



RESEARCH PROGRAMME 2021-2022

IMPROVING ECONOMIC POLICY

INTRODUCTION

As we write this, about 79.6 of adult Europeans have been vaccinated, at least once. Higher vaccination rates will allow a return to some form of normality with less need for social distancing, in turn allowing a more sustainable opening of our economies.

In this year's programme we talk about a post-pandemic era but, of course, 'no one is safe till everyone is safe'. Scientists predict the virus will become endemic and, while the number of infected people in the world has recently come down, infection rates remain high. Vaccination rates are lagging in much of the world. As long as this is the case, global travel will be severely affected and the risks of virus mutations remain high. It is of utmost importance that global production and distribution of vaccines becomes more equitable. Nevertheless, our economies are reopening and lockdown measures are being gradually lifted. A major topic for our research is what scars the pandemic is leaving as European economies are rebounding faster than expected, and what can be done to prevent excessive scarring. How will insolvencies evolve and what are the implications for the banking and financial system?

Beyond the recovery from the pandemic, in this year's programme, we will revisit a number of issues that have to do with global cooperation and competition. There is a certain degree of new momentum in the transatlantic relationship with the new US president, and we will explore collaboration on climate issues as well as the effect of technological change on labour markets on both sides of the Atlantic. Meanwhile, our research also continues to explore the multilateral trading system and investment and trade relations with China. We will also continue with our work on the knowledge economy. What does technology mean for the future of work, and does it open up a digital divide or is it an opportunity for greater access and equitable outcomes? In the area of climate policy, we will dedicate a substantial number of resources to the European Green Deal, to global coordination and cooperation and importantly.

An important priority for this year is going to be the macroeconomic implications of the green transition. What are the investment needs? How can the EU foster public/private initiatives to meet those needs? Is the higher demand for capital going to lead to a higher equilibrium interest rate? Will real GDP growth be affected? How can one decouple growth from emissions? How should the EU governance framework evolve to incentivise green investments?

Naturally, questions of Economic and Monetary Union, the EU architecture and macroeconomic and financial policies also figure prominently on our programme. We are monitoring the design and will monitor the implementation of the Next Generation EU fund, perhaps the biggest innovation in the EU's pandemic-related responses. How quickly can the EU go back to its fiscal rules and how are the fiscal rules interacting with the Next Generation EU funds? Should fiscal rules change for a world in which there is a more active role for fiscal policy, or will we see macroeconomic normalisation with higher inflation and interest rates? Are we seeing more effective macroeconomic policy coordination? Finally, a non-resident fellow who recently joined our team will work on European health policies, after her substantial work on the financing of the global commons of pandemic prevention, preparedness and response, which we undertook in the framework of the G20.

Our programme will again allow for sufficient flexibility to meet new challenges as they arise. Ultimately, our work aims to promote good economic policies that increase welfare in Europe and the world.

Guntram Wolff and Maria Demertzis, 5 September 2021

A. EUROPEAN GOVERNANCE

Scholars:

Gregory Claeys, Zsolt Darvas, Maria Demertzis, Francesco Papadia, André Sapir, Jean Pisani-Ferry, Thomas Wieser, Guntram Wolff, Reinhilde Veugelers

In this year's programme we have separated European governance from macroeconomic policy. We will deal with three architectural issues of importance to the EU.

1. Next Generation EU fund: Bruegel has already set up a dataset comparing national recovery plans. This research will be gradually extended to analyse various aspects of the plans. Do the submitted plans offer the potential for a significant boost to green, digital and inclusive development? Are the plans additional to earlier (pre-pandemic) plans or do they just aim to use RRF money instead of national taxpayers' money to finance these expenditures? How well do reform priorities address country-specific regulatory weaknesses?
2. As the plans are approved, the focus will shift to implementation. In past years, several EU countries struggled to absorb Structural Funds. Will countries be able absorb NGEU funds and implement their recovery plans effectively? What economic impact should we expect from NGEU?

The new governance structure includes regular monitoring by the Commission, a red-card procedure involving other member states, and rule of law conditionality. How can we make sure this works well? A further important issue is the impact of NGEU on financial markets, since the EU is set to become the largest supranational bond issuer. How will the 'safe assets' issued by the EU influence financial markets?

EU architecture: A number of topics will be part of the policy debate in the course of next year.

- i. Fiscal rules reform debate: The fiscal rules are as good as suspended until the end of 2022. Should we go back to the existing rules, or is this an opportunity to rethink them? We need to understand the role of fiscal policy in the economy before we can offer policy advice that allows both for the necessary fiscal coordination between countries, but also for policy to perform its role.
 - ii. Financial architecture: What are the next steps in banking and capital markets unions? It is urgent to advance with a more integrated financial system in the EU in order to provide financial stability and ensure sufficient funds available to finance innovation and growth.
3. The Future of the EU: But beyond the single currency there are also themes that will concern the whole of the European Union.
 - i. Health union? Following the procurement of vaccines at EU level, is there a case now for greater coordination on health issues at EU level? What have we learned from the pandemic and which aspects of health policy are best tackled centrally? See also project that we have included in the Global governance part further down on the subject.
 - ii. Future of Europe conference: Questions on democratic legitimacy (in cooperation with political scientists and lawyers). This will be a continuation of a H2020 project in which we participate.
 - iii. Differentiated integration: How can we stop and possibly even out the divergences between countries that we have seen emerge from the two big crises? Which policies can help achieve benefits for all? How can divergences between euro-area and non-euro area countries be dealt with?

B. MACROECONOMIC POLICY

Scholars:

Gregory Claeys, Zsolt Darvas, Maria Demertzis, Francesco Papadia, André Sapir, Jean Pisani-Ferry, Dirk Schoenmaker, Thomas Wieser, Guntram Wolff, Stavros Zenios, Svend E. Hougaard Jensen

Macroeconomic policy research will look at three separate areas: monetary policy, fiscal policy and structural policies that will contribute to economic policies in the post-pandemic era.

1. Monetary policy after COVID-19

- i. Anticipating inflation? Central banks in advanced economies will be confronted with a number of challenges in the post-COVID-19 environment, in particular if inflation rises, at least in the short-term. The nature and intensity of the challenges will depend on which scenario prevails: will inflation remain low as predicted by the secular stagnation hypothesis? Will medium-term inflation increase together with growth (and as the economy normalises)? Or will inflation increase in a significant way and growth stagnate, similar to the stagflation era of the 1970s? We will explore all these different scenarios, and assess ways that central banks and the European Central Bank in particular can deal with them.
- ii. Exiting crisis measures: A crucial topic for the ECB will be how/when to manage smooth exit from crisis measures (PEPP) if the ECB is able to normalise.
- iii. What policy mix? The need for coordination versus the risks of fiscal dominance. How can we ensure that fiscal and monetary policy objectives are aligned while maintaining Central Bank independence?
- iv. Evaluating the results of the ECB strategy review: price stability definition, toolkit, transparency in decision-making, communication, greening monetary policy, etc. Accountability of the ECB will have to be discussed in particular if the ECB decides to emphasise its secondary objectives and intends to green monetary policy.
- v. Digital currencies: Central bank digital currencies versus private digital currencies (crypto, stablecoins). What do they mean for the financial system and what type of regulation do we need to ensure consumer protection while not holding back innovation? Can a digital euro promote the EU's strategic autonomy?

2. Fiscal policy after COVID-19

- i. Evaluation of fiscal measures in the EU: Is there still a need for a bigger fiscal response or can we think about rolling back the support given? Bruegel scholars will continue to evaluate the measures put in place during the COVID-19 crisis in the EU and will address the question of how to manage their eventual phase-out. See also the fiche on productivity below on a number of ideas that we are also pursuing.
- ii. Important lessons will be drawn from President Biden's expansionary fiscal policies in the US: Analysis of the 'high-pressure' fiscal experiment: overheating or boost to growth potential? Lessons for Europe's future fiscal policy.
- iii. A new role of fiscal policy: After two global crises, discretionary fiscal policy has a greater role to play in supporting and sustaining productive value in the economy. But we do not start with a clean slate and that has implications for debt sustainability. At the same time, the challenges of the future, particularly climate change, will require a very sustained use of public funds. How do we do that given the current debt legacies? Also, we will discuss the public-expenditure needs for common EU objectives: green/digital investment and how they should be financed.

- iv. The time of policy coordination: Can we hope that fiscal and monetary policy will now be better aligned in pursuing objectives? And how can we best achieve that, also allowing for the low-rate environment

3. Structural Policies after COVID-19

- i. Tax policy: What role does tax policy have in dealing with the increase in inequality arising from the COVID-19 crisis? Is the recent agreement for a minimum corporate taxation a game changer?
- ii. The future of productivity: What is the future of productivity growth after COVID-19? The last two decades has been characterised by slow productivity growth in advanced countries. Will teleworking and the acceleration of digitalisation that took place during the crisis change this stylised fact, or on the contrary, will the potential zombification of some companies reduce productivity growth further?
- iii. How to phase out COVID-19 support measures: As part of the MICROPROD consortium, we have access to survey data that will allow us to draw out lessons about whether the shutdown measures have had 'cleansing effects', whether support given was indiscriminate or favoured the most productive firms. What this tells us will allow us to discuss how to phase out some of the support given.
- iv. A new surge in housing prices? A new wave in house price increases is observed across markets in the EU and beyond. How much of this is transitory and due to a surge in savings during the pandemic and how much is due to other factors? Are we better prepared to deal with this than in early 2000s?
- v. New decision frameworks for corporate investment: Visionary companies aim for long-term value creation rather than merely for shareholder value or stakeholder value. Aiming for long-term value creation involves managing and balancing several types of value (financial, social and environmental) simultaneously, often involving trade-offs. Companies need to have decision frameworks to help them make investment decisions accordingly. Our research will aim to understand and design decision frameworks for long-term value creation, and the policies needed to implement these decision frameworks. The European Commission's new Corporate Sustainability Reporting Directive will play a key role in providing the necessary information for 'responsible' investment decisions.
- vi. An ageing continent: We will begin with an event on pension systems, the different pillars, sustainability, costs and welfare implications. Financial literacy and the welfare state are some issues that link very closely to the design of pension systems.

C. GLOBAL ECONOMY AND TRADE

Scholars:

Suman Bery, Anne Bucher Marek Dabrowski, Uri Dadush, Maria Demertzis, Alicia Garcia-Herrero, Michael Leigh, Jean Pisani-Ferry, Scott Markus, Niclas Poitiers, André Sapir, Nicolas Véron, Guntram Wolff, Jianwei Xu

The area of global economy and trade will address the recurring issues of EU relations with its extended neighbourhood and economic relations with China. But this year we will also look more closely at Europe's relationship with India, and will also discuss the issue of global vaccine development and the role of the EU in this process.

1. **The Global economy and the EU post covid19.**

We observe increasing economic divergences in the global economy that relate directly to the speed of vaccination. What will this mean for global cooperation and what might the potential implications for Europe's geo-economic leadership? Also, how will economic structures change as a result? Shorter supply chains, more active fiscal and monetary policies globally? What is the impact of CBAM?

2. **The EU and its extended neighbourhood**

- i. Economic development in Africa: Analysis of economic, political, social and institutional factors determining economic development on the African continent and its various sub-regions. In particular, the focus will be on the role of peace dividends (conflict resolution), resource endowments, trade policies and regional/sub-regional trade integration, the role of FDI (and countries/regions of origin, for example, the EU, China, India, US), macroeconomic policies and institutional actors. The EU's policy towards Africa.
- ii. EU neighbourhood: Continuous analysis and monitoring of economic developments in countries with actual or potential EU candidate status (Western Balkans and Turkey), EU partners within the European Neighbourhood Policy framework (Southern and Eastern dimensions), Russia, the broader Middle East, and post-Soviet Central Asia, including energy cooperation, the effects of CBAM and managing migration. Review of the EU policy frameworks for candidate and neighbouring countries. Also, it would be important to examine the implications of the energy discoveries in the eastern Mediterranean and their significance for political alignments and conflict resolution efforts in the region.

3. **Global vaccine developments**

- i. Global vaccine development and production: This project will look at the supply chains and policies to boost the production of vaccines, and at how to improve European and global vaccine research and development. Here, we will thus be looking at Europe's role in becoming a global supplier of vaccines. We will use patent data to investigate vaccine development, with a particular focus on the novel mRNA vaccines, and we will explore the role played by European universities, research institutes and pharmaceutical companies. Furthermore, the project will use trade data to investigate vaccine value chains and the role that the EU plays in vaccine production. It will also look at international cooperation, in particular at the World Trade Organisation, but also multinational programmes such as COVAX, and at how medical supply chains could be strengthened through global initiatives. An important component of this research will aim to identify and improve the EU health architecture.

4. Understanding Asia: India and China

- i. China's banking sector has been growing much faster than the Chinese economy for decades, and especially since the global financial crisis. Such growth has also brought complexity, with a huge wave of securitisation. At the same time, Chinese policymakers have introduced several waves of restructuring to clean up bad assets. The consequences of more growth, complexity and restructuring are having consequences domestically but also cross-border. The rest of the world needs to better understand such interlinkages.
- ii. Chinese corporate structures: This line of investigation will look at data for the largest Chinese companies. A particular unique angle will be a better overview of trends in public ownership of Chinese companies. Two approaches will be taken: (i) a detailed analysis of public ownership of large Chinese companies; (ii) an analysis of public venture capital investments in Chinese start-ups. For the latter we will try to assess how effective China is in public VC compared to the evidence for the EU. Evidence from the US will be also sought.
- iii. Europe and India in the G20: We would build on the successful joint workshop in December 2020 with the Centre for Policy Research, New Delhi. As before, the focus will remain on global economic challenges rather than bilateral or regional security issues. India will hold the G20 Presidency in late 2023 following Italy this year and Indonesia in 2022. This work thread will analyse areas of convergence and divergence between India and European G20 powers on key issues in the finance track of the G20, notably trade, reform of global financial institutions, digital regulation and climate policy, and the links across these domains. The goal is to sharpen European official debate as India defines priorities for its G20 Presidency during 2022.

D. BANKING AND CAPITAL MARKETS

Scholars:

Rebecca Christie, Maria Demertzis, Alicia Garcia-Herrero, Alexander Lehmann, Francesco Papadia, André Sapir, Dirk Schoenmaker, Reinhilde Veugelers, Nicolas Véron, Thomas Wieser, Guntram Wolff, Stavros Zenios

While the COVID-19 pandemic has not led to financial instability thanks to effective European Central Bank intervention and major government interventions, new developments in the EU financial system are emerging. We will monitor financial sector developments and public policy responses, and will make relevant policy recommendations in a timely manner. Specific attention will be paid to the role of the financial sector to support the EU's green and digital transitions.

1. The impact of the COVID-19 pandemic on the EU financial sector

- i. *Completing Europe's banking union:* Europe's banking union remains unfinished; completing it is widely viewed as necessary to ensure the euro area's resilience and ultimate sustainability. This project will contribute to ongoing debates about the next steps in policy development.
- ii. *The public sector and equity finance:* Even though the EU has anticipated a substantial need for corporate equity in the aftermath of the COVID-19 recession, an EU solvency facility was shelved and a European Investment Bank facility remains very limited. National development banks have therefore rapidly expanded their equity facilities. This risks not only the much deeper involvement of EU countries in their corporate sectors, but also a further fragmentation of the European capital market. A key question is therefore how national and EIB schemes can support the capital markets union strategy by expanding private-equity finance. Issues addressed will include: taking stock of equity finance mobilised since the 2020 recession. Analysis of risk-based finance (equity and similar instruments) offered by national development banks and the EIB. Complementarity between EIB and national instruments. Leveraging of private investors and private market mechanisms. Relevance of public sector equity support for the CMU agenda finance.

2. Financing the sustainability transition

- i. *New practices for financing the green transition:* To meet the Paris climate goals, major environmental and energy transitions must take place. Financing those transitions will require both the financial sector and the public sector to go beyond business-as-usual and take on new roles and structures in the changing system. To be effective, these structures need to be adapted to local conditions, with active roles for city and regional governments. Transitions mainly happen at city and regional levels, but research does not pay attention to the subnational level – where proximity and context-specific solutions matter. That gap also applies to financial institutions, which lack the structures to deal with local initiatives, and have a narrow focus on financial-return calculations. This means that scale-up often does not happen; and even large projects are not realised if they do not fit all the standard requirements of the financial sector. What is needed is: 1) more government preparedness to take on early-stage risk; 2) new vehicles to scale-up investment; 3) structures to make blended finance work; and 4) more visibility and steering on integrated value rather than financial value only. Finally, we will need to think how financial regulation can still continue to ensure the efficient functioning of financial markets while adapting to new needs.
- ii. *EU regulation and private climate finance in emerging markets:* A considerable part of the investment in climate mitigation over the coming decade will have to be directed to emerging markets, and will need to draw to a much greater extent on private investors alongside public sources. The EU is about to finalise an elaborate regulatory framework for sustainable finance. Whether this regulation helps or hinders the flows of private climate finance to emerging markets

markets is far from clear. It may facilitate cross-border investment and thereby establish Europe as a global leader in climate finance. Alternatively, it may complicate such investment and consequently further segment global capital markets in an increasingly central asset class. International coordination on the regulation of green finance will be a key topic at the COP26 United Nations climate summit, and is also being considered by the G20. Analysis of EU private portfolio investment in emerging markets should focus on understanding its importance relative to other asset types and other investors. We will analyse the class of ESG-oriented investors and their emerging market exposures. We will study the implications of the EU sustainable finance framework (taxonomy, disclosure, green bond standard, climate benchmarks) for EU investment in emerging markets. Are there alternative standards in advanced or emerging markets?

- iii. *Financial literacy*: The pandemic has highlighted the financially fragile position of many households and has hit the most vulnerable the most. While government support in the EU has been timely and extensive, people require financial literacy skills to prepare better for financial shocks. Our research will also touch on the intersection between digital and financial skills as the tools for better financial preparedness at the individual level.

E. GREEN ECONOMY

Scholars:

Gregory Claeys, Maria Demertzis, Simone Tagliapietra, Guntram Wolff, Georg Zachmann, Marie Le Mouel, Stavros Zenions, Jean Pisani-Ferry

1. Macroeconomics of decarbonisation

- i. *The macroeconomic implications of greening the economy:* This project is aimed at understanding the macroeconomic fundamentals of decarbonisation, around the following main research questions: what implications will the drive to decarbonise our economies have on growth, potential growth, the capital intensity of production and consumption, and investment patterns? What implications do stranded assets have for our capacity to produce? Which policy approach is optimal to minimise the disruption caused by decarbonisation, while harnessing the opportunities for growth? What macroeconomic risks do we need to account for in the process?
- ii. *Climate risk and sovereign debt in the EU:* We want to better understand the risks climate change poses to sovereign debt. Some of the earlier models seem to anticipate a divergence of EU economies as a consequence of climate change. We intend to use ensembles of more recent models to build a consensus on how EU economies can deal with high levels of debt at the same time as they must face climate change. In particular, we will illustrate how widely accepted IPCC scenarios of greenhouse gas concentration pathways (RCP) and shared socioeconomic paths (SSP) can lead to wider gaps or more convergence of the sovereign debt dynamics. The first phase of the project will involve the compilation of legacy debt data for EU countries, by maturity-amount and interest rate payments. The second phase of the project will overlay an integrated assessment model of climate change on a debt sustainability analysis model developed for the European Stability Mechanism to assess likely debt developments in all EU countries. We will produce colour-coded maps showing the high-debt vs low-debt countries, under different RCP and SSP combinations.

2. European and global decarbonisation pathways

- i. *Observatory on the European Green Deal:* The project will track the development of the European Green Deal and the 'Fit for 55%' package, and providing timely research analysis and insights. Particular attention will be given to distributional aspects within the EU, to understand their political economy implications and facilitate the process.
- ii. *Global decarbonisation pathways:* We will take stock of the main drivers (efficiency, renewables, sectoral) of decarbonisation in the EU and globally. The objective is to understand which decarbonisation policies have worked and which have not. We will compare different approaches, such as the EU's focus on carbon pricing, China's focus on industrial policy and the US focus on innovation.
- iii. *EU-US climate cooperation:* Analysis of concrete cooperation opportunities (eg innovation, climate finance, carbon border levies or adjustments). We intend to set up a joint project with an US think-tank to engage high-level policymakers from both sides of the Atlantic in a constructive conversation.

F. DIGITAL ECONOMY AND INNOVATION

Scholars:

Niclas Poitiers, Georgios Petropoulos, Maria Demertzis, Scott Marcus, Reinhilde Veugelers, an additional fellow

The theme of digital economy and innovation will touch on three broad themes.

1. **A digital strategy for Europe:** On 9 March 2021, the European Commission published a Digital Compass as part of plans for a digital transformation by 2030. The proposals rest on four points: 1) ensure more citizens and professionals have basic digital skills, 2) provide sustainable digital infrastructure, 3) promote the digital transformation of private businesses and public services, and 4) encourage a system of cooperation between EU countries to monitor and promote these goals. At the same time, the EU is taking steps to regulate digital firms. How does this fit into an overarching digital strategy? The process of digitalisation has brought enormous benefits to our societies, whether through connectivity, convenience, or wide and quick access to services. But it has also posed challenges for the choices we have as individuals: what to share and what to keep private, what is data and what is information, what should be monetised and what really should not. Digitalisation is unavoidable and irreversible. But our societies are struggling to understand the consequences of the depth of change it brings, and to regulate it and direct it. Any attempt to understand the limits and harness the benefits of the digital era in a coherent strategy should be built on four pillars: ethics, social fabric, the economy and security. As AI penetrates businesses, the ethical implications will have to be carefully considered.
2. **Impact of the COVID-19 pandemic on digital technology adoption:** Using firm-level data from the 2020 EIB Investment Survey (EIBIS), covering all sectors, all firm sizes and all EU countries, as well as the EU, we will: 1) investigate how the adoption of digital technologies has changed with the crisis: which firms in which EU countries have increased or reduced their digital technology investments? Have firms/countries that were digitally inactive or digital laggards been catching up? Or are the firms/countries that are already digitally advanced the most active in forging ahead, thereby further broadening the digital divide post-COVID-19? Is the EU catching up with the US? 2) Investigate whether firms that have adopted digital technologies are more likely to survive the COVID-19 pandemic economic crisis, and are more likely to recover and return to growth. What are their plans for digital adoption post-crisis?
3. **Digital trade and global data flows:** The project will explore the implications of recent developments in the area of digital trade and cross-border data flows. It will investigate barriers to digital trade in the international environment, both intra and extra EU and new barriers and opportunities from the evolving European strategy on artificial intelligence and digital services regulation. The project will also look at the role that digital trade plays in geopolitical issues surrounding the EU's economic sovereignty strategy, and what the EU has to do to defend its citizens' rights and economic interests globally. Bilateral trade deals and data protection adequacy are among the European Commission's most important tools. The project will look at the effectiveness of these tools and strategies in terms of improving the global flow of data and trade in digital goods and services. It will provide inputs to the evolving WTO negotiations on e-commerce, and will develop recommendations to address the barriers to data flows arriving from Brexit and the EU Court of Justice's Schrems II ruling.

G. INCLUSIVE GROWTH

Scholars:

Mario Marinello, Laura Nurski, Zsolt Darvas, Scott Marcus, Georgios Petropoulos

This is a new strand of work that stems from the new project on the future of work. The first theme will touch on general issues and the second, done in collaboration with US experts, will exchange views and best practices in the area of the future of work, in order to feed into current and future EU-US policy dialogues and to develop policy ideas to address challenges related to the future of work.

1. The future of work

- i. *Changing what we do at work?* We will investigate two effects of changing tasks: the effects on job quality and wellbeing at work, and the distributional effects in the labour market. We will analyse technologies such as AI for automating routine cognitive tasks (scheduling and decision-making), robots for automating routine manual tasks (dull, dirty, dangerous work) and low-skill complementing production technologies ('operator 4.0'). Also, when some tasks are automated, the set of remaining tasks determines who still holds a job. We will analyse job polarisation in the European labour market and technology adoption by SMEs.
- ii. *How does technology change how, when and where we work?* Technologies support new ways of organising work. Platform work and hybrid work are two examples of how the traditional workplace and work contract is being left behind. We will analyse the challenges that arise from these new ways of work, investigate the effects on worker welfare and economic productivity, and address the need for regulation to protect workers in this new environment.
- iii. *How does technology change what we need to know at work?* We will investigate private and public initiatives on the reskilling and transitioning of workers. What skills do workers need in the future of work, and how can private and public initiatives help workers to gain those skills?

2. Transatlantic expert group on the future of work (TEG FOW)

Bruegel and the German Marshall Fund of the United States (GMF) are organising a transatlantic expert group on the future of work (TEG FOW), supported by a grant from the European External Action Service (EEAS).

- i. *Distribution effects:* The transformation driven by technology will affect workers differently based on their skill levels and on the nature of the work they perform.
- ii. *Education and training:* Education and training, including lifelong learning, are crucial for equipping workers with skills that benefit from technology rather than being threatened by it. Key questions include the role of young-age education systems; factors influencing the skill premium; the characteristics of training/retraining/education programmes that produce more equitable outcomes for workers from all socioeconomic backgrounds; and educational reforms to make education and training systems more responsive to the evolving needs of the increasingly digital workplace.
- iii. *Social partners:* The evidence suggests that labour unions and collective bargaining are important factors in reducing income inequality, while playing a key role in training the labour force. Key issues, among others, include the implications of labour market and technological changes for social partners, and the role of public policy in ensuring a proper balance of power among stakeholders.

3. Better integrated and inclusive Single Market

The Single Market is not sufficiently integrated and therefore coordinated EU-level policy actions aimed at its deepening are needed. It is fundamental for the EU economic recovery and reaching the strategic autonomy. The overarching goal of the project would be to reflect how the Single Market agenda translates into its strengthening and convergence or divergence within the EU. But at the same time to identify how the process of convergence itself links to greater inclusiveness of the different segments of society across the EU.