9. Reimagining European policy: skills, inequality, and the path to convergence

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INTRODUCTION

This book synthesises the findings from our GI-NI Horizon 2020 project to derive policy implications concerning inequality and skills. Inequality is a topic that has been on the scientific and political agenda since the earliest days of social science publications. This book argues that inequality should remain on the policy agenda for the European Union (EU) and its Member States. New forms of inequality arise, new challenges pose themselves, and politicians need to reconsider solutions and approaches. However, even if our results are convincing, currently, the topic of inequality may be struggling for attention.

It is worth mentioning that after the first year of the GI-NI project, we had the opportunity to discuss our initial results with Professor Luc Soete. As one of the leading thinkers in Europe on innovation (Schwaag-Serger et al., 2024), he challenged us to look at our research results within the context of the time (i.e., 2022). The research programme was conceived at the end of 2019. We wrote into our proposal that COVID-19 might be a 'black swan' for our programme. Not only did the COVID-19 pandemic affect our research, but we were confronted by the Ukraine war, the European minimum wage legislation, and the changeovers in policies in the United States (US). At the start of our research, we had not built in activities that explicitly considered these developments. Let us revisit the challenge that Professor Soete posed to us.

This chapter elaborates on why a reconsideration of inequality and skills for the European policy agenda is needed. We build on the discussions started in the previous chapters, connect them to the current international context, and explain how very different developments, such as globalisation and political realignments within and between countries, can be connected to this debate on inequality, skills, and transformation. The chapters in this book contain

different perspectives on inequality, all in need of policy responses. We bring these perspectives together in a final conclusion.

This chapter is structured around five topics. First, we present the challenges that the GI-NI project has faced. Second, we discuss how the current discussion can be interpreted and how to progress. We use the framework presented by Acemoglu (2024) to contextualise our results and clarify the policy implications. Third, we argue why technology itself is insufficient to understand the issue of inequality. Fourth, we explain how to understand the GI-NI results from an inclusivity perspective. Finally, we reflect on a redirection of the policy agenda for the EU.

A CHALLENGED SOCIAL AGENDA

The European Parliament agreed on 19 October 2022 with the Minimum Wages Directive (Directive (EU) 2022/2041 of the European Parliament and of the Council on adequate minimum wages in the European Union [OJ L 275, 25.10.2022, pp. 33–47[1]]). The goal of the directive was fourfold: to provide workers with a decent standard of living, reduce in-work poverty, promote social cohesion and upward social convergence, and reduce the gender pay gap.

In the economic literature, minimum income regulations have encountered mixed responses. On the one hand, minimum income provides guidance for employers to adjust to the reality of higher wages. They need to focus on activities that generate more income, and start automating activities for which the labour factor becomes too expensive. On the other hand, minimum wages can have unintended side effects if they are set too high. For example, Gregory and Zierahn (2022) find that an exceptionally high minimum wage in a low-wage industry in Germany actually reduced the real wages of skilled workers. While these impacts may be helpful from an inequality perspective (less wage dispersion), the impacts on high-skilled workers may not be helpful for the transitions that the industries need to make. Nevertheless, this is an exceptional scenario, and moderate minimum wages typically are not associated with such negative side effects. For the trade unions, the EU policy change was an important victory. Up to 2022, the progress in the social domain has remained quite limited. The European Pillar of Social Rights (EPSR) (2017) came after a period of crushing austerity policies. The Juncker Commission wanted to reset the European agenda away from cost-cutting to a more inspiring perspective of social rights (Dura, 2024).

[1] http://data.europa.eu/eli/dir/2022/2041/oj

The EPSR contains aspirational objectives on which no unity of vision exists across European countries. When the EU put the minimum wage directive on the agenda, there was significant resistance from employers and specific countries. Nevertheless, the directive was accepted because of the austerity policies of previous years. Although the social domain was not actually a European policy domain, it was precisely in the austerity policy that countries were given direction in the social domain. Employers could not dryly claim that the social domain was excluded from European policy. Trade unions achieved a significant shift in social policy in the European domain with the minimum wage directive (Dura, 2024; Natili & Ronchi, 2024).

In the same timeframe, the COVID-19 pandemic hit Europe, and Russia invaded Ukraine. The pressure of both on the various national budgets in Europe has been quite substantial. It is clear that governments are having to put the brakes on budgets again, and the European social domain is coming under renewed pressure. It does not help the social domain that in the US, the new policy is focused on maximum cutting of government spending. European social policy has landed in a vacuum with great uncertainty about what will be realised of the high ambitions in the coming years. This was apparent in the policy agenda of the new European Commission that started in 2025. Initially, there was little reference to the EPSR. The social agenda has been replaced by an 'activation agenda' in which individual citizens have to take care of their own social issues. According to the Commission Work Programme 2025 (COM[2025] 45 final), which lists the most significant new policy and legislative initiatives to be implemented in the forthcoming year, just three of the 45 new initiatives are aligned with the policy objective of social fairness. Among them, a new non-legislative action plan to implement the EPSR is expected by the end of the year.

Does this change remove inequality from the political agenda?

A MODEL TO INTERPRET SCIENCE, TECHNOLOGY AND INEQUALITY

Inequality remains an important topic in the scientific debate. If Google Books Ngram Viewer is to be believed, topics such as inequality and the 'Gini coefficient' have gained traction in recent years[2]. The topic of 'inequality' also remains worth a Nobel Prize in Economics: In November 2024, Professor Daron Acemoglu, Professor Simon Johnson, and Professor James A. Robinson were awarded for their work on institutions and inequality. During his

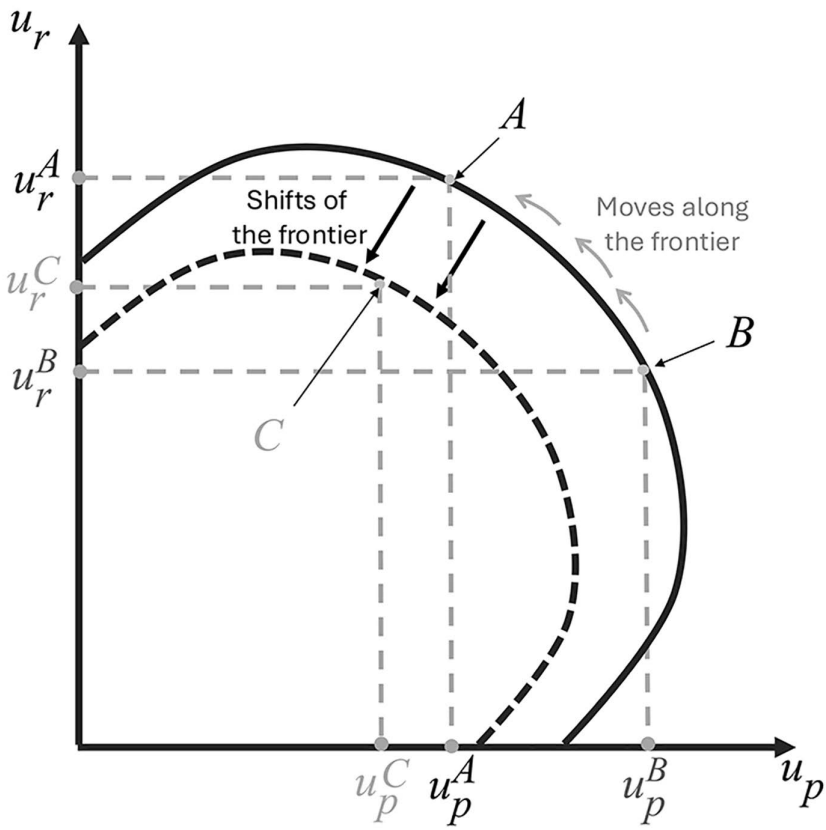
[2] The data stops in 2023, and these topics may have since become less prominent in research and publications.

acceptance speech, Daron Acemoglu presented a simple framework to characterise and assess a large number of historical movements that he has been studying over the decades[3]. The framework has its limitations, but it helps him to reflect on and reinterpret his entire body of work. This framework is equally useful for contextualising the results in this book and deriving policy implications from them. First, we present the framework below before using the model to frame the findings of our book and the GI-NI project for inequality.

The centrepiece of his framework is the Utility–Technology Possibilities Frontier (UTPF), which informs us about the levels of utility, welfare, or prosperity that different groups can achieve given institutional and technological choices. Figure 9.1 summarises the main thought of Acemoglu. He considers a world with just two groups, the rich and the poor, with the assumption that the rich are initially politically more powerful/dominant. This simplification serves to illustrate the arguments. He starts with a trade-off in utility that the rich (Ur) make on one side, versus the poor (Up) on the other side. In his presentation, he also uses the contrast of employers (or Capital) versus employees (the Labour factor). Technology can play a role in taking the utility curve to a higher level (more prosperity). The outside frontier in Figure 9.1 represents the frontier of potential utility levels that the two groups can reach. Close to the axes, the curve is inward-shaping, highlighting that very unequal distributions are Pareto-inferior. That is, for example, if the poor are very poor, raising their utility level also raises the utility level of the rich – for example, because fewer investments into gated communities are necessary. The left-pointing arrows indicate a movement on the frontier, which is typically associated with rising utility for one group at the expense of the other group. This typically reflects relative shifts in power relations. A shift to the left benefits rich groups; a shift to the right benefits poor groups.

The shift remains on the frontier when society can use 'efficient' tools. However, the outcomes are vastly different. Point B results in higher profits for workers, while Point A favours capital owners. Remaining at Point C, at a lower utility curve than possible, creates an economic losers' mechanism, meaning more progress is possible, but it is blocked by specific institutions. Acemoglu derives from history that the evolution of trade-offs in utility between different groups has not been a neutral activity. The rich are sufficiently politically powerful to attract the most utility for themselves. The poor can only attract more utility through hard struggle. Acemoglu also cites several historical examples where the rich and powerful were willing to block new technological applications (think of Galileo) if they were convinced that the new technology would

[3] https://www.nobelprize.org/prizes/economic-sciences/2024/acemoglu/speech/



Source: Acemoglu (2024).

Figure 9.1 Utility–technology possibilities frontier

provide more opportunities for the poor to attract more utility to themselves. Technological progress is thus not a linear process but depends on this balancing of interests. Acemoglu uses this model to describe other situations that may arise. A 'holdup' by the rich can arise when moving to a higher utility curve brings benefits mainly to the poor. The rich may refrain from further investing (the 'holdup') as they do not sufficiently benefit from those. This implies a lower-than-optimal level of investment and utility. This is what Acemoglu calls the economic losers mechanism. The rich prefer a situation in which all lose, but they retain their political and economic power. A 'collapse of state capacity' is a situation where the state is misused to keep money flowing to the

rich, and institutions are misused to steer incentives in the wrong direction. He also presents the economic losers and the political losers. The former refers to the loss of economic benefits by the rich due to institutional or technological changes to which they are reticent. The latter corresponds to the temporary concession made by the rich to the poor in order to stay in power. He highlights the importance of institutions and the usefulness of the frontiers to tackle these issues. Using Acemoglu's thinking to make sense of current developments in the US is not difficult.

Acemoglu's framework helps us to understand how the direction of technological change is shaped by institutions, groups' interests, and the balance of power. For example, some public alarmists claim that half of the jobs are at "risk of computerisation" (see, e.g., Frey & Osborne, 2017). We show in Chapter 2 that such claims are exaggerated and mislead the public debate into a false fear of a jobless future while missing that they are the key problem is rising inequality. Based on such claims, Carl Benedikt Frey, in his book *The Technology Trap* (Frey, 2019), argues that resistance to technological development would come mainly from the workers. Workers would not understand the possible long-term positive effects of technology and would resist change. In particular, his example is the struggle of the Luddites in 1810–1813 against the Spinning Jenny and other automation. Frey fears that workers' resistance to the latest technologies, such as robotisation and artificial intelligence (AI), would hinder further progress. However, Acemoglu's framework highlights that the direction of technological change and the degree to which new technologies are implemented are actually shaped by institutions, power relationships and group interests. Those who control the resources for investing in technological change are likely to shape the intensity and direction of technological change for their own benefit, not considering what would be optimal for society as a whole. This may result in a situation where the poor lose out. Whether or not technological change is labour-displacing is in itself an endogenous outcome that policymakers can try to shape by developing suitable institutions.

THE LIMITS OF INDUSTRY 4.0

This framework helps us contextualise the research findings of the previous chapters in the book and the GI-NI project. It is also important to understand the context in which the GI-NI project was developed. *The Technology Trap* explained the impact of new technologies mainly as labour substituting. Frey feared that Western society would stop progressing because the working class resisted technological advancements. His fear was a resurgence of Luddism, as technology primarily substituted labour for capital. However, technological development is not exogenous, and policymakers should focus on shaping

institutions that direct technological change towards a path that is beneficial for society as a whole.

In 2019, there was still a strong belief in the possibilities of Industry 4.0. Industry 4.0 was an industrial policy launched in Germany that focused entirely on 'connected technologies'. The policy was launched in 2011 at the Hannover Messe, the major German technology fair. Industry 4.0 was adopted at the EU-level to replace a policy focused on knowledge development (Lisbon Agenda).

Expectations for this connected technology were also high. Applications such as cobots and AI were expected to lead to massive labour substitution, as indicated above. Arntz et al. (Arntz et al., 2017) and institutions such as the Organisation for Economic Co-operation and Development (Nedelkoska & Quintini, 2018) highlighted that such fears are exaggerated, that the real challenge is changing skill requirements and rising inequality, and that policymakers should rather focus on how to enable workers to make use of new technologies for raising prosperity rather than seeing them as a competitor.

This brings us to the first GI-NI research findings commented on in this book.

First, the results can be interpreted into Acemoglu's model. The latest connected technologies and robots were expected to push the technology frontier upwards. In the model, Industry 4.0 technologies allow the utility function to move upwards. With this shift, companies and workers should be motivated to seize new opportunities. However, research by Arntz et al. (2024b) revealed that the speed of technology adoption is slow. While a large share of firms either already use new technologies or consider using them soon, those technologies make up only about 8–9 per cent of the total capital stock. The situation can be compared to the introduction of the electric car: while the share of electric cars in new sales is large, their share in the total stock of cars remains small because cars are typically used for many years, and replacing all cars takes time. Nevertheless, Arntz et al. (2024a) show that the adoption of new technologies also continues to be associated with declining routine tasks. Interestingly, this is mostly driven by firm heterogeneity. Their findings indicate that firms require complementary investments in the right skills to successfully adopt new technologies. Further, their findings suggest that an acceleration of technology adoption would be associated with faster de-routinisation and an increase in between-firm heterogeneity.

Why have more companies not taken this leap? A second study in the project was concerned with the rise of mark-ups in Spain. In the US, companies such as Amazon, Google and Facebook were formed during the Industry 4.0 period. All these 'superstar' companies are making maximum use of the latest technologies. These companies are able to leverage these new technologies to charge prices that far exceed their marginal cost, giving these firms

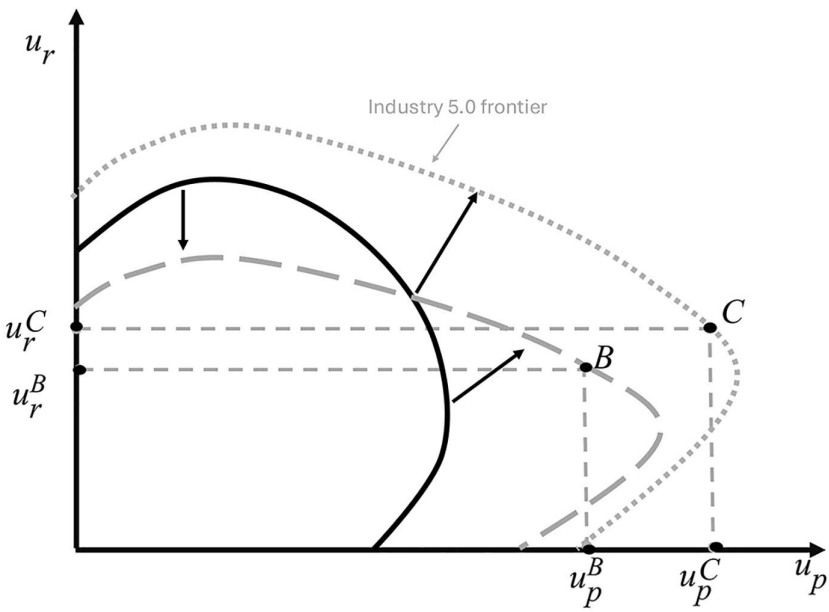
major market power and calling them mark-ups. The question in the GI-NI project was, therefore, whether the latest Industry 4.0 technology would enable European companies to generate and attract more profits. Smolka & Taleb (in Arntz et al., 2024) examined whether similar industry trends to those in the US were found in Spain. The question was whether mark-ups – caused by strong market concentration where a few firms take the majority of profits – occurred. The answer was no. Technology fosters more competition rather than concentration. In other words, labour-saving technology may shift the axis, but few companies or workers benefit from the promised higher utility. Our results with Industry 4.0 are consistent with an institutional context where the benefits primarily accrue to capital.

The preliminary message is clear: it is insufficient to focus solely on technology to predict progress. Just because technology enables significant advancements does not mean the utility of groups will increase. It is even unclear if the Industry 4.0 technologies allow companies to reach higher utility functions in terms of the Acemoglu framework. The belief that the superstar companies have an insurmountable lead and will accumulate enormous value is not guaranteed. The example of the Chinese firm DeepSeek[4] illustrates this point. Companies such as OpenAI, Google, and Facebook assumed that they had a technological head start with large language models and privileged access to high-performing computer processing power. DeepSeek showed that the models could be replicated with significantly lower investment and significantly less computer power, as was expected earlier. Similarly, Smolka & Taleb's research (in Arntz et al., 2024) on the Spanish industrial sectors reinforces this conclusion.

Given these results, what does this mean for such a policy as Industry 4.0? In 2021, the European Commission launched an alternative industrial policy called Industry 5.0 (Breque et al., 2021). The idea was that the implementation of digital technologies required a more human-centric approach by companies to become more successful. At first, the shift to Industry 5.0 was not fully understood in the scientific field. Many technologists assumed that the European Commission was pointing to a new technological revolution grafted onto technologies that were more people-centred (Coronado et al., 2022). Initially, technology experts questioned what concepts like human-centricity, sustainability, and resilience truly meant. They quickly began advocating for 'human-centred technology', meaning technology that is fully personalised (Rojas et al., 2018). However, in doing so, they failed to communicate the message effectively. Rather than stressing the personalisation of technology, the policy stressed the need to include the workforce in the development and

[4] https://www.bbc.com/news/articles/c5yv5976z9po

implementation of digital technologies. The core idea was that the capabilities of new technologies were misunderstood. Studies started to show that most connected technologies were not primarily 'labour-substituting' but rather 'labour-augmenting', meaning that they enhanced workers' capabilities (Autor et al., 2020). Making better use of these technologies requires building on the input of the users of these technologies. The implications can be modelled using the framework by Acemoglu. Figure 9.2 shows three lines: the thick dark line is the starting point, as indicated in the previous Figure 9.1. This line can shift to the right, as shown with the grey broken curve (B); this shift can extend to C, with a move to the dotted line. A shift to the right indicates increased opportunities for labour to benefit from technological development. The figure indicates that a shift of the utility to a higher level is possible. The logic here is that only through the cooperation of the labour force can the leap to a new frontier be achieved. The consequence is that most of the new utility is probably creamed off by the labour factor. The study by Arntz et al. (2024b) further supports this by showing that most Industry 4.0 companies enhance skilled



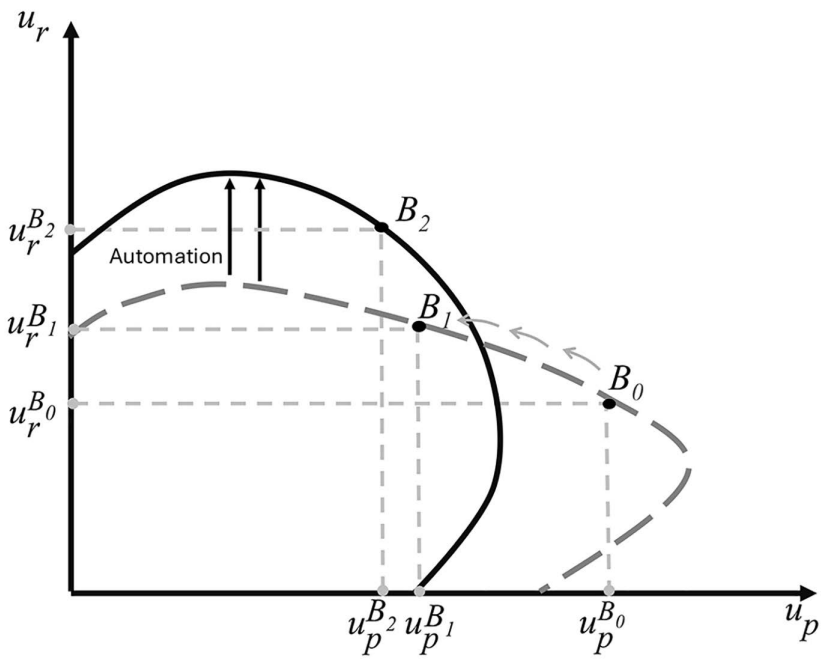
Source: Adapted from Acemoglu (2024).

Figure 9.2 Technological change in favour of the labour factor

workers' capabilities. The condition for this, however, is participation by workers in technology development and implementation. This finding aligns with the arguments of Autor et al. (2024), who add a historical perspective to the shift in capabilities of new technologies. Throughout history, job and technology developments have alternated between substitution and augmentation. Policymakers can – and should – set suitable institutions so as to ensure that the path of technological change benefits society more broadly instead of only those who have the power and resources.

In terms of the model, this means a shift in utility from point B to point C. Labour augmentation means an increase in worker utility.

Acemoglu warns that capital owners may prefer shifts in both the technological frontier as well as where we land as a society on that frontier, which are more beneficial for themselves – and less beneficial for workers. They might resist investments that would benefit workers ('hold-up') while focusing on those that predominantly benefit themselves. They may also invest in technology that reduces the utility of the labour factor (see B_2 in Figure 9.3).



Source: Adapted from Acemoglu (2024).

Figure 9.3 Automation in favour of the capital factor

Economic analysis has not yet proven that we are in this situation, but it may be worth researching whether the current investment slowdown[5] is related to the reduced commitment of managers and companies to invest in productivity-enhancing technologies.

REDUCING INEQUALITY

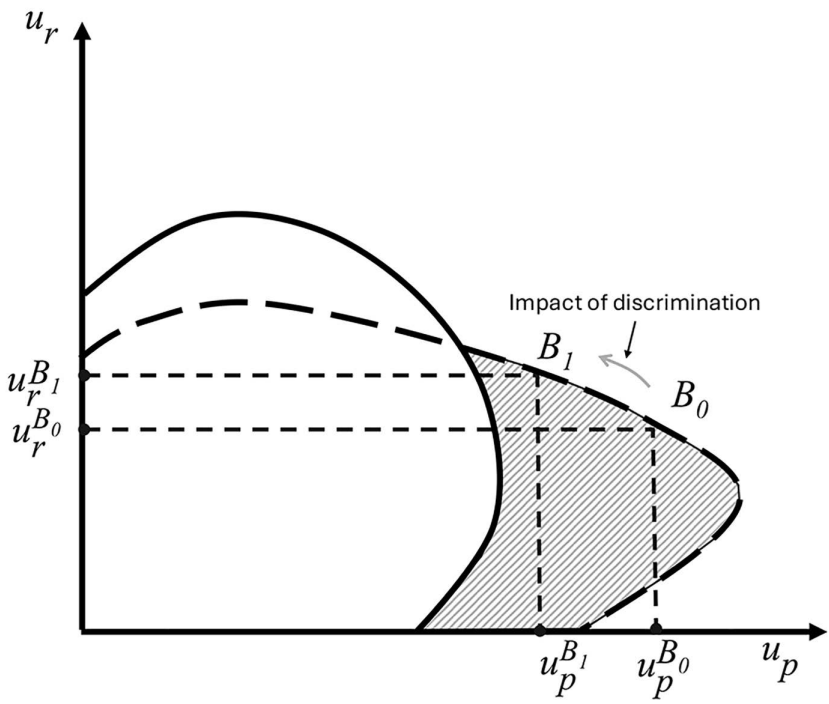
Let us now broaden the discussion to the other two key themes of this book: globalisation and migration. The Acemoglu framework does not make any distinctions between the rich and poor groups that are identified. The groups are considered homogeneous. However, even in an environment of labour augmentation, not all workers necessarily benefit. The chapters in this book have explored developments in employment opportunities and utility for different groups of workers.

Both the scientific and political debates emphasise how globalisation and technological innovation have intertwined effects on employment and firm innovation. DeepSeek's development of its own low-cost chatbot illustrates that China's technological capabilities, alongside those of other emerging economies, are catching up. Baldwin (2016) noted that information technology has been a driving force behind this economic convergence. Developing countries do not need to follow the painstaking trajectory that developed countries have followed. They can use the new technologies to reach higher productivity levels directly. Several of our studies (Astarita & Alcidi and Johnsen et al. [in Astarita et al. 2025]; Hulsegge et al., 2025) have looked more deeply into convergence trends in the European context. An important result is that the social situations in the West and East of Europe are converging. However, a new social divide between the North and South of Europe is emerging. Mediterranean regions seem constrained by their social models, which appear to keep them on a specific trajectory, limiting their ability to break out of established patterns and improve their socioeconomic position. It seems that coordinated market economies or Mediterranean market economies often cannot emulate social innovations as well as more liberalised market economies. Convergence is limited by social factors and path-dependent innovation. As Basu and Weil (1998) discussed in their paper about 'appropriate technology', some technology development requires a changed social infrastructure for these technologies to be implemented. The social infrastructure is limiting the catch-up.

[5] https://cepr.org/voxeu/columns/corporate-investment-europe-snapshot-2024-eib-investment-survey

One aspect newly highlighted in Acemoglu's model relates to conflicts within the labour force, particularly between different worker groups. The chapters in this book place significant emphasis on these dynamics. Using the Acemoglu model, we can model the outcome of possible conflicts between worker groups. Figure 9.4 illustrates a situation where the utility workers draw of new technologies is important. The shaded area in the figure represents various scenarios where discussions and conflicts between workers lead to suboptimal utility outcomes. This can result in shifts from point B0 to point B1, leading to reduced utility for workers or an unequal distribution of benefits across worker groups.

Such disparities can stem from broad developments like globalisation. Los et al. (2023a) have shown that globalisation within Europe has contributed to shifting employment conditions, particularly for female workers. But globalisation also leads to new forms of inequality. Globalisation made fabrication



Source: Adapted from Acemoglu (2024).

Figure 9.4 Discrimination leads to lower utility for the labour factor

workers face much stronger import competition than workers in other business functions (R&D, management, marketing), even if these workers were active in the same industry. That leads to a new type of inequality (Los et al., 2023b). Next, they found that high import exposure tends to increase the likelihood that a worker moves to a different region and/or switches to a job in a different business function. German workers who move and/or switch enjoy higher wages than similar workers who stay put. This is an outcome in the short term (up to two to three years afterwards; the German data do not allow us to study the long-term differences). In contrast, the wages of Dutch workers are generally not affected positively or negatively by a switch to a different occupation. However, the job satisfaction of Dutch workers tends to be higher for switchers than for similar non-switchers in the long run. The differences are small, though.

Additionally, discrimination between groups can persist, preventing all workers from equally benefiting from technological advancements and skills development. Research by Boza and Reizer (2023) reveals that women not only remain underrepresented in high-paying firms but even earn lower wage premia than men when they enter high-paying firms. They show that performance pay and overtime payments are the main drivers of these gender differences. Similarly, Aldaz et al. (2025) found that migrants are often excluded from career advancement within labour markets. As they state, newcomers have a lower occupational attainment than natives, and they also suffer from a significant initial earnings gap. Immigrants fill the lower rungs of the occupational ladder, often entering jobs characterised by gender norms. However, some integration of foreign-born workers occurs over time, and these differences progressively narrow. They adjust to labour market conditions and their skills and knowledge are recognised, increasing their ability to compete with local workers. Nevertheless, their career progression occurs within the same 'labour segment', and even though there is a convergence between the wages of natives and immigrants, full assimilation is not achieved. They suggest that high degrees of import exposure made workers more likely to move to another region and switch functions. In turn, Seghir and Smolka (2024a), discussing the differences and convergence dynamics between migrants and natives in terms of educational mismatch, suggest that both male and female migrants face a strikingly higher probability of educational mismatch compared to natives. Women, in particular, experience a more pronounced disadvantage, characterised by a significant probability of educational mismatch. Interestingly, the initial gap for both men and women widens in the first few years after arrival, indicating a persistent challenge in labour market integration. Their research highlights the long adjustment period required for immigrants to close the gap with natives.

These examples demonstrate that while, in general, more utility could be generated and distributed, existing discrimination between worker groups prevents equitable outcomes. Whether these disparities serve as strategies benefiting capital is a subject left open for further discussion (Noble, 1987).

Acemoglu discussed how institutions can be (mis)used to improve the distribution of the utility that is generated by shifting the utility frontier. We can study changes in labour market policies from this same perspective: to what degree do they help shift the frontier and the position of worker groups? The first topic is labour mobility as a means for workers to shift to new opportunities in labour markets. To what degree can policymakers steer labour mobility to increase the utility for worker groups? Applying Acemoglu's framework, can workers take action to improve their own utility? The GI-NI studies have looked at several possibilities. Dabed et al. (2024) investigated the extent to which workers who are exposed to automation can find new job opportunities in other, less affected occupations. That is, does occupational change serve as an 'escape hatch' for highly exposed workers? The depressing answer is that, due to routine task overlap, highly exposed workers typically can only switch to other occupations that are similarly exposed to technology. Task reallocation provides little relief for affected job seekers, and large shifts in tasks – that is, significant re-skilling – are necessary for workers to find better job opportunities when facing the automation of routine tasks.

Los et al. (2023b) analysed the outcomes of labour mobility within different countries and found that German workers benefited from mobility, while mobile Dutch workers gained little after the China Shock.

Lindner et al. (2025) and Seghir and Nezhyvenko (in Aldaz et al., 2025) examined the effects of mobility of workers between countries and showed some positive impacts of migration. The former investigated the employment and wage effect of the opening of the Austrian border on the Hungarian border region and found that, as a result, wages rose and employment fell. The latter constructed an occupational shortage indicator to identify occupations facing shortages, finding evidence that immigrants play a significant role in alleviating job shortages in Western European countries, where immigration rates are rising and labour shortages persist.

Some results show some validation of the Baldwin thesis. Smolka and Georgiev (in Reizer et al., 2025) found that processing trade and offshoring contribute to skill development in host countries. While it is well known that China has become more technologically advanced through offshoring, his research establishes that similar trends are now occurring within the EU. Furthermore, Reizer's study (2024) shows that cross-border labour in Hungary has led to increased wages in the border regions of Hungary itself. These are examples of unintended but positive consequences for countries trying to catch up with developed nations.

The critical question remains: are there effective ways to reduce discrimination and improve access to skills and inclusive opportunities? The overarching conclusion from our studies is that European labour markets are not as efficient as commonly assumed. The distribution of utility among workers is not a neutral exercise.

WHO IS SERVED BY THE EUROPEAN SKILLS STRATEGY?

Against this background, we studied whether labour market mobility, an important state activity, can stimulate skills development. The EU is fully committed to the Skills Agenda. Developing higher skill levels is crucial in a labour market increasingly defined by augmentation. The policy aims to increase the number of technical professionals, which is a seemingly neutral goal. However, our framework suggests that skills investment can have diverging effects on the labour force.

The dotted line in Figure 9.3 can shift upwards, potentially maximising Capital's gains from European initiatives like the Skills Portability Initiative and the European Qualifications Framework. Youth Policy Dialogues and the Youth Advisory Board also contribute to this trend. However, the key question is: who ultimately benefits from these investments?

The framework represents these dynamics through leftward and rightward shifts in the figure. On the one hand, a skills agenda can generate more opportunities for managers – think of algorithmic management, social media industries, etc. It can increase the supply of technical specialists, easing current labour market shortages. On the other hand, it could empower workers, reducing conflicts between labour groups (e.g., through a minimum wage policy) and enabling workers to navigate augmentation opportunities more effectively.

Today, discussions around the Union of Skills emphasise mobility, migration, and job quality roadmaps. Acemoglu's perspective suggests that we must evaluate how much utility different stakeholders derive from these measures. Ultimately, European and national policies should aim to fully harness the benefits of labour augmentation and skill development. The critical question, then, is what frontier policymakers are envisioning. Drawing on Autor and Acemoglu, as well as GI-NI's findings, policies should aim for a rightward shift in the framework, favouring labour over capital.

REDIRECTING THE DRAGHI AGENDA

This brings us to the key policy recommendations from this book. The European Commission remains strongly committed to the Draghi agenda (Draghi, 2024), based on the belief that malfunctioning capital markets are the

primary obstacle to Europe's economic decline. The assumption is that increasing access to venture capital could drive technology and innovation. Not only do we need to restructure the innovation effort by looking at how companies fund their expansion, but we also need to understand how innovation is driven within these companies. Are technologies mainly labour-substituting or are they labour-enhancing? As the research seems to indicate, current technologies are mainly augmenting the capabilities of workers. Workers need to be at the centre of the changes within companies. From the Acemoglu perspective, labour augmentation may require more attention to the workers' utility.

Europe recognises that various institutional barriers hinder progress, innovation, and upscaling of innovations. Achievements occur when these barriers are addressed systematically. China's success in technological catch-up through strategic imitation over the past 40 years offers valuable lessons. The results of the studies in the GI-NI project confirm that Eastern EU countries can profit extensively from investments from Western EU companies. The challenge for Europe is to collaborate more effectively, enhance innovation, and strengthen competitiveness while prioritising social inclusion. The policy agenda of Industry 5.0 is well-positioned to make maximum use of the input from workers to adapt to technological change.

The discussion on technology and social policy has shifted over time. In the context of technology as mainly labour substituting, the idea was to develop new social approaches, such as a universal basic income (Hiilamo, 2022). In the context of labour-augmenting technologies, a skills and inclusion strategy is crucial. However, given the new political reality in the US, inclusiveness policies are more and more defined as contrary to the needs of blue-collar voters and disenchanted groups. Even the European agenda is shifting because of the fear of far-right populists. The fact that employment initially disappeared from the European agenda[6] and was only later reinstated reflects a lack of clarity within the European Commission about what lies at the core of Europe's trajectory. The belief that inclusiveness is less important is, from the perspective of the results of this book, a fundamental mistake. Blue-collar jobs may have disappeared forever and are not likely to return. Even China is shifting away from traditional factory work[7]. Any future jobs that will be created will not be fit for purpose for blue-collar workers. Access to new jobs requires further developing inclusiveness. Social policies need to take this integration of workers even more seriously than in the past.

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[6] https://www.brookings.edu/articles/unleashing-new-quality-productive-forces-chinas-strategy-for-technology-led-growth/

[7] https://www.brookings.edu/articles/unleashing-new-quality-productive-forces-chinas-strategy-for-technology-led-growth/

Two key observations arise here. The populist movements are often perceived as a tool to dismantle social Europe or, more broadly, social security in the Member States. However, we need to understand the rise of these movements from a broader perspective. The challenge is that the populists are a fragmented movement, with some factions being ultra-liberal and others leaning further left than traditional leftist parties. Developing a stronger social EU can serve as a strategy to force these movements into making definitive choices, potentially causing internal divisions. The European social agenda is, therefore, not only about addressing citizens' needs; it is also a strategic political agenda. The future policy agenda should not remain limited to economic instruments. The current global political environment shows that the European reaction is insufficient to deal with the many changes. A subsidy programme will not be sufficient to deal with the future challenges.

The bottom line, as discussed by Hulsegge et al. (2024), is that economic and social convergence cannot be achieved without political convergence. European unification must be put back on the agenda. This was not initially part of Ursula von der Leyen's plan, yet developments in the global discussions, for example with Ukraine and Greenland, demonstrate that the current European political decision-making structures are outdated. The same applies to issues of skills, inequality, technology, globalisation, and migration. As stated at the start of this concluding chapter, inequality remains, and will continue to be, a central theme in academic research and EU policy.

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