%) of the funds are used to make the **green transition possible**, a strong emphasis is on the technological transition and how to make it work for all. Within the RRF, support for up- and re-skilling of the workforce has become an explicit area for investment in member states.

4.2.2 The new industrial strategy for Europe and innovation

In March 2020, just as the COVID-19 pandemic was hitting the world and the EU in particular, the European Commission launched a [New Industrial Strategy for Europe](#), highlighting its overarching ambitions for the 'twin transition'. It was meant to be a vision shaping the EU path towards climate neutrality and digital transformation. As the twin transition cuts across all EU policies, the EU industrial strategy was presented as an essential tool for promoting Europe's competitive sustainability, as well as supporting the Commission's 'geopolitical' ambitions. However, the

⁶ It draws upon both the EU budget and InvestEU programme to generate €100 billion of funding. The targeted regions and sectors are mostly located in Eastern European counties that depend on fossil fuels or carbon-intensive processes.

⁷ Climate action, Clean energy, Sustainable industry, Buildings and renovations, Sustainable mobility, Eliminating pollution, Farm to Fork, Preserving biodiversity, Research and development, Preventing unfair competition from carbon leakage.

pandemic prompted the EU to refocus its [strategy](#) to ensure greater economic resilience, alongside competitive sustainability and open strategic autonomy. Given those objectives, the **revised strategy now clearly distinguishes actions on domestic and external fronts**. On the domestic front, key initiatives include the systemic transformation of industry value chains; a sustainable approach to digitalisation; and a renewed focus on mitigating the impact of the pandemic on labour markets, accelerating the up- and reskilling of workers in sectors that are likely to have experienced the worst downturn. On the external front, the EU institutions call for a mapping of the EU's strategic dependencies on other powers, especially in key technologies and raw materials, and to strengthen the EU's ability to act as a security provider in a deteriorating multilateral world order. The war in Ukraine is clearly reinforcing the need for action on the external fronts, especially on how to reduce strategic dependencies (like gas and other commodities) (CEPS 2022).

It is still too early to say whether the war will result in a revision of the industrial strategy. The same consideration holds for NextGenEU and the use of the funds under the RRF. What is certain is that policy coherence between the objectives of the EU industrial strategy and NextGenEU should not be taken for granted. In both cases, Member States maintain a strong power to decide on domestic policies, and cross-country co-ordination is very limited in both cases.

4.3 Globalisation and the EU trade policy

In the EU, trade is an exclusive EU competence, almost an exception in the governance system. Trade integration has always been at the heart of EU integration. This is because EU countries have traditionally been trading nations. Today, the EU is much more open and exposed to trade than other major partners are (e.g. the US, China or even Japan). In principle (though recent events may point to a different direction), this is likely to increase even more in the future as the EU economy becomes relatively smaller compared to emerging economies which will continue to grow, in particular, because they grow demographically. Compared to the US, EU exports account for almost double the share of GDP and the EU is more open to trade than China, whose openness is bound to diminish over time, in contrast to the EU. This is a trend we observe, not so much because of policy but simply because the Chinese economy is growing in size and sophistication.

This implies that the EU is more vulnerable than other large players are to losses of export markets or disruptions in the supply of critical components/commodities needed in Europe. The Ukrainian war is making this very clear.

In a broader sense, in the last decade, three main trends have characterised the EU trade policy in the global landscape:

- **Increase in EU bilateral trade and investment agreements**, which have in several respects diminished the role of the WTO and multilateralism in trade. Such agreements also contain measures that go well beyond typical commercial elements and include clauses which reflect EU values of environmental and social sustainability. **The current discourse is that globalisation may be on the way back and deglobalisation can become dominant. The central question is which deglobalisation may occur (Stiglitz 2022).**
- Dealing with the **return of tariffs and the 'trade war'** between the US and China. Trade tensions reflect broader tensions driven by the race for technological supremacy and geopolitical dynamics;
- Use of **trade policy as a foreign policy instrument**. This is one attractive trend for the EU institutions because trade policy is one of the few areas where EU competence is firmly established. At the same time, the EU remains committed to WTO rules, which therefore limits its action (i.e. no tariffs).

The trends above, though in different ways, point to a slowdown in the support of unrestrained globalisation, which started to emerge after the global financial crisis. This occurred despite the recovery in the trade after the fall of 2009. Unlike emerging economies, which strongly benefitted from the fragmentation and delocalisation of production processes, advanced economies had to face **challenges** (Baldwin 2018). In the West, major social and political pressures emerged from a fall in employment in the manufacturing sector which was the economic strength of many EU countries and downward pressure on wages driven by increased global competition. This was notably the case in the UK where Brexit is seen by several authors as a response to the distributional impact of globalisation rather than to EU policies (Coyle 2016). Globalisation did have not only economic impacts – including both growth and composition effects - but also social ones. In practice, trade policy was never meant to mitigate the social impacts of trade directly. Distributional impacts of globalisation remained an issue to be addressed by national governments⁸ and usually addressed with traditional instruments. Yet, the design of **trade policies shifted towards reflecting EU values, social and environmental, and considerations to protect EU investors**. **As Stiglitz (2022) indicates, no serious reflection has followed the 'mismanagement' of globalisation. He hopes that the management of deglobalisation will be better than the rise of globalisation.**

⁸ A notable exception is the [European Globalisation Adjustment Fund for Displaced Workers](#)

4.4 The EU approach to migration

Immigration policy falls within the realm of **shared competencies** between the EU and its Member States, with the majority of aspects related to immigration policy being within EU competence. While conditions of entry and rights of third country nationals (TCNs), as well as the return policy and the fight against trafficking, are established at Union level, Member States have sovereignty in deciding the number of permits available for work reason, thus holding one of the most important powers to define a comprehensive and balanced EU immigration policy.⁹

In 2015, **pressure at the EU borders** increased dramatically due to the escalation of conflicts in the Middle East (notably Syria) and about 1 million immigrants, mostly refugees, entered the EU.¹⁰ As a response, the European Agenda on Migration proposed in May 2015 (European Commission 2015) placed border management and rescue operations as the first objectives in the short term following an ongoing increase in crossing through the Mediterranean. Overall, the Agenda envisaged a **'more European' approach**, underlining that no Member State is in a position to face the challenges of migration alone (European Commission 2015, p.2). Yet, driven by diverging domestic interests, the principle of mandatory burden-sharing was systematically opposed. The Agenda also reiterated the importance of addressing the root causes of migration and, in particular, reducing incentives for irregular migration through development cooperation and humanitarian assistance.

As a concrete response to increasing irregular crossings from the east and from the south through Libya, the EC established a new [Partnership Framework](#) to strengthen the interlinkages between migration and development cooperation. Among specific initiatives in September 2017 that the Commission reiterated the need to test new approaches for labour migration to offer alternative pathways to irregular crossing, i.e. so-called 'pilot projects'. The emphasis was put on the **labour market as a place for integration**. In 2020, the EC proposed the implementation of [Talent Partnerships](#) under the [New Pact on Migration and Asylum](#). The Talent Partnerships envisage cooperation between origin and destination countries that goes beyond simple quotas of work permits and aims at strengthening incentives for all stakeholders involved and, especially, for origin

⁹ Art. 79(5) "This Article shall not affect the right of Member States to determine volumes of admission of third-country nationals coming from third countries to their territory in order to seek work, whether employed or self-employed"

¹⁰ In 2016 J-C. Juncker, then president of the Commission, called "polycrisis" the EU situation characterised by security threats in the neighbourhood and at home, the refugee crisis, and to the UK referendum. This was just at the time when the economic was starting to recover from the financial crisis and its consequences. The combination of factors also marked the raise of populist parties across many EU countries.

countries by limiting the risk of brain drain. In a nutshell, the main idea is to **invest in common skills needs between origin and destination** so to enhance human capital development at the origin.

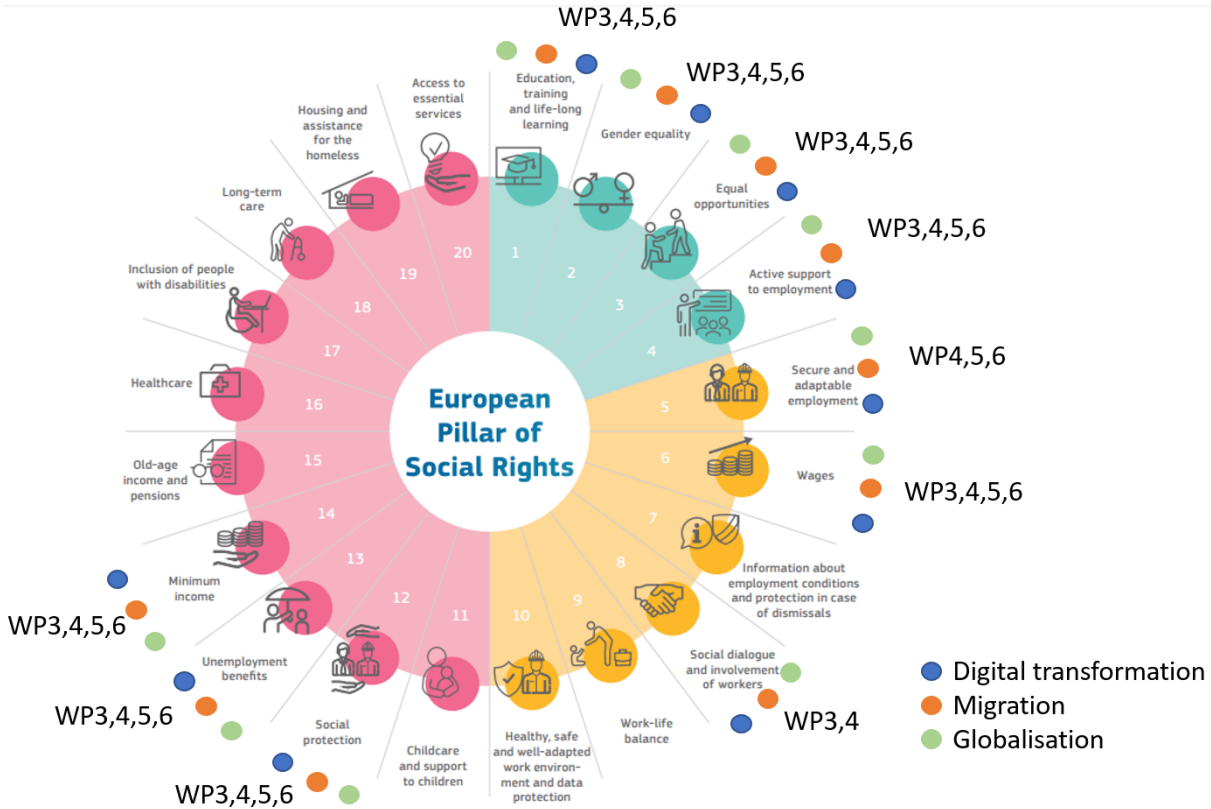
The war in Ukraine represents a new major migration shock for the EU. An unprecedented displacement of Ukrainian people into EU countries has already started in the first weeks of the war. The management of the flows and the relocation has been happening under an EU coordinated approach and without major opposition in those EU member states, which most aggressively opposed an EU involvement in the migration crisis in 2015. It is a fact that policy decisions and public perceptions in hosting countries on refugees and asylum seekers are affected by their 'profile', especially in terms of ethnic and religious background. Also to be noted in terms of concrete actions, the European Commission proposed to activate the [Temporary Protection Directive](#), established in 2001 and never used before, which provides immediate protection for a period between 1 and 3 years. The Directive foresees no need to lodge an application for international protection; it allows access to employment and education opportunities and, most importantly, envisages **a structured mechanism to redistribute** displaced persons among the Member States, which has been strongly opposed by different countries in 2015. This is a major sign of the difference between the Ukrainian crisis and the previous migration crisis.

4.5 The European Pillar of Social Rights

The European Pillar of Social Rights (EPSR) was introduced in 2017 by Juncker, then president of the European Commission, and, with its 20 principles, it defines the action of the European Commission for a fairer and more inclusive Europe.

From the perspective of the GI-NI project, the principles offer a compass to identify relevant areas of analysis and policy intervention related to the three transformations. The ten identified principles in Figure 4-1 also help to understand how different inequalities of outcome – income– and of opportunities (including gender) can be addressed by thematic intentions in the realm of social policies.

Figure 4-1. The European Pillar of Social Right and GI-NI transformations



As inequalities can hamper economic growth and lead to social conflict and social exclusion, it helps looking at them from the EU as an entity unfolding the potential of an EU action and co-ordination of policies.

The first principle of the Pillar states that "Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market".¹¹ The principle reflects an important change in EU position in the aftermath of the global financial crisis in favour of supporting jobs creation with increasing emphasis on skills. On the one hand, **young people should be endowed**, through university and other learning programmes, **with the right skills to enter the labour market successfully**. On the other hand, adults, especially those who are exposed to 'human capital depreciation', mostly because of technological change, should be offered new opportunities to **upgrade or re-orient their skills** to meet labour market needs. Table 4.1 offers an overview of the

¹¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_en

EU initiatives in these areas. Since 2020, the European Skill Agenda frames the main EU actions related to adult learning. Skills are seen as a means to strengthen the sustainable competitiveness of the EU (consistently with the European Green Deal), ensure social fairness (in line with the EPSR) and build resilience in response to crises (based on the lessons learnt during the COVID-19 pandemic).

Table 4.1 Overview of EU initiative in the area of Adult Learning and education 2009-21

Initiative	Date	Link
Council Resolution on a new European agenda for adult learning 2	Nov 29 th 2021	st14485-en21.pdf (europa.eu)
EU Regulation: establishing Erasmus+: the Union Programme for education and training, youth and sport and	May 20 th 2021	https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R0817&from=EN
Council Conclusions on Equity and inclusion in education and training in order to promote educational success for all	May 17 th 2021	st08693-en21-002.pdf (europa.eu)
Council conclusions on the European Universities initiative	May 17 th 2021	st08658-en21.pdf (europa.eu)
Porto Social Commitment and Porto Declaration	May 7 & 8 2021	The Porto declaration - Consilium (europa.eu) Porto Social Commitment (2021portugal.eu)
Council Resolution on strategic framework for European cooperation in education and training towards the European Education Area and beyond	Feb 19 th 2021	st06289-re01-en21.pdf (europa.eu)
ET2020, New strategic framework	February 2021	Policy context - Education and training - Eurostat (europa.eu)
The European Pillar of Social Rights Action Plan	Jan 20 th 2021	European Pillar of Social Rights European Commission (europa.eu)
Council recommendation on vocational education and training (VET) for sustainable competitiveness, social fairness and resilience	Nov 24 th 2020	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020H1202%2801%29
Communication from the commission on European Education Area	Sep 30 th 2020	communication-european-education-area.pdf (europa.eu)
European Skills Agenda	Jul 1 st 2020	European Skills Agenda - Employment, Social Affairs & Inclusion - European Commission (europa.eu)
Communication from the commission on the role of youth, education and culture policies	May 22 nd 2018	https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0268&from=EN
Social Summit-Gothenburg	Nov 17 th 2017	https://ec.europa.eu/info/publications/social-summit-fair-jobs-and-growth-factsheets_en
Communication from the Commission on Strengthening European Identity through Education and Culture	Nov 17 th 2017	EUR-Lex - 52017DC0673 - EN - EUR-Lex (europa.eu)

Council recommendation on Upskilling Pathways: New Opportunities for Adults	Dec 19 th 2016	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AJOC_2016_484_R_0001
Communication from the Commission on A New Skills Agenda for Europe	Jun 10 th 2016	https://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A52016DC0381
Enhanced EU cooperation in vocational education and training	2016	EUR-Lex - ef0018 - EN - EUR-Lex (europa.eu)
Council conclusions on a strategic framework for European cooperation in education and training ('ET 2020')	12 May 2009	https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52009XG0528(01)&from=EN

The EPSR is accompanied by an action plan. Table 4.2 provides a selection of actions planned by the European Commission to deliver on the Pillar of Social Rights that are (partially) covered by the research of GI-NI. The research results will add insights to support these actions. The plan of the European Commission distinguishes between what the Commission will do itself and what it supports countries to be done (see 'Level'). This distinction is maintained in the table. Some of the actions have been realised in 2021 and have been left out.

Table 4.2 Actions planned by the European Commission to deliver on the Pillar of Social rights

	Level	Equality / Skills	WP
Creating job opportunities in the real economy			
1. Update Industrial Strategy for Europe.	EU	S	3, 4,6
2. Adopt an Action Plan on the Social Economy, and tap into the potential of the social economy to create quality jobs and contribute to fair, sustainable and inclusive growth.	EU	S	3,4,5,6
3. Evaluate the experience of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE).	EU	E	3,4,5,6
4. Member States to design and implement coherent packages of measures promoting Effective Active Support to Employment (EASE) following the COVID-19 crisis, making full use of the EU funds available for this purpose.	MS	E	3,4,5,6
5. National authorities and social partners to ensure the	MS	E/S	3,4,6

information and consultation of workers during restructuring processes as required by EU rules and to promote the participation of workers at company level with a view to fostering workplace innovation.			
6. National, regional and local authorities to support entrepreneurship, including female entrepreneurship, and contribute to the creation of an enabling environment for the digitalisation, sustainability and resilience of SMEs.	MS	E	3,4,6
Making work standards fit for the future of work			
7. Ensure that EU competition law does not stand in the way of collective agreements for (some) self-employed.	EU	E	3,4,5,6
8. EU regulation on AI, for the uptake of trustworthy AI use in the EU economy, including in the workplace for all forms of work.	EU	S	3,6
Labour mobility			
9. Work with the European Labour Authority (ELA) on the proper implementation and enforcement of EU labour mobility rules, on capacity building for information and labour inspections at national level, and on the protection of mobile workers, including seasonal workers. In 2024, the Commission will evaluate the Authority's performance in relation to its objective and tasks and potentially re-assess the scope of its mandate.	EU	E	3,4,5,6
10. Public authorities and social partners to cooperate in order to protect the rights of mobile workers, including seasonal workers.	MS, SP	E	4,5,6
Investing in skills and education to unlock new opportunities for all			
11. Transformation Agenda for Higher Education to unlock the full potential of higher education institutions for a recovery geared towards a sustainable, inclusive, green and digital transition.	EU	S	3,6
12. Initiative on Individual Learning Accounts to overcome barriers to access to training and to empower adults to manage career transitions.	EU	S	3,4,5,6
13. European approach to micro-credentials to facilitate flexible learning pathways and labour market transitions.	EU	S	3,4,6
14. Skills and Talent package, including a revision of the Long-term Residents Directive (Directive 2003/109) to create a true EU	EU	S	3,4,6

long-term residence status, a review of the Single Permit Directive (Directive 2011/98) to simplify and clarify its scope (including admission and residence conditions for low and medium skilled workers), as well as setting out the options for developing an EU Talent Pool for third-country skilled workers.			
15. Member States to develop comprehensive policies to provide access to quality education for all in line with the relevant Council Recommendations and provide targeted support to disadvantaged learners to compensate for the negative impact of the crisis.	MS	S	3,4,5,6
Building a Union of equality Diversity in our society and economy is a strength			
16. Joint report on the application of the Employment Equality Directive and the Racial Equality Directive and present, by 2022 any legislation required to address shortcomings, in particular to strengthen the role of equality bodies.	EU	E	5,6
17. Legislation to combat gender-based violence against women, including work harassment on grounds of sex.	EU	E	3,4,5,6
18. Member States to advance and conclude the negotiations in Council on the Commission proposal for a horizontal Equal Treatment Directive.	MS	E	3,4,5,6
19. Member States to adopt and implement the proposal for a Council Recommendation on Roma equality, inclusion and participation.	MS	E	5 (not specific Roma)
20. Member States to advance and conclude the negotiations in Council on the Commission proposal for a Directive on women on boards.	MS	E	3,4,5,6
21. Companies to put in place mechanisms to combat discriminatory practices in recruitment, selection and promotion, and promote diversity in the workplace.	MS	E	3,4,5,6
Making social protection fit for the new world			
22. Launch a High-Level Expert Group to study the future of the welfare state, its financing and interconnections with the changing world of work and to present a report by end 2022.	EU	S	3,4,5,6
23. Launching a digital solution to facilitate the interaction between mobile citizens and national authorities, and improve the portability of social security rights across borders	EU	S	5,6,7,8

(European Social Security Pass), building on the initiative for a trusted and secure European e-ID.			
24. Member States to further extend access to social protection, in line with the Council Recommendation on Access to social protection.	MS	S	3,4,5,6
Strengthening co-ordination and monitoring			
25. Agree on a revised version of the Social Scoreboard with Member States.	EU, MS	E/S	3,4,5,6
The EU as a responsible global leader			
26. Adopt a Communication on Decent Work Worldwide providing a comprehensive overview of the relevant EU toolbox and providing a blueprint for an EU strategy on taking forward the social dimension in international action.	EU	E/S	6,7,8
27. Member States to promote international labour standards, decent work and social inclusion worldwide and to work towards achieving the UN 2030 Agenda and Sustainable Development Goals, with close involvement of the social partners and civil society.	MS	E/S	6,7,8

Part of Principle 6 of the EPSR is ensuring that jobs pay an adequate minimum wage. This action is seen as essential to guarantee adequate working and living conditions for workers and their families. On June 7th, 2022, the presidency of the Council and European Parliament reached a provisional political agreement on the draft directive on adequate minimum wages in the EU. The objective is not so much to set a common European minimum wage, but rather to have a framework for such wages. Different components are suggested to come to an adequate minimum, as for example the level of the minimum and the procedure to manage it. Social partners and collective bargaining need to play a role to regulate these wages. A timeline is provided to follow and monitor the implementation (Müller and Schulten 2022). For the GI-NI project, the context of a decent wage will surely have an impact on inequality in the different EU-countries.

4.6 The EU and the United Nations’ Sustainable Development Goals

The EU is committed to implementing all SDGs in policies and encouraging the Member States in doing the same¹². The SDGs remain the only integrated framework for economic, social and environmental development adopted by all UN Member States (Lafortune et al. 2021). The European Pillar of Social Rights (EPSR) indicates that seven of these SDGs are of relevance. This is mapped in Figure 4-2. In annexe 1, we look to what degree the SDGs impact the European situation itself.

5. What does the GI-NI project deliver to the policy debate?

The previous chapters reflect the complexity of the European reality of dealing with the different transformations to channel the consequences of inequality and skills. The GI-NI project has the ambition to provide answers that can shed light on parts of the current policy initiatives. To assess this contribution, this section focuses first on identifying the possible policy related questions that the research can answer. **Table 5.1 Possible policy related questions that can be answered by the GI-NI research** Table 5.1 provides an overview of the topics of the tasks and formulates the main questions that can be answered. The questions are aligned with the policy initiatives that are listed in Chapter 4. Next, the three transformations are underpinned with specific ‘dominant policy paradigms’. These paradigms are leading in current research on these topics. GI-NI offers new perspectives and answers.

We start with identifying which policy initiatives are linked to the GI-NI research.

Table 5.1 Possible policy related questions that can be answered by the GI-NI research

Task	Topic	Possible policy related questions answered
T3.1	Firm-level technology adoption and the rise of Superstar Firms	Which risks do major (AI) companies bring to workers? Can risks for monopolisation of (AI-)technologies, be countered? What can we learn for competitive sustainability by understanding how technology adoption can be improved in non-Superstar firms?
T3.2	Worker resilience to technology shocks	How can worker resilience help economic resilience and competitive sustainability?
T3.3	Incentive wage schemes and the increase of the gender wage gap	How can competitive sustainability be improved by creating more equality?

¹² https://ec.europa.eu/international-partnerships/sustainable-development-goals_en

T4.1	Quantifying the impact of international fragmentation of production on gender inequality	How can competitive sustainability be improved by creating more equality? How would reshoring or strategic autonomy be supportive to more equality?
T4.2	Worker mobility and the differential impact of occupation-specific import competition on labour market outcomes	How can mobility help economic resilience? How would reshoring or strategic autonomy be supportive to more equality?
T4.3	Implications of offshoring for the labour market position of Bulgarian and Hungarian firms and workers	How does trade policy impact labour markets? Can differential wages in Europe support or hinder globalisation efforts?
T5.1	Inequality and international mobility and migration intentions	Border management, partnerships
T5.2	Occupational sorting and migration in Hungary and Austria: the effect of outmigration on skill distribution, occupational mobility and wage inequality	Does internal mobility have a role to play in competitive sustainability? Does this act against policies for burden sharing in migration issues?
T5.3	Participation, segregation and labour mobility of native and immigrant groups in the EU labour market	Should there be more rules for protection of specific migrant groups?
T5.4	New perspectives on the migration-inequality nexus	Does this act against policies for burden sharing in migration issues?
T5.5	Causes of immigration/mobility: ageing & skill shortage	What can we learn for policies for burden sharing in migration issues? How does this support talent partnerships?
T6.1	Sorting out technology and trade in shaping labour market inequalities	Does inequality hinder competitiveness and economic resilience?
T6.2	Dissecting the impact of structural transformations on skills across European countries	Push new technologies Which risks do major new technologies bring to workers? Does inequality hinder competitiveness and economic resilience?
T6.3	Deconstructing the nexus among migration, skills and inequality across European labour markets	What can we learn for policies for burden sharing in migration issues? How does this support talent partnerships?

The research tasks offer only a perspective on competitive sustainability and economic resilience that the **technological transformation** brings. The research has little to say about the support of specific new technologies (innovation, AI or green technologies). GI-NI allows to assess how to make the European industries more resilient and performant by better managing technology (and organisation). The GI-NI research directs itself mainly at reshoring and (de)globalisation questions. There is little on trade wars (tariffs) or bilateral agreements. The **migration** tasks are more concerned about learning of migrants in the European market and from internal mobility. There is no attention to border management, refugees and partnerships with African countries. The topics that are in the press, they are not in the project. GI-NI allows to learn from (internal) mobility processes. These processes can help to understand if burden sharing is a real option for policymakers. The tasks also allow to develop some insights on talent partnerships and protection of specific labour market

groups (women). Many elements of the EU policy initiatives are therefore not covered by the research.

The tables in Annexe 2 give an overview of the tasks in our research on what happens to skills and inequality. We do not know what these outcomes will be, but we do know what directions they will take. The overview shows that we focus less on the effectiveness of policy measures in our research. Our material mainly provides an in-depth assessment of the relationship between transformations and inequality and skills.

The studies use very specific approaches to the topics which only allow limited recommendations for the policy initiatives. The research problems have been drawn from specific academic debates. Next, the approaches are focused on contributing to these debates and are, to a certain degree, set up in a 'policy-free' way. To enable the translation of our research results to the policy initiatives, we are deliberately including dedicated tasks in each of our work packages. The analyses focus on different elements of the relationship between drivers and impacts. We pay attention to what determines inequality and skills, but also, conversely, how inequality and skills lead to changes in, for instance, migration. In one study, we look at measures to deal with the impacts. Important to mention is that the GI-NI project offers EU-wide perspectives, with research tasks in the South (e.g. Spain), North (e.g. Norway), West (e.g. Belgium, Germany, the Netherlands, France) and East (e.g. Hungary and Bulgaria) of Europe. There is no particular bias in countries from the beginning of the project.

Technology, globalisation and migration as they are covered by the different policy initiatives reflect 'dominant policy paradigms'. These paradigms are taken as reference point to identify what the GI-NI research adds as perspective. The results will offer access to new policy paradigms in the future. The recommendations of GI-NI should support such a development. Table 6.1 qualifies the EU approach to deal, directly or indirectly, with the three transformations, by resorting to the concept of policy paradigms. It distinguishes the current dominant policy paradigm, what is changing in that dominant paradigm in the policy arena, and the contribution expected by the GI-NI project through research that accentuates the dominant paradigm ('traditional') but also that adds new dimensions to it.

Table 5.2 EU policy paradigms and GI-NI's contribution to adapting them (own development)

	Current dominant policy paradigm	Contours new policy paradigm	Contribution GI-NI

Technology	Technology substitutes labour. Focus on upskilling of low and unskilled workers.	Digitalisation is centrally linked to climate neutrality. Measures are aimed at young people ('endowed') and working people (adult learning). Skills are a tool for sustainable competitiveness. Tame market concentration reinforced by digital technologies.	<i>Traditional contribution:</i> robots and leading technology. Investments. Test whether 'upskilling' helps against automation risks. <i>New:</i> Internal organisation is also in the picture. Fragmentation of production chains. Market power considerations.
Globalisation	International trade is good for economic growth. The aim is to remove barriers to such trade.	Develop an economy resilient to external shocks. Management of deglobalisation.	<i>Traditional:</i> Fragmentation of value chains. Specialisation and implications for jobs. <i>New:</i> Impact of fragmentation of value chains at EU-level and impact for inequality.
Migration	Focus on the controlled and regulated influx, with strong border protection ('Fortress Europe').	Exceptions apply to Western refugees, but basic EU rules remain in force. However, new international relations lead to a shift in policy towards African countries (e.g. Spain, Western Sahara and Morocco).	<i>Traditional:</i> assimilation of migrants; impact of migration on relations between groups. Occupational changes. <i>New:</i> positive effects of migration on the situation of low skilled; inequality as driver for migration.
Technological transformation, globalisation and migration	No paradigm	Twin transition combines technological transformation with green transition which, in turn, are linked to globalisation and skills	<i>New:</i> interaction between the three transformations to assess labour market outcomes and impact on inequalities

The content of the table suggests that the reactions to the transformations do not always align, and expected impacts on inequalities may be very different. This implies that interactions between the transformations can lead to policy trade-offs and should not be neglected by the research. The analyses of the GI-NI project will contribute to bringing in such perspective. It is good to also see that the tendencies we will find in our empirical material also will reflect some of the policies that are in place. We will need to evaluate these policies.

6. Summary and limitations of the GI-NI research

This position paper has elaborated on what to expect from the GI-NI project as policy-relevant research outcomes¹³. Combining a literature review and a mapping of the most recent policy initiatives at the EU-level identifies the relevant policy areas and EU interventions in place to deal with the impacts of digital transformation, globalisation, and migration. The GI-NI research allows a specific contribution to the current policy initiatives. The results also allow for the construction of new policy paradigms. The challenge for GI-NI is set.

Chapter 5 shows that the scope of GI-NI remains limited, if all policy initiatives are considered. The approach chosen by GI-NI will be challenged even more over the course of the project. The starting point for the analysis is the ambition of the European Social Model to prevent poverty, reduce inequality and ensure upward convergence in living conditions. The governance model of the EU, and its relationship with the Member States, which defines how such a model is implemented, is complex and has evolved over time. Unexpected events, such as the COVID-19 pandemic, the war in Ukraine and the minimum wage directive, have impacted EU strategic thinking and policy decisions in an unprecedented manner. The GI-NI project has organised the work in such a way that policy recommendations will be provided by specific tasks 3.4, 4.4, 5.4 and 6.4, as well as WPs 7 and 8. These tasks build on the research results that are listed in Chapter 5 of this paper. The policy focused tasks can venture on new developments, which have been listed in this paper. They can consider new facts and weigh the results against these facts.

Given that the project is still at an early stage, evidence-based policy recommendations are premature. However, it can be safely said that **the assumptions regarding the transformations and the planned responses are shifting** as EU (and national) priorities are being redefined, and the changing policy and political context does not make an unequivocal response to challenges easy. The GI-NI project will have to deal with these shifts. More specifically:

1. First, we assume that the **European Social Model is the appropriate context to frame the GI-NI research on inequality and skills**. In this model, Europe cannot accept increasing poverty and large forms of inequality or exclusion. Upward convergence in the living conditions of

¹³ The position paper needs to be updated along the project. An update is planned for the end of the second and third year of the project duration.

European citizens is the broad aim of the European Social Model. The GI-NI research will offer evidence of the progress in economic and social convergence in the EU. It will also pay attention to the importance of redistributive policies (e.g. minimum wages), collective agreements and minimum wages to deal with lagging wages for specific jobs.

2. Second, it is crucial to acknowledge that the European policy context is complex and itself in constant flux. Progress has been made in recent years to develop a **new policy framework** to get a better grip on (amongst others) the various transformations (which are central to GI-NI project) and on how to deal with the negative outcomes of these transformations. Complexity has increased because of the multiplication of the **EU initiatives and instruments, as well the need to reconcile member states' often diverging national interests and perspectives with a common EU approach**. Recent events have shown that an 'ever stronger (European) Union' is not so much the result of deliberate agreements between the Member States but at least as much the result of unexpected shocks such as the COVID-19 pandemic and the war in Ukraine.
3. Third, **European values** are becoming more and more explicit in guiding the actions of the EU, as well as of its member states. Until recently, the EU limited itself to setting a 'good example', and the EU role on the international stage was mainly driven by trade relations and its benefits. The Ukrainian crisis is showing that such a policy may not be sufficient, nor desirable, anymore. The strategic changes occurring in the area of energy policy (away from Russian gas) will cause ripples in other policy areas, signalling major strategic shifts.

How does this impact what the GI-NI project deliver? Ultimately, the research must provide insight into the developments in inequality and skills and deduce how effective policies are or have been. GI-NI only focuses on a limited set of policies, which may be contradictory in practices. WP7 and 8 will connect these findings with the current (changing) policy and political context and the international setting, and try to project into the future. This requires thinking about whether the (current) instruments of the EU are sufficient to meet the challenges. With all these results, the final question of how to foster upward convergence in the standard of living of the European citizen can be answered.

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Annexe 1 The EU and the United Nations' Sustainable Development Goals

A closer look at the understanding of the European Commission of each of these goals shows that the actions that the EU plans for the separate goals are focused on what happens in partner countries, not so much in the EU itself¹⁴. The SDGs are used to align the international effort of the EU and the Member States toward the partner countries. The actions are very much linked to European values, not necessarily those that are central to countries receiving help and support. Europe wants to lead by example and by funding activities that are aligned with these values. An example is gender equality, a value that is supported by a lot of countries on paper. Not all these countries act against discrimination. This characteristic of the EU plan may impact the future of what Europe wants to achieve with these SDGs.



Figure 1. The United Nations' Sustainable Development Goals and the GI-NI transformations

¹⁴ https://ec.europa.eu/international-partnerships/sustainable-development-goals_en

Several of the EPSR-actions listed in Table 4.2 are directed at these SDGs. From the perspective of European workers, SDG 1 (Poverty) and SDG 3 (Health) are tackling basic life needs. The action plans do not provide support for the European worker and are therefore not addressed by the GI-NI research activities. SDG 4 (Education), SDG 5 (Gender Equality), SDG 8 (Decent work and economic growth), SDG 9 (Industry, innovation, and infrastructure), and SDG 10 (Reducing inequality) align more with European actions such as promoting lifelong learning opportunities to help adults develop new skills and break the cycle of poverty. Again, most of the action is towards the partner countries. In the GI-NI project, our discussion with international partners in WP7 and 8 will address these SDGs. Full employment, decent and productive work for all, and equal pay for equal work by 2030 are relevant within the European Union. For Europe, an inclusive and sustainable industrialisation connected to innovation is a relevant goal in itself. The GI-NI project brings an understanding of what drives inequality. Its result helps to understand its causes and consequences. The project will support the EU's multifold approach to the SDGs.

The SDGs were launched in 2015, and the EU has been monitoring the progress of the EU and its Member States in realising these goals. The Sustainable Development Solutions Network (SDSN) and the Institute for European Environmental Policy (IEEP) have prepared reports to measure this progress (Lafortune et al. 2021) (ESDR)¹⁵. The 2021-report assesses the impact of the COVID-19 pandemic on this progress. The main evaluation is that the pandemic has caused a setback for sustainable development in Europe. The ESDR reports that the average SDG Index score of the EU did not increase in 2020. The authors hoped that the EU would get back on track by 2022, but the Ukraine crisis may limit the possibilities and leadership of the EU.

The pace of progress on many goals is seen as generally too slow to achieve the SDGs by 2030 and the Paris Climate Agreement by 2050. The pandemic has undone a lot of effort in the ambitious social policies ("Leave No One Behind"). The EPSR-reports indicate that even European vulnerable groups and populations have been particularly affected by the impacts of the pandemic, not even guaranteeing the SDGs at the EU level. The GI-NI project will need to assess if the convergence of living standards across European countries has improved. Several of the SDG's goals will require more investigation and discussion within the project team.

An important observation in the report is that Europe may be the SDG leader globally but still generates negative international spillovers within and outside of the EU-region, such as serious environmental and socio-economic consequences for the rest of the world. These spillovers are only

¹⁵ [Europe Sustainable Development Report 2021 \(sdgindex.org\)](https://sdgindex.org)

managed within the EU. Outside EU spillovers will need to be addressed in WPs 7 and 8, and in the policy tasks of WPs 3, 4, 5 and 6.

A weakness in the EU approach to SDGs reported by the authors of the ESDR is that the EU policy lacks fully developed action plans. We already mentioned actions covered by the ESPR. Due to an absence of politically agreed targets for many SDG indicators, Eurostat, in its annual SDG report, tracks progress towards quantified targets for only 15 of the 102 indicators.

The ESDR-report also recommends the EU to implement the SDGs in its internal priorities better and express its commitment. The Ukraine war will, however, test the EU's resolve in this policy. The EU and its member states are requesting solidarity from its partner countries in this matter, which may show how the EU continue its international efforts. It is not unthinkable that the EU may align itself more with its global allies. The departure of the EU from Syria, Afghanistan and from Mali reflects this reduced appetite to support regions with different value sets. The EU model is less of a reference point in the world. The competition with China and Russia changes the support for the older international and multilateral policies.

Annexe 2 Assessment of policy impact of GI-NI research for the topics of skill and inequality

Chapter 5 discusses the policy impact of GI-NI research from the perspective of the three transformations. This analysis can also start from the outcomes of our research. This Annexe provides this analysis. The first table classifies the studies according to *skills*.

Table 0.1 Possible research results of the GI-NI tasks for skills

Task	Topic of task	What kind of outcomes?
Impact on skill changes		
T6.2	Dissecting the impact of structural transformations on skills across European countries	In-depth analysis of how skill development will be affected
Identification of drivers to skill changes		
T3.1	Firm-level technology adoption and the rise of Superstar Firms	How do (technology) investments impact skill changes?
T4.2	Worker mobility and the differential impact of occupation-specific import competition on labour market outcomes	Company fragmentation and skill impacts, changing jobs.
T4.3	Implications of offshoring for the labour market position of Bulgarian and Hungarian firms and workers	International sourcing: does it affect specialisation of companies in NMS and does this affect skills?
How to secure that skill levels are adequate?		
T3.2	Worker resilience to technology shocks	Is upskilling an 'insurance' to technology change?

Task 6.2 provides an overview of skills developments in the EU and analyses whether trends associated with the transformations as well as social outcomes have been converging. Together, the previous results serve as input for the workshops in WPs 7 and 8. Tasks 3.1, 4.2 and 4.3 provide an in-depth insight into the relationship between technology and skills. Technology is understood as an investment and as organisational decisions (fragmentation and international sourcing). Task 3.2 gives a policy perspective, namely, what do employees gain by investing in knowledge development to cope with changes in technology.

The following table classifies the studies according to inequality.

Table 0.2 Possible research results of the GI-NI tasks for inequality

Task	Topic of task	What kind of outcomes?
Identification of drivers to inequality		
T3.1	Firm-level technology adoption and	How do digital technologies affect inequality between firms

	the rise of Superstar Firms	and thus market concentration?
T3.3	Incentive wage schemes and the increase of the gender wage gap	Incentive wages leading to more gender inequalities
T4.1	Quantifying the impact of international fragmentation of production on gender inequality	Globalisation leads to company fragmentation: but does this affect gender inequalities in wages?
T6.1	Sorting out technology and trade in shaping labour market inequalities	Technology and trade: inequality? Which jobs affected?
T5.3	Participation, segregation and labour mobility of native and immigrant groups in the EU labour market	Does migration itself change the relationships between groups within a labour market? What does it mean for immigrant and native workers? Can we see assimilation?
T5.4	New perspectives on the migration-inequality nexus	Impact of migration on: skills distributions, pensions and taxes. Do migrants help lower skilled?
Identification of inequality as a driver of migration		
T5.1	Inequality and international mobility and migration intentions	Inequality as driver of migration, of different types of migration (intra, extra)
T5.5	Causes of immigration/mobility: ageing & skill shortage	Causes of intra-EU mobility of migrants

Technology and inequality are discussed in different ways. Task 3.1 assesses whether and to what extent digital technologies magnify inequalities across firms within industries, which could exacerbate issues of market concentration and market power. Organisational measures can also be seen as technology (Bloom and Reenen 2011). Incentive wages and fragmentation of organisational processes can lead to increased inequality. Task 6.1 brings together the interaction of technology and trade on inequality. Tasks 5.3 and 5.4 look at how migration and inequality are related. A separate study examines whether migrants can, in fact, help low-skilled people in labour markets. Two studies focus on whether inequality itself causes migration.

In the final table, both impacts (inequality and skills) are addressed simultaneously. Both studies make the connection between migration and these impacts.

Table 0.3 Possible research results of the GI-NI tasks for skills and inequality

Task	Topic of task	What kind of outcomes?
Identification of drivers to inequality and skills		
T5.2	Occupational sorting and migration in Hungary and Austria: the effect of outmigration on skill distribution, occupational mobility and wage inequality	Outmigration, skills shifts in home country and receiving country & wage inequality. The way Europe is structured, will it help reduce inequalities or enhance it?
T6.3	Deconstructing the nexus among migration, skills and inequality across European labour markets	Impact migration on skills and inequality. Occupational downgrading because of migration? Is training done by immigrants to deal with demands?

The policy impact of these studies is elaborated in four separate tasks (3.4, 4.4, 5.5 and 6.4). Task 6.4 provides a helicopter view in which we examine to what extent there is convergence or divergence at the European level in the way mitigation measures are handled.

GI-NI PROJECT IDENTITY

Project name

Growing Inequality: a novel integration of transformations research — GI-NI

Coordinator

Nederlandse Organisatie Voor Toegepast Natuurwetenschappelijk Onderzoek TNO,
Netherlands

Consortium

CNAM – CEET, Centre d`études de l`emploi et du travail (France)
University of Groningen (Netherlands)
Centre for European Policy Studies (Belgium)
University of Adger (Norway)
Centre for Economic and Regional Studies (Hungary)
Utrecht University (Netherlands)
Europa-Universität Flensburg (Germany)
University of the Basque Country (Spain)

Duration

2021 – 2025

Funding Scheme

Grant Agreement no 101004494 — GI-NI — H2020-programme

Website

<https://www.gini-research.org>



Growing Inequality:
A novel integration of
transformations research

www.gini-research.org