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FEPS
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TOWARDS A GLOBAL PACT FOR THE FUTURE WITH A STRONGER SOCIAL PILLAR

REFLECTIONS ON A BOLDER ROLE OF THE EU AHEAD OF THE SECOND WORLD SUMMIT FOR SOCIAL DEVELOPMENT

ABSTRACT

The objective of this policy brief is to discuss the social state of play ahead of the Second World Summit for Social Development (Doha, 2025) and to make a series of progressive proposals for EU action, particularly with respect to its external relations. The quest for a new Social Contract has never been so strong around the world, and the state of international solidarity so much in question. The value proposition of the EU, drawing on its own European Pillar of Social Rights and "Social Model" should proactively sustain this quest for a renewed social contract worldwide. This policy brief highlights a number of proposals for a bolder EU leadership on the international scene to achieve a fairer and more socially inclusive world. These proposals include deepening and reforming EU action and its position on the global stage, through its multilateral diplomacy at the UN and international financial institutions; in selective fora such as the G20; as well as in its bilateral cooperation, including its neighbourhood policy, trade agreements and other instruments.

In a profoundly unequal world mired by increasingly competitive self-interest, declining official development assistance and solidarity, would a value-based Europe lead on the social justice front and international cooperation?

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Executive summary

”Social in crisis”

Ahead of the Second World Summit for Social Development (WSSD2; Doha, 4-6 November 2025), a review of a range of indicators, including sustainable development goals’ targets and indicators, clearly point to a deep social crisis worldwide, albeit with variations among and within countries.

While extreme poverty and working poverty have dropped globally, the pace of poverty eradication has significantly decelerated in the last two decades. 800 million people still live on less than $3 per day. Working poverty – those who have a job, but their earnings are too low – while improving globally, persists in low-income countries.

There is a major deficit in *decent work*, both in the levels of productive job creation and in the quality of jobs. Significantly, 58% of the global workforce are in informal employment. The employment crisis is harshest on women, youth and in developing countries. Half of humanity, or 3.8 billion people, still do not have access to any type of social protection.

Alarmingly, inequalities have been widening, particularly within countries, both income and wealth inequalities. The top 1% of the global population holds 20% of income and 38% of wealth.

The quest for a new social contract

Clearly, the quest for a new social contract everywhere has never been so strong. In the wake of COVID-19, there was much expectation that the “social” would take centre stage as the main factor of resilience, and there were promises of a new social contract. These promises have been pushed aside, and there is fear that renewed tensions, conflicts, trade wars, migration crises and increasing military expenditures negatively impact investment in social policy and social cohesion. A new social contract needs to be sustained by a shift in policy approaches and a new deal at the global level, where economic and social priorities are given equal pre-eminence and resources, and where the global governance system is fairer, more inclusive and representative.

Multilateralism and the new social contract: From the Summit of the Future to the Second World Summit for Social Development

Since 2021, the UN Secretary General has launched a major initiative, “Our Common Agenda”, the main purpose of which is revitalised multilateralism through wide-ranging reforms of global governance. This initiative is premised on the compelling and converging diagnostic that the current structure and mechanisms of global governance, including the international financial system, created post-WWII, have become *unfit for purpose, unfair, and unable to respond to today’s realities and challenges*. Wide-ranging reform proposals have been discussed in successive major summits held since 2023, from the most structural to incremental amends. These summits, in particular the Summit of the Future (New York, 2024) and the Fourth International Conference on Financing for Development or FfD4 (Seville, 2025), did not meet the high expectations that were placed on them, for rebalancing the global governance and the financial order. The Second World Summit for Social Development (WSSD2, to be held in Doha in November 2025, 30 years after the first summit in Copenhagen, has set its ambition as a renewed call for action reiterating the triple goals of *poverty eradication, full and productive employment and decent work, and social cohesion*, acknowledging that many of the

Copenhagen commitments remain unfulfilled. This will be the last of the series of summits under the initiative and a global opportunity to recommit to social development, international solidarity and cooperation.

The European Pillar of Social Rights (EPSR) and international cooperation

Europe is proud of its "unique social model", which can promote, in tandem, economic competitiveness and a strong framework of social and economic rights in Europe. Although the EPSR, proclaimed in 2017, provides a framework for social rights within the EU, on the eve of WSSD2, we examine the extent to which the values and principles embodied in the EPSR ***should*** also guide the EU's action beyond its borders, particularly in its multilateral diplomacy through the UN; in the G20; and in its bilateral partnerships, trade and investment agreements, and neighbourhood policy. How could Europe promote the same principles of social justice and support their effective implementation more globally?

To this end, we highlight a number of policy areas where a progressive and bolder posture and action can indeed contribute to a more inclusive and fairer world.

Ideas and proposals for a more progressive international cooperation on social policy

Several proposals, analysed in detail in the policy brief, are submitted for bolder and more progressive European action. These proposals fall into four broad areas: (1) the remake the international financial order, in particular management of the debt crisis, the recycling of special drawing rights and cooperation on the UN Convention on Taxation; (2) trade and investment partnerships for industrial policy, full and productive employment, and the green transition; (3) *universal* social protection; and (4) international migration.

In summary, ahead of WSSD2, in a highly unequal and fragmented world, we propose that a value-centric Europe, should project the principles embodied in its own EPSR globally and through all of its instruments of foreign policy. It should lead counter-cyclically in an environment of declining international solidarity.

1. The state of play

"Social in crisis"

Between two World Summits for Social Development (Copenhagen, 1995, and Doha, 2025), there has been undeniable social progress, albeit uneven. Extreme poverty dropped from four in ten people in 1995 to one in ten in 2023, while working poverty dropped from 27.9% in 2000 to 6.9% in 2024.[1] Labour productivity per worker increased by 78% globally, and by 215% in upper-middle-income countries. Between-country labour productivity inequality also decreased by 40%.

However, a more granular examination of social indicators, such as in the 2023 UN review of sustainable development goals (SDGs), clearly shows that there is significant under-achievement of most social targets globally, with variation across countries and within countries.[2]

Importantly, partial advances made on poverty reduction have been reversed or decelerating. The combined effects of multiple crises, including the lingering impact of the COVID-19 pandemic, inflation, the food and energy crisis, armed conflict, and natural disasters, have wiped out years of global progress on the goal of eradicating extreme poverty. 800 million people still live on less than $3 per day, and one in four people lack access to safely managed drinking water. Working poverty – those who have a job, but their earnings are too low – while improving globally, persists in low-income countries. Extreme forms of working poverty affect 240 million workers or 7% of the global workforce.

Regarding the goals of full employment and decent work, while global unemployment rates have fallen – especially in high-income countries and partly because of ageing populations and lower labour force participation rates – they are rising in low-income countries. In 2024, the *global jobs gap* stood at 402 million people in 2024. The International Labour Organization's (ILO's) estimate of the *global jobs gap* consists of 186 million unemployed; 137 million mainly discouraged workers, especially those lacking prospects of finding a decent job; and 79 million who would like to work but remain outside the labour force, because of obligations such as care work.

The jobs gap is particularly large for women, youth and in developing countries.

A more significant indicator of deficits in access to employment and of the erosion of the quality of jobs is the high incidence of informal work. **Those working and producing in the "informal economy" today account for over 58% of the global workforce, or around 2 billion people.** A majority of workers and small businesses and entrepreneurs around the world have no or limited access to labour and social protection and other development opportunities. The phenomenon of informality, which, for many decades, was associated with developing-country conditions, remains one the most pertinent social indicators in the Global South; however, its incidence is not insignificant in advanced economies and has been reemerging in multiple sectors, including in the digital gig economy.

Reductions in working poverty and informality have been concentrated in a few countries in East and South-East Asia and Latin America. Many other countries have seen only limited reductions of informality and working poverty and continue to struggle to provide decent work.

Overall, 3.8 billion people, or half of humanity, working and non-working, do not have access to any type of social protection.

Gender-equality indicators in labour markets have been particularly stubborn.

A persistent 27-percentage-point gap in the labour force participation rate separates men and women – in large part, because of women's disproportionate care responsibilities (76% globally), which limit their access to paid employment.

The World Inequality Report 2022 estimates that women's share of total income from work (labour income) is around 35%, when it should be 50% in a gender-equal world, and has not changed in the past three decades! Although women have made significant progress towards closing the earnings gap with men, they still earn only 75% of what men do in high-income countries and only 46% in low-income countries. Large gender gaps, including in relation to pensions and quality of work, persist.

The youth "employment crisis" remains a major challenge everywhere.

The 2007-8 global financial crisis revealed the extent of the youth employment crisis in the Global North and Global South, in ageing societies, and in countries undergoing a youth bulge. Numerous studies and surveys undertaken since have shown how the nature and pathways of school-to-work transitions have changed and become more difficult with uncertain outcomes, including for the educated youth. Young people (aged 15-24) face severe difficulties in securing decent employment. Their unemployment rate is three times as high as that of adults. More than one in five are neither in education, employment nor training (NEET), a SDG indicator that has risen in recent years, and amongst working youth, one in four are in informal employment.

Youth were again severely hit during the COVID-19 crisis, in terms of their education, jobs, incomes and socio-psychological health. There is ample evidence to show that young people who lose their jobs or fail to obtain one are particularly vulnerable to "scarring", the phenomenon whereby their future labour market outcomes are worse than those of their peers, even when macroeconomic conditions improve again. They may end up accepting a job for which they are overqualified, which risks trapping them in an employment trajectory that involves informality and low pay.

Studies and opinion polls on youth transitions carried out following the waves of youth-led protests in different regions of the world reveal the extent to which, in youth perceptions and expectations, the issues of work, rights, space for civic engagement and political participation are intertwined. As we are witnessing a new wave of youth protests in several countries, leaders and societies should reckon that youth engagement and agency are the most important elements of a new social contract.

The overarching indicators of inequality have never been so alarming. The widening of inequalities, both income and wealth inequalities, has reached new levels. While inequality has increased within most countries, over the past two decades, global inequalities between countries have declined. The latter is due to upward economic convergence and catching up by emerging countries.

The top 1% of the global population holds 20% of income and 38% of wealth. The richest 10% of the global population currently takes 52% of global income, whereas the poorest half of the population earns 8.5% of it.[3]

Global wealth inequalities are even more pronounced than income inequalities. In 2022, the poorest half of the global population barely owned 2% of the total, while the richest 10% of the global population owned 76% of all wealth.

In some parts of the world, private wealth is increasing faster than public wealth, with implications for public spending or tackling crises. According to the 2022 World Inequality Report, over the last 40 years, the gap between the net wealth of governments and net wealth of the private sector has been widening; countries have become significantly richer, but their governments have become significantly poorer. This trend was magnified by the COVID-19 crisis, during which governments borrowed the equivalent of 10-20% of GDP, essentially from the private sector. The low wealth of governments has important implications for state capacities to tackle inequality through social spending and the provision of quality public services and goods.

Labour market inequalities had been deeply entrenched and in motion for two or more decades prior to that. **As labour income is the main, if not sole, source of income for most households in the world, what happens in labour markets matters a great deal for overall inequality.** The single most critical indicator characterising the induced jobs and social crisis is the "labour income share of total income". This share has been on a declining trend overall, in spite of major labour productivity gains accrued in the same period. This declining trend is a major contributor to the rise in extreme income inequalities that we are observing, in contrast to the situation prior to the mid-1970s. It has been undermining the European model of social dialogue based on tripartite (employers, workers and governments) negotiations to ensure the equitable distribution of economic and productivity growth. A model that, by and large, has inspired global systems of social dialogue and collective bargaining, including through the ILO's system of international norm setting and monitoring.

In the face of such compelling evidence, there is a shared diagnostic that policies of the last three decades, by and large, have not delivered on decent work, social protections and social cohesion, and they have failed to generate and distribute the long-promised prosperity. To build a new social contract, "business as usual" is not "socially" tenable, and major shifts in policy, at the local and global levels, are needed.

2. The quest for a new social contract

Clearly, the quest for a new social contract everywhere has never been so strong. Scarcity of opportunities to access meaningful, stable and decent work; insecurity of incomes; discrimination; and limited social protection for large swathes of the populations in the Global North and Global South play a large part in the overall state of social crisis. These trends, in turn, lead to mistrust in policies and institutions.

Furthermore, management of the sovereign debt crisis, an increasing occurrence, is constraining policy and financial space for investing in public goods and in managing just transitions.

Situations of protracted armed conflicts, forced displacements of populations, and major disruptive technological and environmental transitions are clearly compounding the social crisis and adding to anxieties. These grievances and disappointments are impacting political systems, weakening democracies and instrumentalised by populist discourse.

In the wake of COVID-19, there was much expectation that the "social" would take centre stage as the main factor of resilience, and there were promises of a renewed social contract. These promises have been pushed aside, and there is fear that renewed tensions, conflicts, trade wars, migration crises and increasing military expenditures negatively impact investment in social policy and social cohesion.

In such an unequal world, a pro-employment, pro-development, pro-environment, pro-investment and pro-social macro-economic framework is needed to deliver on "decent work" creation and universal social protection and to address rising inequalities. Only a rights-based perspective, such as in the European Pillar of Social Rights (EPSR), can aim to rebuild trust in public institutions and policies.

Such a vision must be supported by a fairer and more representative and inclusive global governance order. A key part of this shift has to do with global institutions of governance of economic, trade and financial policies, the structures, mandate and policy instruments of which are no longer considered "fit for purpose".

In short, a new social contract needs to be sustained by new policy approaches and a new deal at the global level, where economic and social priorities are given equal pre-eminence and resources.[4]

The Second World Summit for Social Development (WSSD2) is a global opportunity to strengthen the social dimension as a key pillar of the global Pact for the Future.

3. Multilateralism and the new social contract: From the Summit of the Future to the Second World Summit for Social Development

The widespread belief that "social" policy is, first and foremost, a prerogative of national policy and jurisdiction least affected by global trends and turbulence must be demystified. In fact, global frameworks, rules and instruments can act as significant *enablers* or *disablers* of social progress across countries. The predominant "neo-liberal" macroeconomic paradigm shaped national policies over the last decades, by determining their limits and their content.

The present unprecedented debt distress, and its unsatisfactory management through existing international financial policies and instruments, have severely limited the fiscal policy space, the single most important policy area to tackle rising economic and social inequalities.

Additionally, in the context of major technological and environmental transitions, the importance of financing and managing *"just transition"* policies with a focus on poverty eradication, jobs and social protection cannot be overstated.

Consequently, the reform of the global economic and financial architecture will potentially have more impact on social outcomes, in particular on jobs, incomes and inequalities, than targeted social interventions.

In 2021, UN Secretary General António Guterres launched the "Our Common Agenda" initiative to reshape the future of international cooperation, in response to a global survey carried out on the occasion of the UN's 75th anniversary. The main purpose of the initiative is revitalised multilateralism through the reform of global governance. Through this process, wide-ranging reform proposals have been prepared and discussed at successive major summits held since 2023.

It should be recalled that **global summits convened by the UN, such as the Earth Summit or World Conferences on Women, have acted as major catalysts for displaying the state of play in a particular field and, more importantly, for generating new ideas and vigour for action. Summits have been landmark opportunities for reaching consensus and new commitments that shape national agendas and international cooperation frameworks.**

This recent cycle of global summits, however, has been particularly entangled by intensifying geo-political divides and the USA's retreat and disengagement from the UN and global diplomacy and from championing progressive causes. The abrupt decline in official development assistance (ODA) and the financial and liquidity crisis at the UN have created a particularly difficult context for active diplomacy and negotiations with tangible outcomes.

This cycle of summits set in motion a flurry of preparatory activities. Multiple independent commissions mandated by the UN Secretary General or member states have come up with detailed assessments of the necessary areas for reform and have made proposals for fairer global governance. The converging diagnostic is compelling. **The current structure and mechanisms of global governance, including the international financial system**, designed by and for industrialised countries post-WWII – at a time, when neither climate risks nor social inequalities were considered preeminent development challenges – **has become unfit for purpose, unfair, and unable to respond to today's realities and challenges**.

A range of proposals for reform, from the boldest transformation to incremental changes, have been put on the table.

These summits, in particular the Summit of the Future (New York, 2024) and the Fourth International Conference on Financing for

Development or FfD4 (Seville, 2025), did not meet the high expectations that were placed upon them, for reaching consensus binding commitments for rebalancing the global governance, the UN's global institutions and the financial order, including financing for development mechanisms.

However, the doors have not been completely shut. In lieu of actual reform and binding commitments for implementation, voluntary guidelines and new processes for dialogue and negotiations are set in place with the promise of probable consensus further down the line. The broad issue and solutions' identification undertaken, and the accountability processes set up, aim to maintain and intensify the momentum.

WSSD2, to be held in Doha in November 2025, will be the last global UN summit initiative in this new round. The draft Doha political declaration acknowledges that, 30 years after Copenhagen, many of the initial goals remain unfulfilled. The ambition set, therefore, for 2WSS is to reaffirm commitments to a more inclusive and equitable future. It renews the urgency of the call for action on fulfilling the commitments agreed at the Copenhagen Declaration adopted by the First Social Summit, 30 years ago.

The draft Doha political declaration builds on the Copenhagen Declaration's framework by reasserting the same three goals of poverty eradication, full employment and decent work, and social inclusion, while integrating new challenges, such as climate change, digital transformation and uneven progress in achieving the SDGs. It also reaffirms the commitments reached in the Pact for the Future and its annexes.

The Copenhagen Declaration incorporated a broad vision of social development and the notion of integration and inter-relatedness of these goals and policies to sustain them. However, in practice, these three goals and related commitments have often been pursued in a compartmentalised manner and through targeted policies and programmes.

Although the cascading effects of the outcomes of previous summits and the lack of breakthroughs will loom large over WSSD2, the demands for systemic transformative policies that address the root causes of rising inequalities are as strong as ever, and will be expressed by non-governmental organisations and a variety of other stakeholders to weigh in on the outcome of official intergovernmental negotiations.

This will be another global opportunity to recommit to social development and international solidarity and cooperation.

4. The European Pillar of Social Rights and international cooperation

Europe is proud of its "unique" social model, which can promote, in tandem, economic competitiveness and a strong framework of social and economic rights in Europe. The European Social Charter (ESC) originally adopted by the Council of Europe, in 1961 and revised in 1996, is a key treaty guaranteeing these rights. EPSR, developed by the EU in 2017, draws on the ESC and aims to achieve a fairer society within the EU. EPSR sets out 20 key principles spanning a broad range of issues, from fair working conditions to anti-poverty measures and universal social protection, that are sustained by renewable action plans.

Since its adoption, the EPSR serves as an overarching conceptual framework for social initiatives of the EU. The 2017 proclamation was followed by the adoption of the 2021 Action Plan, which fixed targets by the 2030 horizon; led to important new legislative proposals, such as the EU Pay Transparency

(2023) and Adequate Minimum Wages (2022) Directives; and launched specific strategies and initiatives like the Gender Equality Strategy, the Anti-racism Action Plan and the European Platform on Combating Homelessness. Social considerations are given greater prominence in the coordination of economic policies through the European Semester process.

Nonetheless, the uneven implementation of these 20 principles and the lack of a binding accountability framework are regarded as challenges for the effective application of EPSR within EU member states themselves. Questions have also been raised regarding a more ambitious implementation road map, thereby steering the direction of EU policies, including its macro-economic policies.

A detailed discussion of these challenges is beyond this policy brief. Instead, **we question the extent to which the values and principles of the EPSR do or should inform and guide EU action beyond its borders. In particular, through its participation in multilateral diplomacy at the UN, the G20 and similar fora, and its bilateral trade and investment agreements or its neighbourhood policies.**

In other words, **how does Europe promote the same principles of social justice and support their effective implementation more globally?** How could Europe promote a more progressive social agenda by deepening and expanding the EU's stance and policies in global institutions and in its neighbourhood and development partnerships?

We examine this value-based proposition by focussing on selected issues and proposals that are particularly relevant in the present context. Issues that have been on the agenda of the recent UN global summits mentioned above, as well as G20 meetings, under its successive presidencies.

These progressive proposals fall into four broad categories of reforms: (1) the global financial architecture and development financing; (2) trade, investment and industrial policy for quality job creation and just transitions; (3) universal social protection; and (4) international migration. These proposals are deeply connected in their combined impact *on poverty eradication, full employment and decent job creation, and social inclusion*, the triple objectives of the First and Second World Summits for Social Development. Additionally, the EPSR's emphasis on policy coherence suggests that EU policies beyond its borders, in various sectors, such as trade, investment, agriculture and migration, should also be aligned with development objectives and should not undermine efforts to promote social inclusion and sustainable development in partner countries.

The EU, with the strongest social pillar, has a potential advantage in leading a reinvigorated commitment and action to a global progressive social agenda.

Herein, we highlight EU action in multiple areas that could advance the national and global social policy.

5. Ideas and proposals for a more progressive international cooperation on social policy

5.1 The remake of the global financial architecture – key for social policy space

The importance of reforming the global financial architecture as an overarching macro-enabler for delivery on "social" objectives, such as universal social protection, decent job creation, healthcare, quality education, sustainable food systems, infrastructure, and energy and digital transitions, cannot be over-emphasised.

As discussed earlier, wide-ranging proposals have been prepared, debated and negotiated in the run up to and at the Summit of the Future and, in particular, FfD4 in Seville.

Three critical issues are highlighted here: (1) the unprecedented (public) debt crisis and its unsatisfactory management at the international level; (2) the special drawing rights (SDR) mechanism at the International Monetary Fund (IMF); and (3) international cooperation on taxation.

5.1.1 Debt crisis and management

The burden of (public) debt is battering the economies of many countries and the rising debt burden is crowding out fiscal space for social investments.

Currently, nearly 60% of low-income economies are either at high risk or already in debt distress, while one in four middle-income countries, which host the majority of the extreme poor, are at high risk of a fiscal crisis.[5]

Repeated global financial crises that spread rapidly in highly integrated and volatile financial markets result in recurring sovereign debt distress, with dire consequences for fiscal space; long-term development financing; climate finance; and public expenditures, including on education and social protection.

There are numerous areas of dysfunction and a great divide between developed and developing countries in the present debt management architecture.

Four issues are of particular relevance.

Firstly, *the higher borrowing costs* for developing countries in financial markets: developing countries that borrow from international capital markets often pay rates of 5-8%, compared to 1% for many developed countries. More recently, rising investor risk aversion has pushed the cost of borrowing above what would be warranted by macroeconomic fundamentals in many countries, with some middle-income countries with investment-grade ratings paying between six and seven percentage points above US treasury yields in 2022.

As a result, developing countries have experienced a net resource outflow for successive years in a row. In 2023, they paid $25 billion more to their external creditors in debt servicing than they received in fresh disbursements, resulting in a negative net resource transfer. **Developing countries' interest payments are not only growing rapidly but also outpacing growth in critical public expenditures, such as on health and education. Overall, a total of 3.4 billion people live in countries that spend more on interest payments than on either health or education.**

Secondly, there is a great variation in countries' *access to liquidity in times of crisis*: many middle-income countries near debt distress are excluded because of the eligibility criteria or in practice for a series of political reasons.

Thirdly, there is the issue of *creditor coordination* amongst and between multiple official and private creditors to a single country. The IMF has no mandate to oversee all global transactions, and it has had very little ability to influence private creditors into lowering premiums and actually restructuring debt. The "Common Framework for Debt Treatment" established by the G20 for this purpose failed to conclude a single restructuring in the first 18 months of its existence. Reform proposals called for either the creation of an independent authority or an effective coordination platform, a solution that would bring the heterogeneous and fragmented community of public creditors and private creditors together, to coordinate debt restructurings.

Fourthly, repeated global financial crises that spread rapidly in highly integrated and volatile financial markets result in recurring sovereign debt distress, with dire consequences for fiscal space; long-term development financing; climate finance; and public expenditures, including on education and social protection. The “great divergence” between poorer and richer countries in the capacity to cope with recurring crises and contingencies through fiscal policy became more blatant in the recovery from the COVID-19 pandemic. Constrained by economic slowdown, rising debt burdens and shrinking fiscal space, many countries now face an even more daunting policy landscape and few policy tools to tackle the social impact of financial, food and energy shocks.

These episodes reveal endemic policy incoherence among global institutions in the management of debt crisis. Debt-relief measures are often conditional on austerity measures that curtail fiscal space; cut essential public spending, including social spending; and exacerbate economic and social crises.

In particular, “fiscal consolidation” policies advocated by the IMF in the process of “Article 4 reviews” and in the management of the debt crisis have come regularly under increasing criticism. **The impact of austerity measures on the contraction of public spending and public institutions providing essential services, food and energy subsidies, and social assistance programmes is significant and lasting.**

The conditionality imposed by the IMF is supported by major economic powers, including by the EU, as a condition to further technical and financial support and/or trade and investment agreements, to secure the repayment capacity of the debtor country to creditors. However, there are many instances in which the primary objective of financial stability is not achieved, whereas socio-economic insecurity and inequality increase.

In spite of evolutions in social spending frameworks used by the IMF in the Article 4 review process, the nature of measures remains “pro-cyclical” at a time when counter-cyclical strategies are needed. Moreover, the IMF’s approach to social spending, when it exists, is limited to short-term targeted social assistance. Such programmes suffer from major exclusions, in contrast to systemic expansion of universal social protection, which would have a broader social impact.

In the process of financial and budget stabilisation, revitalising state institutions and, at the same time, holding them accountable for development and social spending, are critical steps. A different approach is possible: a complete turnaround of conditionality by seeking to secure more ambitious social and equality goals, and making the debt restructuring measures conditional on spending more, not less, on “social SDGs” and “just transitions”.

In spite of numerous negotiation opportunities for reforming the international debt architecture – from the Summit of the Future to the G20 finance track, at the governing organs of international financial institutions (IFIs) and through FfD4 in Seville – consensus has not been reached on some of the basic elements of a new global financial architecture.

The process leading to the “*Sevilla Compromiso*” displayed the continuing divide between debtor and creditor countries, where several Global North countries and the EU opposed key proposals for inclusive UN-led reforms. These included intergovernmental debt negotiations, frameworks for debt cancellation and the establishment of a permanent forum for international tax cooperation under the UN.

Continued status quo and lack of progress in this critical area of financial governance is not only socially and politically untenable, but it also risks further alienation of the EU's current partners and potential new partners, in particular in the Global South. Reliance on voluntary reforms by IFIs, instead of a binding commitment under more inclusive UN oversight, will not break through the resistance within governing organisations, to make it more inclusive and representative and/or more effective.

Still the EU and its member states, as major shareholders of IFIs, should weigh in and lead the way for reform to ensure more inclusive governance in the international financial system and less fragmented multilateral cooperation.

5.1.2 Special Drawing Rights (SDRs)

Reform of the IMF Special Drawing Rights (SDRs) is perhaps the more advanced building block of current reform proposals. The allocation in 2021 of SDRs equivalent to $650 billion, to support recovery in countries struggling to cope with the impact of the COVID-19 pandemic, was a rare and welcome incidence in the history of SDRs. By far the largest ever allocation, it raised hopes that a reviewed SDR system could effectively channel much-needed liquidity for long-term or contingency funding without adding to the debt burden of receiving countries or submitting them to austerity conditionalities of the type discussed above. However, for this to materialise, there are important changes that need to be introduced, such as a review of the IMF's Articles of Agreement, to allow "selective SDR allocation", enabling only those countries most in need to receive SDRs.

New mechanisms are also needed to enable counter-cyclical issuance of SDRs in a more automatic or timely manner in times of crisis, which would avoid protracted political negotiations during crises and provide SDRs for immediate use when most needed. Predictability of the amount of recycled SDRs to be committed to the IMF's two trust funds would also increase the effectiveness of lending operations.

The EU, with significant SDR reserves, could further build on this experience and lead the way, for example, by making an EU-wide commitment to recycle at least 20% of the EU's SDRs, contributing to the goal set by the G20.

The EU can also take a more proactive approach to recycling SDRs, working with the European Central Bank to overcome technical and legal hurdles and by seeking alternative modalities to recycle SDRs.

5.1.3 International cooperation on a tax convention

Tax-funded public spending on social sectors, in particular quality education and training, health services, care, housing, water and sanitation, plays a critical role in reducing inequalities and in promoting equality of opportunities. Given the large volume of wealth concentration, modest progressive taxes can generate significant revenues for governments. The rise of modern welfare states in the 20th century, associated with significant progress in health, education and other public goods, was linked to the rise in progressive taxation rates. Historical evidence, in particular in the European experience, is clear: countries that have reduced inequalities have adopted progressive taxation.

There is growing demand and support for a UN tax convention to establish a global framework for taxation, which could provide a basis for progressive taxation, the taxation of extreme wealth and the taxation of multinationals, and for international cooperation.

The EU's more active engagement in support of the UN process could be critical to ensure its conclusion, broad coverage and effectiveness.

5.2 Trade and investment partnerships for industrial policy, full and productive employment, and the green and digital transitions

Higher levels of productive employment are essential for reducing inequality. Without employment-derived income, no distribution or redistribution is possible on a significant scale.

Numerous empirical analyses and country policy experiences also show that availability and access to increased job opportunities and securing "decent" working conditions are two sides of the same coin. Without massive job creation to close the jobs gap, there will not be much progress in reducing the downward pressure on the quality of work and the increase in informality.

Quality education, training and public services are preconditions for successful labour market transitions, equal opportunities in employment, gender equality and social inclusion.

The promise that the liberalisation policies of trade and investments in the last decades, accompanied by fewer regulations, would automatically lead to decent job creation has not been fulfilled. Rather, **we have witnessed a systemic rise in employment insecurity and a steady erosion in the conditions of work and pay.**

The high prevalence of employment and businesses in the informal economy worldwide, 58% of the global workforce, is epitomised by the global jobs crisis, the convergence of deficits in job creation and in the quality of jobs, limited social protection, unsafe conditions, and low pay. **Legislation and compliance enforcement have proved to be insufficient at promoting just transitions to formality, including in the Global North, and at curtailing economic and labour market dynamics that contribute to the informalisation of formal jobs. There are multiple new approaches to pre-distribution policy interventions – innovation policies, for example, that can create the conditions to reduce inequalities in economic opportunities.**

Integrated strategies that promote innovation, productive job creation and financial inclusion, in tandem with appropriate and fit-for-purpose regulations, delivery institutions and comprehensive social protection, have shown the best results in enabling just transitions to materialise.

5.2.1 New approaches to industrial policy and quality job creation

As an increasing number of both developed and developing countries are reconsidering their growth models and turning to the green and blue economies and digitalisation, deliberate investment in job creation is deemed not only desirable but necessary.

Policy taboos and dogmatism have been changing rapidly in recent years with respect to industrial policy and the role of government interventions and public investments to spearhead the transformation and to crowd-in private investment. Whereas under the neo-liberal paradigm, industrial policy was decried for alleged distortionary effects of picking and choosing sectors, both disillusion with trade liberalisation policy outcomes for creating quality jobs, as well as new research on industrial policy, have shown its critical role in innovation and job creation in the Global North and Global South.[6]

There is a need and major opportunity for industrial policy in the green, blue, digital and care economies. Employment opportunities are expected to arise, in particular, from investments in clean and renewable energy, construction, sustainable agriculture, recycling and waste management. While all policies need a contextual understanding and adaptation, national institutions should consider such policies, and regional and global institutions should support such strategies.

International partnerships, including the EU's bilateral trade and investment agreements, should take into account and make more policy space for appropriate and country-owned industrial policy in partner countries. These should also support and encourage investment in skills training and upgrading in the corresponding sectors to maximise the employment impact.

Investments in sectors characterised more often than not by a high incidence of informality and precarity, low pay, and poor conditions of work, such as in the care sector, must be accompanied by a focused reform of labour and social protections, including guaranteeing freedom of association, the right to collective bargaining and equal pay for work of equal value, and preventing and eliminating violence and harassment.

The EU could support international mechanisms and multi-stakeholder partnerships, such as the Global Accelerator for Jobs and Social Protection at the UN (see Box 1).

It could also support ideas considering new mechanisms that strengthen international cooperation on industrial policy through its participation in the G20.

5.2.2 Socially just transition to low carbon economy

The interactions of the social agenda with climate change and environmental transitions are multiple, complex and multi-directional. Net carbon neutrality by mid-century, the objective of the Paris Agreement, can only be achieved through a major transformation of energy systems and structural changes to economies. Structural changes of this scale and within the limited time horizon are bound to create major disruptions in employment, livelihoods and social wellbeing.

A *"just transition"* implies the recognition of the significant redistributive impacts that both environmental degradation and environmental transition action have and the need for compensatory policies and programmes to achieve a more equitable outcome.

The concept embedded in the Paris Agreement in 2015, *"Taking into account the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities"*, has been gaining ground and momentum in international policy frameworks and discussions on climate change.

The same year, through a consultative tripartite process, the ILO adopted *guidelines for a just transition towards environmentally sustainable economies and societies for all*.[7]

It is estimated that the jobs and livelihoods of more than 1.2 billion people and 40% of total global employment depend directly on the ecosystem. Under "the business as usual" scenario, climate change and environmental degradation, through their various manifestations, threaten jobs, businesses and livelihoods, as well as access to water and other resources, in particular for the poorest and most vulnerable. Jobs, businesses and livelihoods are particularly vulnerable to the higher incidence of environmental-related disasters, whether slow-onset events (droughts, erosion, soil degradation or sea-level rises) or rapid-onset events (extreme weather events, forest fires).

Environmental degradation is also adding to population displacement, both internal and cross-border movements. It has increased the risk of conflict. Both climate change and environmental transition policies to a low-carbon economy exacerbate conflicts for access and the distribution of resources amongst different population groups – not only between big business interests and the more vulnerable – but amongst the latter too.

Large-scale adaptation measures, as essential components of "just and timely transition" policies, are essential to enable millions more people to overcome poverty and deliver improved livelihoods.

Adaptation measures in the context of the Paris Agreement and since then have not received the same level of policy attention, and the financing mechanisms put in place fall short of achieving the intended ambition.

Several proposals for the reform of the global financial architecture include proposals and tools for climate finance, addressing primarily "climate justice" between countries and the need for loss and damage and adaptation finance, for instance.

As put forward in the Bridgetown Agenda, greater use of state-contingent clauses in multilateral development bank lending can also provide breathing room for countries hit by shocks by automatically suspending payments in the case of a disaster, economic or financial crisis, or other exogenous shocks.

To finance adaptation and just transitions, recourse to reformed SDRs would scale-up funding without adding to the debt burden. The IMF has already operationalised a Resilience and Sustainability Trust, but the scale and ambition is not commensurate with the challenges faced by the world and the growing demand for resources.

Tackling the social and distributional impact of various policies and their conflicts within countries, however, is still a domain in need of innovative thinking and policy engineering. The policies for a just transition should involve a broader perspective than compensating workers and communities affected by the closure of coal mines, for example, as necessary as these measures may be.

In the recent past, there have been useful attempts to quantify the impact of environmental transition or greening policies, in particular mitigation policies, on jobs through various modelling exercises.[8] These estimates forecast a net-positive impact, meaning that the net job creation potential of green policies will exceed the jobs and livelihood losses in other sectors. However, the win-win scenarios over the medium to long term tend to overlook the social costs of transition in the short term, in particular for the poorest and most vulnerable segments of society.

Employment and the social effects of the transition to a low-carbon economy should be considered within a more comprehensive economic and societal cost-benefit framework. This is essential for increasing the political buy-in for environmental transition policies and avoiding clashes between sustainability and social objectives.

Historically, there are few examples of "socially" successful transition policies through market-driven approaches, and it is clear that the role of the state and political leadership will be crucial for launching large-scale New Deal efforts at national and global levels.

A broader and bolder EU vision is needed for financing green industrialisation and promoting a just environmental transition as key components in its partnerships and international cooperation.

5.2.3 Digitalisation and "just transitions"

The concept of a "socially just digital transition" has multiple facets too.

The extent of the digital divide between and within countries is well established. A third of the world's people (2.7 billion) still do not use the Internet. Many of them are women, or live in rural and remote areas, in the least developed countries.9 The COVID-19 pandemic shed new light on digital divides in access to education and skills and jobs, for those who were connected or not, and those who could muster digital skills or those who could not.

The extremely unequal distribution of profit and productivity gains from digital technologies, such as robotics, artificial intelligence and monopsonist market structures, are contributing to rising income inequalities. The introduction of new digital technologies spearheaded in the private sector has often outpaced the establishment of national institutions and the regulatory capacity to manage these innovations.

Intense negotiations on various proposals to close the governance and data gap led to the adoption of the first overarching Digital Compact as an annex to the outcome document of the 2024 Summit of the Future. The Compact has received varied reactions from different stakeholders.

Digitalisation is also giving rise to new challenges for the effective governance of labour, in digital labour platforms, anchored locally or the crowd-work or micro-task platforms that operate across numerous countries. The blurring of the status of dependent worker or self-employed; the use of algorithms, with all the discriminatory biases embedded therein, in managing human work performance and dues; and generally, low pay and limited social protection are some of the most common issues raised. In spite of important court rulings, conventional labour market institutions have proved inadequate at upholding fundamental labour rights on digital platforms, in particular those operating cross-borders. In 2025, the International Labour Conference started the negotiation process for the adoption of new international labour standards to regulate digital labour platforms.

Industrial strategy, innovation and competitiveness policies, and just transitions are closely intertwined. To what extent these strategies and partnerships integrate, in practice, human and social rights and a vision of equity and fairness at their core is the question.

The EU has shown leadership in regulating digital platforms operating within the EU. It should actively extend this vision more globally.

5.2.4 A bolder and more inclusive Global Gateway

The EU's Global Gateway could potentially support such approaches to quality job creation, the green transition and social development in partner countries. However, five years into its creation, the Global Gateway was launched as an ambitious financing mechanism and "geo-political project", but it has yet to clearly define its main aim, whether it is about prioritising development, by upholding SDGs in investment projects, supporting job creation and the green transition, or achieving strategic autonomy in the self-interest of EU and the resilience of its supply chains. The perceptions of partner countries is equally important, as to an extent, the Global Gateway genuinely supports partner countries' defined priorities, including their own industrial strategy and the manner in which private sector financing supports public sector finance.

The lessons from the assessments of the first round of flagship projects need to be fully integrated in the review and reform of the Global Gateway. It is important to redefine its objectives and modus operandi and to rebuild trust with partner countries and local communities.[10]

5.2.5 The Global Accelerator on Jobs and Social Protection

At the international level, the EU could also support the UN's Global Accelerator on Jobs and Social Protection, which is framed around the SDGs and supported by advice from key global institutions. The Accelerator was endorsed in the 2023 EU Council Conclusions for a Social, Green and Digital transition (Article 15, para d (page 7)), as well as in key G20 resolutions:

> *To make full and effective use of all the instruments available to promote just transitions, including the UN Global Accelerator and the ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all, following the Team Europe approach.*

Box 1. The Global Accelerator on Jobs and Social Protection for Just Transitions

To promote such policy approaches, in September 2021, the UN Secretary General launched a new scheme, with the ambition of bringing together member states, IFIs, social partners, civil society and the private sector, coordinated by the ILO, to help countries create 400 million decent jobs, including in the green, digital and care economies, and to extend social protection coverage to the 4 billion people currently excluded.

The Global Accelerator aims to promote: (1) the in-country development of integrated and coordinated employment and social protection policies and strategies that facilitate just transitions; (2) the establishment of integrated national financing frameworks and the mobilisation of public and private domestic and international resources to invest in universal social protection and inclusive, environment- and gender-responsive employment interventions with a view to creating quality jobs; and (3) the improvement of multilateral cooperation on jobs and social protection for just transitions, including with international financial institutions.

The Global Accelerator aims to use a new tool, Integrated National Financing Frameworks, to support more investments for productive employment and adequate social protection – boosting domestic resources and expanding the tax base, as well as mobilising further development cooperation assistance and international support. Complementary interventions will aim to create a more effective use and stronger alignment of current financial flows (both public and private) for social investments.

The Global Accelerator aims at strengthening the level and coherence of the multilateral system's support for countries. (UN, ILO)

5.3 Towards universal social protection

In 2025, 3.8 billion people, nearly half of humanity, do not have access to any type of social protection! For the other half, there are deep-seated inequalities and significant gaps in social protection coverage, comprehensiveness and adequacy across all countries.[11] In the current context of inflation and food and energy insecurity, significant differences in country responses to prevent hunger and poverty and to sustain the purchasing power of families are displayed.

This is due to both the gap in fiscal space and the availability of the right institutions and mechanisms. Beyond the financing gap, successive shocks have revealed a structural divide among developed and developing countries that is in the range of policy instruments, such as "social automatic stabilisers", to deal with ordinary life-cycle contingencies or exogenous shocks and crises.

There is ample evidence and experience to show that policy approaches relying only on targeted interventions, with respect to social protection and poverty eradication, are insufficient in monetary terms and in outreach, leaving behind many segments of the population. Furthermore, the multiplication of types and sources of endogenous and exogenous shocks that cannot all be anticipated and planned for, including those induced by climate change or technological innovation and demographic shifts, calls for a universal and multi-purpose social protection that leaves no one behind.

A renewed social contract requires the institutionalisation of universal social protection systems, for all those working and non-working, scaling-up its financing significantly through the mobilisation of domestic resources and a more coherent global governance system that supports its establishment and financing.

A major push is expected at WSSD2 for promoting universal social protection.

This support should include both promoting policy coherence, as well as enabling investments and the enlargement of the fiscal space, to sustain increased coverage towards universal social protection.

The debate on the preference for and affordability of universal social protection schemes versus targeted anti-poverty programmes or safety nets has been going on for a long time. In spite of the vast literature on the shortcomings of targeted safety nets, some global institutions, the World Bank in particular, promote and invest primarily in these types of schemes, whereas the ILO promotes a right-based approach towards progressive realisation of universal social protection.

This shift towards *universal* social protection is essential for reducing systemic inequalities. Given the poverty dynamics, it is crucial to prevent population groups from falling or falling back into poverty, to cushion predictable life-cycle contingencies and to build resilience in the face of multiple other crises. Experience has shown that investments in infrastructure and targeted schemes can deviate resources and political attention from building well-designed universal social protection schemes. There is a growing body of policy innovation in design and implementation mechanisms to move towards universal social protection that is adapted to local conditions, including where there is a large informal economy.

As mentioned earlier, international cooperation supporting mechanisms to manage the debt crises, as well as to expand access to international emergency financing is equally critical for countries facing macro-economic shocks or natural disasters.

Ensuring a broad tax base with progressive taxation and social security contributions is key to universal social protection. So is international support for the proposed UN Convention on Taxation.

The EU, inspired by its own EPSR, could make a firm commitment to promote policy coherence and support universal social protection systems in its development cooperation and in multilateral institutions.

5.4 International migration

A progressive perspective on international migration should emphasise the benefits, as much for the EU as for origin countries and migrants themselves. The need for migrant labour to sustain economic activities in the EU, in the context of an aging and shrinking population, needs to be underlined. Migrants raise demands for goods and services, thus spurring economic growth. Through their employment, they contribute to producing goods and services, as well to financing social protection systems, which benefit the entire labour force and population.

A progressive perspective should also call for the formulation of migration policies jointly with countries of origin. The aim would be to maximise migration benefits and to minimise their shortcomings for all parties. Development in countries of origin in the Global South should be a concern for a progressive EU. Therefore, policy measures they advocate have to emphasise the need to minimise brain drain and brain waste and to maximise brain gain for developing countries of origin.

A progressive perspective should place utmost importance on the discourse on international migration and counter prevailing false narratives. In addition to bringing out their contributions to the EU labour markets and economies, it should address the hostile discourse towards migrants and populations of migrant origin. A progressive EU perspective should downplay the cultural tones that ignore commonalities between natives and migrants and magnify their differences. Deficient integration of migrants and populations of migrant origin should be remedied. But the discourse should shed particular light on and underline the effective integration of the large majority of migrants. The numerous resounding success stories of migrants in EU politics, economy and culture can go a long way to neutralising essentialist and hostile approaches to international migration.

Conclusions

The global landscape for development cooperation and, more generally, for international solidarity is changing rapidly. The EU and its member states dispose of important resources and instruments to weigh in on the reform of global governance toward more inclusivity and fairness. They are the largest global ODA providers, accounting for 42% of global ODA They have demonstrated their leadership on the global agenda for sustainable development.

In the highly divided and competitive world, the EU has also attempted to strengthen the strategic and transactional dimension of its development aid, such as through the Global Gateway.

The EU pursues the goals of democracy, rule of law and economic integration with neighbouring countries in its neighbourhood policies. These goals are inevitably inter-related with social development and inclusion. A better articulation of social goals and rights, as in the EPSR, within the neighbourhood policy goals is required.

This multiplicity of goals has at times created confusion and diminished ambition, effectiveness and trust.

In a highly unequal world, a value-centric Europe, should project the principles embodied in its own EPSR, in particular, globally and through all of its instruments of foreign policy and multilateral engagement.

Ahead of WSSD2 and in the follow-up to the multiple multilateral processes and opportunities, the EU should lead on equity and fairness from a rights-based perspective.

This policy brief singled out several areas where such a progressive perspective could be promoted. **Will the EU be bold enough to take the strategic lead on the global social agenda, acting counter-cyclically in the context of heightened geopolitical rivalries and conflict, increased defence spending versus other goals, and transatlantic tensions?**

Endnotes

1 All social indicators and labour market data are from "The state of social justice: A work in progress". International Labour Organization, 2025; and various editions of the "World employment and social outlook". International Labour Organization, unless indicated otherwise.

2 "The sustainable development goals report: Special edition". United Nations, 2023.

3 Data on inequality are based on L. Chancel, T. Piketty, E. Saez et al. (2022) "World inequality report 2022". World Inequality Lab; and "Poverty and shared prosperity 2022: Correcting course". World Bank, 2022.

4 Some of these ideas have been further developed in the FEPS publication ahead of the 2024 Summit of the Future: M. J. Rodrigues (ed.) (2024) *A New Global Deal: Reforming World Governance* (Brussels: FEPS).

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The Foundation for European Progressive Studies (FEPS) is the think tank of the progressive political family at EU level. Its mission is to develop innovative research, policy advice, training and debates to inspire and inform progressive politics and policies across Europe.

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About the Olof Palme International Center

The Olof Palme International Center is the Swedish labour movement's umbrella organisation for international solidarity. The organisation work globally for democracy, human rights, social justice, peace and sustainability through a just transition – in the spirit of Olof Palme – and supports progressive social movements and parties that change societies and people's everyday lives.

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