

# 1. Inequality and skills: still the main social topics of our times

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## INEQUALITY ON THE RISE; DETERIORATING SKILLS?

In an era marked by rapid technological advancements, intensifying globalisation, and shifting migration patterns, Europe faces major challenges in managing inequality and developing skills. This book delves into the intricate relationships between these forces, arguing that their combined impact necessitates a rethink of current policy frameworks. Recent years have seen significant technological breakthroughs, such as the rise of Large Language Models (LLMs), which act as major drivers of inequality, reducing opportunities for low-skilled workers while favouring high-skilled ones, and even threatening those with higher education. Geopolitical shifts have reshaped global trade dynamics, resulting in complex consequences for inequality and skill development. Their interactions with technology raise questions about mutual reinforcement or offsetting effects. Meanwhile, migration continues to be a contentious issue in European politics, with recent stringent legislation highlighting negative perceptions despite evidence of migration's overall benefits.

By integrating insights from economics, sociology, psychology, and political science, this book explores how these three forces interact within companies and labour markets and assesses policy responses from both European and global perspectives. It integrates research findings with the Green Deal (2019) and the new Clean Deal (2025) and addresses the implications of globalisation policies. Additionally, the book questions whether a new social contract is needed to address the consequences of these developments, examining global responses and the potential for a unified European approach. By investigating these themes, the book aims to provide a comprehensive understanding of the effects of technology, globalisation, and migration on businesses, labour markets, and policy, offering insights into future directions and necessary adjustments.

## EUROPE'S PRESSING QUESTIONS

This book aims to confront one of the most pressing and provocative questions for Europe's future: How are technology, globalisation, and migration reshaping skills and deepening inequalities, and what does this mean for the very fabric of European society? It challenges the assumption that these forces, while transformative, can be easily managed through traditional policy approaches. While each of these factors – technology, globalisation, and migration – has distinct effects, their intertwined impact on Europe's labour markets, social structures, and political landscape remains dangerously underexplored.

The rise of technology has not just transformed industries; it has fractured labour markets, creating winners and losers in a highly polarised economic landscape. This polarisation is amplified by the intensification of globalisation, which pushes the boundaries of economic competition while deepening divisions within European societies. Migrants, in particular, often find themselves at the intersection of these forces, disproportionately facing the negative consequences of an increasingly divided labour market.

This book does not merely catalogue these challenges; it interrogates them. It dives into how the convergence driven by technology has led to fragile gains for European economies, while social outcomes lag far behind, failing to deliver on the promises of the European Pillar of Social Rights (EPSR). The analysis goes further to critique the assumption that Europe could maintain its competitive edge amidst these upheavals. In a stark warning to policymakers, it explores four divergent futures for Europe, each shaped by the uncertain trajectory of technology and globalisation.

By probing these dynamics, the book raises urgent questions: Will Europe continue to move towards social convergence, or will the inequalities within and between countries deepen further? Are current policy frameworks robust enough to tackle these seismic shifts, or do we need a radical rethink of how Europe addresses social and economic disparities? Ultimately, this book seeks to challenge policymakers, researchers, and society at large to confront the uncomfortable truth that Europe's future is not guaranteed – and that the time to act is now.

## THE GI-NI PROJECT: AN INTERDISCIPLINARY ENDEAVOUR

This book integrates the findings from the GI-NI project. Launched in April 2021, GI-NI was conceived in December 2019 – a moment just before the COVID-19 pandemic, prior to the war in Ukraine, and at the inception of the European Green Deal. Since then, the world has undergone profound

transformations and, in 2025, the pace of change has only accelerated. These events are not just disruptions; they are part of broader, ongoing transformations that are reshaping economies, societies, and policy landscapes. Despite this rapidly shifting context, the GI-NI project was designed to move beyond the noise of daily events and instead focus on the deep structural forces shaping our time: technological change, globalisation, and migration. None of these forces has diminished in relevance. The rise of LLMs and artificial intelligence (AI) is redefining the future of work. Global trade dynamics are being rewritten amid escalating tariff wars and shifting geopolitical alliances. And, across Europe and beyond, migration has become a central issue in political debates, influencing electoral outcomes and policy directions. These three forces continue to shape economies and societies, making it more crucial than ever to understand their underlying drivers.

The GI-NI project is inherently interdisciplinary, bringing together economists, sociologists, psychologists, and political scientists to explore the intersections of these transformations. While much research has examined technological change, globalisation, and migration separately, little has been done to understand their combined impact on inequality and skills. The project has tackled this gap through an innovative mix of data analysis, scenario-building, foresight exercises, and expert engagement. Interdisciplinarity is not just a theoretical ambition; it is embedded in every stage of the research and policy process. The project has drawn on the expertise of an international scientific advisory board, fostering a continuous dialogue across disciplines. These experts, from diverse academic backgrounds and international contexts, have provided valuable perspectives that challenge conventional narratives and broaden our understanding of these transformations.

The research underpinning this book is based on rigorous economic, econometric, and sociological analyses across a diverse set of topics. The project has leveraged comparative cross-country studies, unique datasets combining surveys and administrative records, and even decades-old materials recombined for fresh insights. These efforts have allowed us to uncover patterns and dynamics that might otherwise remain hidden. But research alone is not enough. To ensure real-world impact, our findings have been tested and debated in engagements with national, European Union (EU), and international policymakers. The project has consistently sought to bridge the gap between academic research and actionable policy solutions through scenario-building, foresight studies, and direct collaboration with decision-makers.

This book presents cutting-edge insights that are deeply relevant not just to Europe but also to the global landscape. By linking rigorous academic research with policy innovation, it offers fresh perspectives that challenge existing approaches and inform future strategies.

The methodologies used range from advanced microeconomic techniques to macroeconomic modelling using input-output frameworks and sophisticated scenario simulations. This comprehensive approach ensures that our findings are not only robust but also relevant to policymakers navigating an era of rapid technological, economic, and social change. Most importantly, this work does not remain within the realm of academia. By integrating research findings into ongoing policy debates and stress-testing insights with real-world stakeholders, this book serves as more than a scholarly contribution – it is a roadmap for policy innovation in an age of transformation.

## STRUCTURE OF THE BOOK AND APPROACH

This book is poised to set a new research agenda, compelling future studies to address the integration of multiple transformative forces – technology, globalisation, and migration – that are reshaping economies and societies. More than just an academic contribution, this book is designed to influence the shifting policy debate in Europe. The social dimension, long sidelined in EU policy-making, is now gaining critical attention. This book not only examines the European impacts of these transformations but also provides a bold roadmap for innovative policy approaches in the social domain. It challenges conventional thinking and offers a vision for the future of European social policy in the face of profound economic and technological change.

After this introduction (Part I), the book consists of three major parts: in Part II, we dive deeply into the three major challenges and their interactions. Part III develops policy responses to those challenges. The final Part reflects on the future agenda.

### **Part II – Three Transformations Reshaping Work and Inequality**

This second part focuses on three powerful and interwoven forces – technological change, globalisation, and migration – that are reshaping economies, labour markets, and the distribution of skills in profound ways. Each of these transformations presents both opportunities and challenges, altering the nature of work, the demand for skills, and the structures of inequality within and across societies. This book delves into these transformations, exploring how technological advancements, global economic integration, and migration flows impact labour market outcomes and social inequalities. While each of these forces has long been studied in isolation, their cumulative and intersecting effects remain less understood. The chapters in this part offer a comprehensive analysis, drawing on cutting-edge research to examine how these forces evolve and interact in a rapidly changing world.

**Technology: innovation or polarisation?**

Technological advancements have always shaped the structure of labour markets, but the current wave of automation, AI, and digital platforms is redefining the very nature of work. This chapter investigates the evolving relationship between technology and inequality, tracing its historical patterns and examining contemporary disruptions. A key focus is on how emerging technologies – automation, robotics, AI, and the platform economy – transform job opportunities and challenge the traditional high-skill/low-skill divide. New skill requirements are emerging, job polarisation is deepening, and many occupations once considered stable are now at risk. The chapter critically assesses who benefits from technological change and who is left behind, addressing issues such as job security, skill mismatches, and economic mobility. While technology creates new avenues for productivity and innovation, it also risks exacerbating inequalities unless accompanied by proactive policies. The chapter concludes with a discussion on policy interventions, including education and training initiatives, labour market reforms, and technological governance, aimed at harnessing technological progress for inclusive economic growth.

**Globalisation: a double-edged sword for skills and inequality**

Globalisation has long been seen as a driver of economic growth and efficiency, facilitating trade, investment, and technological diffusion. However, its effects on labour markets and inequality are deeply uneven. While globalisation raises aggregate welfare, not everyone within a country benefits equally – some workers gain significantly, while others face displacement and declining job prospects. This chapter explores the winners and losers of globalisation, with a particular emphasis on how workers adjust (or fail to adjust) to changing trade patterns. The discussion centres on the role of trade in tasks, a defining feature of the modern global economy driven by internet-based information and communication technologies. As production processes become more fragmented across borders, workers face increasing pressure to adapt to a landscape where tasks, rather than entire jobs, are outsourced or automated. By examining who is most affected, how workers navigate these transitions, and what distinguishes those who successfully adapt from those who struggle, this chapter sheds light on the growing tensions surrounding globalisation. It also considers policy solutions – from workforce retraining programmes to social protections – that can mitigate the negative effects while preserving the benefits of economic integration.

**Migration: the overlooked engine of economic growth**

Migration is often framed as a challenge rather than an opportunity for our economies. Yet, as this chapter demonstrates, migration is a critical force in shaping labour markets, skills, and inequality. The economic integration of

migrants remains a high-stakes issue across Europe and beyond, influencing employment patterns, wage structures, and broader social dynamics. This chapter examines the labour market integration of migrants, focusing on their employment trajectories, occupational mobility, and interactions with native workers. A key concern is the recognition and transferability of skills – migrants often possess valuable human capital, yet structural barriers, credential recognition challenges, and discrimination prevent many from realising their full economic potential. The analysis also highlights the divergence in inequality patterns across Europe, showing that, while some economies successfully absorb and benefit from migrant labour, others struggle with growing disparities. The chapter further emphasises the importance of a gender-sensitive approach, recognising the distinct challenges faced by migrant women in labour markets. By reframing migration as a driver of economic dynamism, rather than merely a policy challenge, this chapter encourages a more nuanced and evidence-based perspective on migration's role in shaping the future of work.

### **The collision of technology, globalisation, and migration: a new economic order?**

While each of these transformations – technological change, globalisation, and migration – has profound individual impacts, their combined effect is reshaping labour markets in ways that are both unpredictable and destabilising. This chapter moves beyond siloed analyses to explore how these forces interact and what their convergence means for the future of work, inequality, and skills. We are witnessing the emergence of a new industrial order where digital technologies are redefining production, trade barriers are restructuring global supply chains, and demographic shifts are influencing workforce composition. These interactions create complex feedback loops: automation and globalisation influence which tasks are offshored versus automated domestically; technological change and migration affect how skill shortages are filled and which jobs remain competitive; and global trade and migration shape the mobility of workers and the demand for diverse skill sets. The chapter challenges conventional assumptions about labour market resilience and economic stability, urging policymakers to reconsider how to navigate these converging transformations. Are we prepared for the structural upheavals they will bring, or are we clinging to outdated models of economic security? By understanding the synergies, tensions, and contradictions between these forces, we can better anticipate the challenges ahead and craft policies that foster resilience, adaptability, and inclusive growth.

### **Part III – Policy Responses: Reimagining the Rules of the Game**

As the forces of technological change, globalisation, and migration reshape economies and labour markets, policymakers face urgent challenges in ensuring social cohesion, economic inclusion, and long-term resilience. This part explores key policy responses to these transformations, emphasising the EU's role in fostering social convergence, addressing regional inequalities, rethinking skills policies, and reasserting the importance of inequality on the policy agenda.

#### **Social convergence and the transitions: which direction?**

This chapter examines the EU's social policy trajectory towards 2030, considering the combined effects of technological change, globalisation, and migration on skills demand and socio-economic inequality. The EU has positioned social convergence and a just transition as central objectives, particularly through the EPSR. However, critical gaps remain in achieving these ambitions. Using two country case studies and a GI-NI scenario – which simulates stagnating digital transformation and reduced globalisation – the analysis highlights the risks of inaction: rising socio-economic inequalities, uneven growth, and increased labour market polarisation. The findings suggest that public resistance to globalisation and digitalisation may threaten long-term convergence. Yet, paradoxically, continued technological and economic integration remains essential for achieving a fair and sustainable social model. While the EPSR offers a policy framework, its effectiveness is limited by the absence of a cohesive European social model and a unified economic strategy. Furthermore, the lack of strong support from leading EU countries raises concerns about the feasibility of deep social convergence. The chapter concludes that while a unified European approach is crucial, it remains an uncertain and politically contested journey – especially as new technologies continue to reshape the labour market.

#### **Regions in Europe: diverse paths, shared prosperity?**

The chapter addresses persistent regional disparities across Europe, asking how diverse development paths can lead to shared prosperity. It applies the Varieties of Capitalism (VoC) framework as a theoretical lens to examine how different institutional configurations influence socio-economic convergence and divergence among regions. In doing so, the analysis adopts a historical-cultural approach while contrasting it with a structural perspective, acknowledging that both historical context and structural factors shape development trajectories. Empirical analysis of GDP, employment, and education data from 2000 to 2025 reveals mixed patterns: poorer regions (notably in Eastern Europe) have generally grown faster (catching up) and educational attainment

gaps have narrowed, but GDP and employment convergence remain uneven, with some advanced regions stagnating. These findings suggest that one-size-fits-all EU cohesion policies are inadequate, underscoring the need for tailored strategies at regional and national/EU levels that account for historical, cultural, and institutional contexts. The chapter concludes with policy recommendations to embrace regional diversity as a strength and foster institutional learning and cross-regional cooperation, aiming to promote inclusive and sustainable growth across the EU.

### **Skills: between reality and misconceptions**

Upskilling and reskilling have become policy buzzwords, often presented as the solution to labour market challenges. However, what skills policies can actually achieve – and where their limitations lie – remains widely misunderstood. This chapter critically examines the role of skills in driving competitiveness, reducing inequalities, and shaping the future of work. Three key insights emerge: (1) skills are not just about individual workers; they are embedded in workplaces, industries, and innovation ecosystems. While skill development plays a role in boosting economic dynamism, it must be seen in conjunction with firms' investment in new technologies and business models; (2) while upskilling can improve social mobility, it cannot singlehandedly resolve structural inequalities. Policies that rely solely on skill development without addressing broader labour market imbalances risk perpetuating existing disparities; (3) skills should not be seen as static qualifications but as evolving capabilities. Formal education and training play a role, but on-the-job learning, workplace environments, and career progression pathways are just as critical. This chapter emphasises that effective skill policies require a systemic perspective, integrating education, labour market policies, and firm-level strategies. Simply increasing training opportunities is not enough – policymakers must also ensure that new skills translate into real economic opportunities.

## **Part IV – Rethinking Policy for an Uncertain Future**

Despite its fundamental role in shaping economic and social outcomes, inequality and skills have been fading from the European policy agenda – a shift this chapter argues is a critical mistake. Using the Utility-Technology Possibilities Frontier model (Acemoglu, 2024), this chapter maps the findings of the GI-NI project onto broader debates about technological change, labour markets, and inequality. The model highlights why major technological advancements have not been fully adopted by firms – suggesting that new technologies are primarily labour-enhancing rather than labour-replacing, requiring complementary policies to support their diffusion. At the same time, labour markets are not homogeneous, meaning that policies must account for disparities in access to

training, job opportunities, and social protection. A key conclusion is that convergence in economic performance across the EU is not enough – political convergence must also be placed on the policy agenda. Without coordinated governance and investment in inclusive policies, inequality will continue to undermine social and economic stability.

Policy responses must evolve as Europe navigates the turbulent forces of technological change, globalisation, and migration. This Part underscores that while social convergence, regional policy, skills development, and inequality reduction remain core policy priorities, they cannot be addressed in isolation. A more integrated and adaptive approach is needed – one that recognises the interconnections between economic structures, labour market dynamics, and social policies. Ultimately, the findings of this book call for rethinking policy frameworks, ensuring that strategies are both forward-looking and resilient in the face of rapid transformation and uncertainty. The challenge for European policymakers is not just managing change, but shaping it in ways that promote shared prosperity, economic security, and social cohesion in the years to come.

## OUTLOOK FOR THE FUTURE: MANAGING INEQUALITY IN AN ERA OF TRANSFORMATION

The economic and social transformations explored in this book will continue to reshape economies, labour markets, and policies. While these changes offer growth opportunities, they also risk deepening inequality. Addressing these challenges requires a shift in policy thinking – inequality must be seen not as an inevitable byproduct of change but as a key factor determining whether transformation leads to sustainable and inclusive development.

Inequality is not just a consequence of economic shifts but a structural issue that demands a comprehensive response. Automation, AI, and digital platforms are altering job markets, making some skills obsolete while increasing demand for others. Without proactive policies, job polarisation will deepen, benefiting highly skilled workers while others face declining security and wages. Globalisation has similarly produced unequal gains, rewarding those with skills and mobility, while migration – despite its economic potential – remains hindered by institutional barriers.

As integration accelerates, policymakers must rethink labour policies, social protections, and regional development. The EPSR offers a framework for social convergence, but its success depends on political commitment. The assumption that economic growth alone reduces disparities is no longer sufficient; policies must ensure that technological progress and globalisation benefit all. Governance should move beyond crisis management towards long-term strategies focused on resilience and inclusion.

Skill development must be reframed as more than just upskilling and reskilling. While education is crucial, it cannot alone resolve structural inequalities. Training must lead to real opportunities, not just qualifications. Regional policies should foster innovation and tailor strategies to local strengths rather than rely solely on financial redistribution.

Looking forward, policymakers must anticipate the systemic shifts driven by technological change, globalisation, and migration. These forces are reshaping labour markets, supply chains, and workforce demographics. Outdated policy frameworks risk economic fragmentation and social instability. Managing inequality will require a new social contract that aligns economic governance with social policy. Europe must recalibrate technological governance, view migration as an economic asset, and acknowledge that political convergence is as crucial as economic convergence.

This book provides key insights for researchers, policymakers, and industry leaders. It highlights the need for interdisciplinary research, adaptive policy design, and stronger collaboration between educators, businesses, and labour organisations. If unaddressed, inequality will destabilise economies and deepen social divisions. However, with the right policies, these transformations can foster a more inclusive and resilient future. The goal is not just to mitigate inequality but to restructure the systems that create it, ensuring Europe is prepared for the challenges ahead.

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## REFERENCE

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