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Roland Erne

University College Dublin, Dublin, Ireland

Email: Roland.Erne@ucd.ie

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A supranational regime that nationalizes social conflict. Explaining European trade unions' difficulties in politicizing European economic governance

Roland Erne

University College Dublin, Dublin, Ireland

Abstract

Until very recently, European employers and political leaders denied the need for any coordination in industrial relations at EU level. In 2011 however, the European Parliament and the Council adopted a new European economic governance regime that makes EU member states' labor policies subject to multilateral surveillance procedures. This paper analyzes this 'silent revolution' from above and assesses organized labor's responses to this challenge. It shows that the EU's new governance regime does not follow the classical model of a federal state, but rather the governance structures of multinational corporations that control their local subsidiaries through the use of whipsawing tactics and coercive comparisons. European trade unions' and social movements' difficulties in politicizing European economic governance are thus best explained by the ability of the new supranational EU regime to nationalize social conflicts.

Keywords: Euro crisis, European economic governance, Six-Pack, bargaining coordination, wage bargaining, trade unions, collective action, politicization

Introduction

The creation of the new European governance regime requires an explanation. In contrast to the European Trade Union Confederation (ETUC), Europe's business and political leaders rejected until very recently the need for any coordination in the field of industrial relations at European Union (EU) level,[1] arguably because self-regulating market forces would automatically lead to the desired adjustment in wages, welfare policies, and labor laws across Europe.[2] In November 2011 however, the European Parliament and the Council adopted the so-called Six-Pack of six EU laws on European economic governance. This new European economic governance regime empowers the European Commission to give detailed policy prescriptions to national governments and to sanction member states.[3]

This paper aims to explain why the European labor movement largely failed to politicize the EU's new regime of economic governance. This question is important, and not only for those interested in the future of social justice and democracy in Europe. Organized labor's weak response to the centralization of socioeconomic governance also puts earlier explanations for the occurrence of transnational trade union action to a critical test. In *European Unions*, I have argued that transnational union action is not triggered by the making of transnational markets but by the increasing supranational reorganization of state structures. But if it is easier to politicize the administrative decisions of the European Commission than the abstract market forces behind economic integration processes,[4] why has it been so difficult for organized labor to politicize the new EU governance regime in the transnational public sphere?

The article is divided into two parts. The first part outlines the nature and scope of the EU's new economic governance regime and discusses whether it provides crystallization points for contentious transnational action. The second assesses European trade unions' activities at different stages of the European economic governance regime-making process, namely, 1) the agenda setting stage, 2) the policy adaptation stage, and 3) the policy implementation stage. This approach enables us to assess the role of diverse explanatory factors for the weak politicization of the new European governance regime.

It will be shown that EU's new governance regime does not follow the classical model of a federal state, but rather the governance structures of multinational corporations, which control their notionally autonomous local subsidiaries through the use of whipsawing tactics and coercive comparisons based on supranational key performance indicators.[5] The article concludes that, whereas Euro-Keynesian legacies and the shock of the Euro crisis played an important role during the policy initiation and adoption process, European trade unions' and social movements' difficulties in politicizing European economic governance are best explained by the ability of the new supranational EU regime to nationalize social conflicts.

This article is primarily based on an analysis of published and unpublished documents by national and European trade union organizations between 2008 and 2014. In addition, this research has benefited from several conversations with officials from French, German, Italian, Irish, Norwegian, Swedish, Swiss, and Romanian unions; from EU-level employer associations and trade unions, and from the European Commission.

The new European economic governance regime – a silent revolution

The Eurozone crisis that followed the great recession of 2008 led to an unprecedented centralization of political power in the hands of EU institutions. In June 2010, the then Commission President Barroso announced a “silent revolution” in European economic and fiscal policymaking.[6] In turn, all member state governments and the majority of the European Parliament adopted in November 2011 the Six-Pack on European economic governance.[7] In 2012, all EU countries – with the exception of the Czech Republic and the UK[8] – ratified the *Treaty on Stability, Coordination and Governance in the Economic and Monetary Union* (henceforth Fiscal Treaty). Furthermore, the European Central Bank (ECB) used its power as lender of last resort within the Euro system to impose its agenda in countries, such as Spain and Italy, which were facing increased borrowing costs. Finally, a Two-Pack of new EU laws that reinforced the supranational surveillance of national fiscal policies followed in 2013. As a result, the Commission is not only authorized to issue detailed *country-specific recommendations* (CSRs), but can also trigger sanctions. Eurozone countries that fail to reduce ‘excessive deficits’ or cause ‘excessive macroeconomic imbalances’ risk substantial fines equal to 0.2% or 0.1% of GDP, respectively.[9] Although the Six-Pack regulations introduce serious sanctions for non-compliant member states, the new EU laws on economic governance fail to define important key terms. What constitutes, for example, an ‘economic imbalance’? Article 2 of Regulation (EU) No 1176/2011 of the European Parliament and of the Council on the prevention and correction of macroeconomic imbalances states that

> ‘excessive imbalances’ mean severe imbalances, including imbalances that jeopardise *or risk* jeopardising the *proper* functioning of economic and monetary union [emphasis added].

This definition of ‘excessive imbalances’ is so encompassing that no aspect of socioeconomic policymaking can a priori be excluded from its scope. The regulation thus undermines the legal principle of *nulla poena sine lege* (no penalty without a law), as it does not specify what actions ‘risk’ jeopardizing the ‘proper’ functioning of the Economic and Monetary Union (EMU). Hence, EU lawmakers simply delegated the definition of the regulation’s key terms to the EU executives drafting and adopting CSRs and *corrective action plans* on an *ad hoc* basis. These executive orders, however, lack the generality and justification of a law that emerges out of the normal democratic legislative process. In fact, national governments and parliaments cannot be sure in advance whether or not their ‘reform program’ will satisfy the

EU executives. The ambiguous grounds for sanctions therefore represent a risk that policymakers find difficult to assess,[10] especially as the Commission and the EU's finance ministers are often not satisfied with the extent of the changes implemented by national governments.

The control of EU executives over national social and economic policies is also increasing because the Commission's fines apply automatically unless a qualified majority of national finance ministers veto them within a period of 10 days. Hence, the wording of the new EU laws substantially increases the political power of the Commission to the detriment of national parliaments, the European Parliament, and the social partners. If economic policymaking is simply about the technocratic implementation of 'proper' economic policies, there is indeed no longer any need for institutions of democratic interest intermediation between conflicting political preferences or class interests. Obviously, this does not mean that socioeconomic policymaking ceases to be shaped by political powers. It only means that socioeconomic policies will be shaped by executive orders rather than by democratic interest intermediation processes in parliaments or collective bargaining rounds, as also deplored by Jürgen Habermas.[11] The implications of the new economic governance regime for European unions are far reaching, even if it does not affect workers in all countries at the same time and to the same extent.[12]

Regulation (EU) No 1176/2011 of the Six-Pack requires the Commission to design a scoreboard of quantitative indicators and to set, "whenever appropriate," lower and upper thresholds for any of these indicators in order to identify unwelcome economic developments in EU member states. A list of scoreboard indicators, however, has not been included in the regulation, despite its far-reaching implications. Instead, the list has been drafted by a Working Group on the Methodology to Assess Lisbon-related Structural Reforms – a sub-committee of the Economic Policy Committee (EPC).[13] The scoreboard includes indicators relating to all economic policy areas, including those formally excluded from the competency of the EU, such as wages policy. One of the 11 indicators used to decide whether a member state is pursuing 'proper' or 'improper' economic policies relates to the ratio of nominal compensation per employee to real GDP per person employed (i.e. to changes in nominal unit labor costs). Nominal increases that go beyond the thresholds[14] set out in the scoreboard trigger the regulation's prevention and correction mechanisms, which range from CSRs; in-depth reviews; corrective action plans; and surveillance visits, to the substantial fines outlined above in the event of non-compliance.

It follows that the times when EU guidelines could be dismissed as 'soft law' have come to an end. In 2014, for instance, the Commission told the French Government that its reform program around a draconian 50bn Euro austerity plan and the 40bn Euro reduction in employers' social security contributions and taxes announced early 2014[15] would still not go far enough "in restoring private companies' profitability".[16] Thus, France would require specific monitoring and decisive policy action, including further tax cuts for business, curbs on healthcare and pension spending, and a flexibilization of its 'rigid' labor law and wage setting system.[17] In February 2015, the French government adopted the *Loi Macron* in turn to render French law more business friendly, for example, by easing legal restrictions on Sunday work.[18] Incidentally, the government had to adopt the law by executive order because its likely rejection by the *Assemblée Nationale* "would have sent the wrong signal to the European Commission, a week before deciding whether to fine France for missing its deficit targets".[19] The Commission refrained from sanctioning France in turn. However, whereas "one might get the impression that France has received a gift," Commission President Juncker stressed that she actually received "a poisoned gift." In order not to be penalized, the French government had to commit itself to "47-page long" list of additional "reforms".[20]

The reputation of the Commission as a champion of social progress has been dwindling for some time, but its new economic governance regime represents a clear rupture with the social partnership-oriented approach of former Commission President Delors.[21] In 2012, the Commission's DG ECFIN even openly stated that that the "overall reduction in the wage-setting power of trade unions" would be one of its current policy objectives.[22]

Politicizing the new European economic governance regime?

Western democracies' retreat from their "former heartland of basic economic strategy"[23] is undermining a vital power resource of organized labor, i.e. *political* mobilization and exchange power,[24] and one of labor's classical methods in the struggle for social progress, i.e. *legal enactment*.[25] European trade unions' inadequate response to the formation of centralized EU structures of economic governance, however, also represents a critical case for analytical reasons. The multi-level research design that I employed in *European Unions* allowed me to identify one major catalyst for transnational action. European unions have only succeeded in triggering transnational collective action in cases in which they have been able to politicize the decisions of supranational corporate or public executives in a transnational public sphere.[26] Other students of transnational union action have come to similar conclusions.

Successful transnational union alliances have frequently been triggered by particular political events that led to a better understanding of mutual linkages and interdependencies among workers and workers' representatives; for example, draft free trade and investment agreements, company mergers, or contentious EU laws and decisions.[27]

What remain to be explained, however, are the conditions behind successful transnational politicization processes. The centralization of decision-making processes within multinational corporations and international organizations compels unions to act transnationally only if national exit options are deemed to be absent. Otherwise, the politicization of supranational integration processes leads rather to a renationalization of union politics.[28] Hence, the centralization of policymaking at a supranational level may only be a necessary, but not a sufficient, condition for their politicization in a transnational public sphere. After all, the EU umbrella organizations of social movements and interest groups regularly fail to ignite any public debate about proposed EU laws, however important the proposal may be.[29]

In addition, the making of the new European economic governance regime implies that it is increasingly difficult to describe Euro-technocratization and technocratic renationalization as distinct polity trajectories. The more national policymakers follow EU-level policy prescriptions, the more national and European technocratic strategies effectively converge. Therefore, any repoliticization of technocratic governance at national level equally requires a repoliticization of the European economic governance regime, and vice versa. Moreover, national and Euro-technocratic strategies share the same action repertoire, namely, the depoliticization of socioeconomic governance, even if the goals of nationalist and Europeanist politicization strategies are still diverging (see Table 1).

[Table 1 about here]

Given the crucial role of politicization and depoliticization struggles, in Table 1 I have therefore added a new row on *action frameworks* to my typology of different action strategies towards the European integration process.

Explaining European trade unions' inadequate response

Why has it been so difficult for the labor movement to politicize the EU's new economic governance regime, regardless of the transformative structural changes that it implies? The following sections try to answer this question at three stages of the European economic governance regime-making process.

Preventing macroeconomic imbalances: a sensible policy frame

Western Europe's collective bargaining systems did not vanish in the run-up to the EMU. On the contrary, even in countries without neocorporatist legacies – i.e. Italy, Spain, and Ireland – social pacts played an important role at the beginning of the EMU.[30] Certainly, labor's share in national income started to decline in almost all Eurozone countries, due as well to the competitive corporatist orientation of most social pacts, but, as long as the shrinking size of labor's share in the national income pie could be offset by the pie's overall growth, social partnership could indeed be celebrated as a "system of institutional complementarities that triggered a spectacular period of economic and employment growth".[31]

By 2011 however, social pacts had collapsed in almost all peripheral EU countries also, because workers found it difficult to accept "a smaller slice of a shrinking cake".[32] In turn, the term a *gouvernement économique européen* entered into the official EU policy discourse, but hardly in its original Euro-Keynesian meaning.[33] Immediately after the collapse of the multinational US bank Lehman Brothers in 2008, Joseph Stieglitz was convinced that there would be no free-marketers left.[34] There was indeed broad agreement in favor of state interventions in the economy after deregulated financial markets brought the world economy to the brink of collapse. In Europe, industrial relations experts equally hoped that the crisis would lead to a major breakthrough in European governance.[35] In fact, the crisis showed that the neoliberal belief in a spontaneous convergence of Eurozone economies was naïve.

In addition, the ETUC, the European Metalworkers' Federation, and most other European trade union federations had already stated in 1999 or 2000 that a European coordination of national wage policies would be necessary to prevent harmful economic imbalances caused by beggar-thy-neighbor policies. Following the advice of Euro-Keynesian scholars, the national affiliates of the ETUC committed themselves to seek wage increases in their collective bargaining rounds that would meet the agreed "inflation plus productivity increase" benchmark.[36] During Lafontaine's tenure as German finance minister, the prospect of a coordinated European economic policymaking regime also seemed to have wider institutional support.[37] Ultimately however, both the ETUC's wage coordination guidelines[38] and the 'macroeconomic dialogue' between the Commission, the Council, the ECB, and

European social partners, for which Lafontaine fought, failed to prevent diverging wage and unit labor cost trends within the Eurozone.

Industrial relations scholars offered different reasons for the failure; e.g. the adaptation of competitive corporatist wage bargaining strategies by national wage policymakers, for example in German manufacturing industries; the erosion of national wage bargaining systems following increased relocation threats after the EU's eastward enlargement; supply-side-oriented labor law and welfare reforms; or the very technical nature of the European unions' wage coordination policies.[39] European unions failed to refer to the ETUC's wage coordination targets in their collective wage bargaining rounds.[40] Skeptical European industrial relations scholars, however, argued from the beginning that European trade union institutions would simply be too weak to enforce their voluntarist wage coordination rules.[41]

Therefore, it is hardly surprising that Euro-Keynesian trade union economists, such as Emmanuel Mermet,[42] but also center-left politicians, such as Jacques Delors, welcomed the Commission's plan to establish a statutory European economic governance regime as a step forward; even if the Commission proposals would be "too complex … too focused on sanctions … and insufficiently open to participation by a variety of actors – including national parliaments and European social partners". Nonetheless, Delors, Fernandes, and Mermet also noted with satisfaction that European policymakers at long last acknowledged that the crisis proved right those who, for over a decade, had been calling for a genuine economic pillar within EMU.[43]

This positive disposition towards the proposed European economic governance regime was also shared by union advisors from the other side of the Rhine valley. Stefan Collignon, for example, had already argued in 2010 that "the logic of a common currency requires that macroeconomic policymaking be centralised at the EU level; otherwise, member state governments will always undermine the common good by pursuing partial interests".[44] Likewise, the German trade union economists, Hirschel and Busch, self-critically acknowledged German trade unions' failure to enforce the ETUC's wage coordination rule guidelines and accepted the need for a binding European economic governance framework. Although economic imbalances should be rectified by the surplus countries and not by the deficit countries, namely, through a strongly expansionary wage policy, the EU's policy coordination capacities had to be strengthened.[45] Collignon, in turn, even suggested a revised version of the ETUC's golden rule, namely, one that would also take countries' 'average capital efficiency' into account, and could be enforced through the EU's new economic governance framework.[46] Hence, it was hardly surprising that the ETUC welcomed the proposed strengthening of the EU's economic governance capabilities.

Until 2010, the ETUC approved every proposition that sought to advance the integration process – i.e. the Single European Act, the Maastricht Treaty, the European Constitution, and the Lisbon Treaty – even if the development of the EU's *acquis* in the social field had always been overshadowed by the EU's 'negative' market-creating agenda. Remarkably, however, the inadequate politicization of the EU's new economic policy regime cannot be explained by a continued pro-EU consensus among European trade union leaders. As far back as October 2010, the ETUC denounced the Commission's new proposals as a threat to social partners' bargaining autonomy and an attempt to force "member states to undertake a coordinated contraction of demand".[47] And in January 2012, the ETUC even rejected the Fiscal Treaty.[48]

The ETUC opposed the Commission's new European economic governance proposals because they implied that the EU's economic imbalances were caused by too generous social policies or too high wage increases in the Eurozone's periphery.[49] Conversely however, most union leaders also accepted that a monetary union nonetheless required common rules.[50] According to the ETUC's own research institute, a political union would even be "indispensable to the single currency".[51] European unions voiced their opposition to the particular design of the new European governance regime in their submissions to national and European policymakers, but refrained from making it an object of contentious collective action. Thus, the Commission's framing of the policy problem behind the new regime in terms of a 'prevention and correction of economic imbalances' between national economies played a key role in preventing its politicization.

Adopting decisive regulations to ward off 'imminent dangers'

The Six-Pack and the Fiscal Treaty could only be adopted during the acute phase of the Euro crisis, i.e. in an emergency situation in which decisive action seemed justified to "ward off imminent dangers".[52] Following Carl Schmitt's notorious reflections on states of emergency, the sociologist of the risk society, Ulrich Beck, described the Euro crisis as a situation in which "the impending catastrophe empowers and even forces the Europe builders to exploit legal loopholes so as to open the door to changes".[53]

Although the legal department of the German trade union confederation DGB, for example, emphasized the 'dangerous' implications of the Six-Pack for German labor law,[54] national union leaders felt that union resources would be better spent on more pressing issues. To different degrees, European unions engaged in local and national contentious action or concession bargaining with national governments and employers to mitigate the impact of the crisis as much as possible.[55] Despite the structural asymmetry of "crisis corporatism" in "favour of financial capital and at the expense of labour",[56] the combination of moments of protest, electoral advances of center-left political parties, and concession bargaining at times even led to some advances.[57] At the same time, however, organized labor refrained from challenging the emerging economic governance regime for which financial capital fought at EU level.[58] Instead, European union leaders agreed that decisive action must be taken to save the Euro and hoped that the "descent into hell" that started in 2010 would soon be over; not least given the election of François Hollande as the French president in 2012.[59]

Whereas the ETUC rejected the Fiscal Treaty, at least notionally, the French union confederation CFDT ultimately justified its acceptance with reference to the risks a rejection would entail for the French state: "If France does not adopt it, there are risks of an explosion of interest rates which would cost France much more".[60] Likewise, the general secretary of the Irish Congress of Trade Unions concluded: "While the treaty is wrong from our economic and social perspective it becomes hard to oppose it unless a satisfactory alternative to the ESM [European Stability Mechanism] can be advanced".[61] Hence, the immediate interest in stabilizing the Euro and member states' public finances took precedence over the long-term implications of the European governance regime for labor.

Furthermore, in countries that were already subject to much more intrusive Troika programs, the fight against the Six-Pack and the Fiscal Treaty was objectively a less urgent task. Given the low inflation rates and the 12.8% *decline* in Irish nominal unit labor cost (ULC) following wage cuts and massive job losses between 2010 and 2012, for example, the imposition of a 9% nominal ULC *increase* ceiling for Eurozone countries by the Macroeconomic Imbalance Procedure (MIP) scoreboard indeed did not seem to be very threatening.[62] Likewise, unions in core Eurozone countries did not believe either that the new European governance regime would radically change their prospects. Whereas a former leader of *IG Metall* related the Euro crisis to 'excessive' wage increases in Southern Europe,[63] the French CFDT presented the Fiscal Treaty as a measure "to prevent a repetition of the Greek scenario".[64]

The promoters of the new economic governance regime succeeded in presenting it as a measure that was urgently needed and at the same time not very threatening for unions in either the center or the periphery. In hindsight however, European unions may have had good reason not to be too self-confident, as the Commission used its new powers to request business-friendly reforms in almost all member states.[65] The next sections explore whether and to what degree labor politicized the new governance regime at the time of its implementation.

European economic governance: a supranational regime that nationalizes social conflict

Although the EU's new economic governance regime is supranational, it simultaneously supports a nationalization of economic policy discourses as it puts member states in competition with one another. The EU's new governance regime does not follow the model of the classical federal state. It has much more in common with the corporate governance structures of multinational companies that control notionally autonomous subsidiaries through coercive comparisons based on centrally chosen key performance indicators.

As far back as 2010, the ETUC denounced the EU's new governance regime as an attempt to force member states to "pursue non cooperative policies through which member states try to get out of the crisis at the expense of others".[66] In addition, it successfully lobbied the European Parliament to reaffirm the bargaining autonomy of the social partners as guaranteed by international and European treaties as well as national constitutions. The Parliament in turn succeeded in amending the Commission's draft Regulation No 1176/2011 on macroeconomic excessive imbalances, by including the following new paragraph:

> Article 1 (3) The application of this Regulation shall fully observe Article 152 TFEU, and the recommendations issued under this Regulation shall respect national practices and institutions for wage formation. This Regulation takes into account Article 28 of the Charter of Fundamental Rights of the European Union, and accordingly does not affect the right to negotiate, conclude or enforce collective agreements or to take collective action in accordance with national law and practices.

Without doubt, the successful inclusion of this wage safeguarding clause pleased organized labor.[67] Its inclusion, however, did not prevent the Commission demanding more flexible wage-setting systems, despite its role as guardian of the Treaties. Using the German labor market deregulations of 2005 and the Irish public sector wage cuts of 2009 as examples,[68] the Commission explained how more wage flexibility can be achieved without having to abolish the legal guarantees on the bargaining autonomy of the social partners:

> In most Member States, wages are formed in a collective bargaining process without formal involvement of governments. Nevertheless, policy-makers can affect wage setting processes via a number of ways, including the provision of information or wage rules, changes to wage-indexation rules and the signalling role played by public sector wages. In addition, reforms of labour markets should also contribute to make wage setting processes more efficient.[69]

Considering the impact of this creative interpretation in Ireland and in Southern and Eastern Europe after 2010,[70] the inclusion of Article 1 (3) in Regulation No. 1176/2011 can therefore hardly be qualified as a success for organized labor. In Portugal, for example, the number of workers covered by new collective agreements declined from 1.24 million (2011), over 328,000 (2012), to 224,000 (2013), after the government made the extension of collective agreements almost impossible.[71] Yet, even in Denmark – where the social partners' bargaining autonomy has arguably been the greatest within the European Union – repercussions of the new economic governance and industrial relations agenda could be felt. In April 2013, the Danish government forced teachers to accept longer working hours, despite their municipal employers failing to defeat them in a several weeks' long lookout. This incident is significant because in 2012 the Commission specifically requested reforms in the Danish education system without delay to improve its cost efficiency.[72] Certainly, the nature of the 'two-level game' between EU-level instructions and corresponding national liberalization agendas differs from country to country, as shown in an analysis of the impact of CSRs on the recent pension reforms in Denmark and Italy.[73] Nonetheless, the growing convergence between national policies and EU guidelines is striking. The EU's new economic governance rules have not only had dramatic impact in the EU's periphery,[74] but also affect countries that have a relatively strong union movement and belong to the core of the European economy, i.e. Belgium, France, and Denmark.[75] Although in 2013 the ETUC succeeded even in convincing *Business Europe* to sign a joint declaration on their involvement in European economic governance,[76] there is no doubt that the new regime's league tables, CSRs, corrective action plans, and potential fines for non-compliance are effectively eroding the bargaining autonomy of the social partners. In a similar vein, national parliaments also find themselves recurrently excluded from the policymaking process, notably when national and European executives cannot be sure whether their deregulation measures are backed by a parliamentary majority. Incidentally, the French *Loi Macron* in February 2015, the Italian Job's Act in December 2014, the Romanian labor law reforms in 2011, and the reduction in the Greek minimum wage were adopted by executive orders to prevent unwelcome legislative amendments by labor-friendly parliamentary majorities. Despite these striking parallels however, the asynchronous timing of the new regime's *national* league tables, *country-specific* recommendations, and fines for *national* non-compliance makes it difficult to politicize European economic governance at EU level. The regime's methodological nationalism effectively reinforces the paradigm of labor belonging to different national cultures; and this is an important ideological frame for the promotion of transnational competition between workers themselves,[77] even if the divide between 'crisis losers' and 'crisis profiteers' does not follow national lines.[78]

Despite these different national trajectories however, it must be reiterated that the ETUC denounced the EU's new economic governance regime at its very conception. Moreover, in view of the 2014 European elections, the ETUC formulated its own alternative plan for investment, sustainable growth, and quality jobs. Its publication *A New Path for Europe* distinguished itself considerably from the vague electoral manifesto of the Party of European Socialists in both its political ambition and its level of detail.[79] Thus, the apparent national differences within the European labor movement nevertheless do not provide a sufficient explanation for the lack of politicization of the EU's new governance regime. Incidentally, the parties of the far left and anti-capitalist campaign groups also failed to politicize the new rules of "sado-monetarism",[80] despite their best attempts to do so. Instead, most contentious anti-austerity mobilizations occurred around issues that are less complex, more evocative, and seemingly more urgent: as for example in the case of the Italian, Irish, and EU-wide 'right2water' campaigns.[81]

To be sure, the complex nature of a supranational policy proposal does not a priori exclude its politicization, as shown by the popular mobilizations against the EU Service Directive, or against the NAFTA, MAI, and TTIP free trade agreements.[82] Yet, the campaign against Commissioner Bolkestein's EU Service Directive, for example, succeeded because unions and social movements across Europe agreed on a powerful and unifying campaign maxim: against social dumping and for equal treatment of all workers regardless of their origin.[83] On the topic of the new economic governance regime, such a mobilizing and unifying motto proved to be much more difficult to construct, despite European trade unions' and social movements' attempts to transnationalize resistance, for instance, on the occasion of the European day of (strike) action on 14 November 2012.[84] Despite its unequal intensity however, the growing social and political discontent with austerity policies did become a matter of concern for EU leaders.

Socializing European economic governance?

On 2 October 2013, the Commission presented various ideas on how to deepen the social dimension of the new European economic governance regime;[85] and, on 24 October 2013, it noted with satisfaction that the social partners had presented a joint declaration on their involvement in the EU's system of economic governance.[86] Commission President Barroso even emphasized that the "social dimension is an inherent part of the European project and of everything that we have been doing over the years".[87] Inside the ETUC however, many criticized the new Commission's proposals as a "Trojan horse for social Europe".[88] Yet, the willingness of the Commission to formally integrate the social partners into the *European Semester* timetable of its new economic governance regime also led to a certain incorporation of the ETUC into the new European economic governance regime.

In December 2014, the ETUC asked the Commission to adopt a number of substantial changes to its governance regime. At the same time, the ETUC's constructive suggestion to use 'better' indicators in the MIP scoreboard also shows the success of EU leaders in establishing the principle of a coercive comparison-based supranational economic governance regime. To be sure, the Commission's key performance indicators merit criticism.[89] However, it is very unlikely that technical discussions about indicators will increase European unions' capacity to inspire transnational social mobilizations, even if the ETUC called for a look at the Euro-area as a whole and therefore suggested that the MIP should also include minimum ULC thresholds and a ULC indicator for the Eurozone as a whole. Certainly, the ETUC correctly emphasizes that "if decisions on indicators, analysis and policy are left to the finance establishment (finance ministers, central bankers, and DG ECFIN) then the outcome will be biased in favour of the financial view of the world".[90] It is, however, very unlikely that a greater involvement of the social partners in the management of the new European governance system will alter the balance of power in favor of organized labor.

Certainly, since 2014 the European social partners are consulted prior to the publication of the *Annual Growth Survey* that starts the European economic governance semester each year. European business and trade union officials also participate in discussions with the various administrative EU committees involved in the EU economic governance processes. Even so, one should not forget that the power of organized labor first and foremost relies on its mobilization power. Business and employer organizations, in contrast, not only retain a structural advantage in interest politics because capital does not face the same collective action problems as labor,[91] but also because they are playing the two-level game of the new European governance regime very well. As the Commission cannot know the specificities of all member states,[92] national employers' organizations can make important contributions to the advancement of their business-friendly reform agenda.[93] In contrast, the contributions from national union confederations will hardly have the same effect, given that the argument of force usually prevails over the force of the argument in the area of interest politics. The fact that the ETUC has started to provide its affiliates with the contact details of the European Semester Officers of the Commission in charge of their respective countries has indeed hardly altered the power relations between capital and labor significantly.

Nonetheless, Vanhercke and Zeitlin have already noted a "socialisation of the European Semester" in relation to the 2013 CSR round, in response to growing popular discontent but also because of a reflexive learning process on the part of those drafting the EU's CSRs. To sustain their thesis, they quote a content analysis, which concludes that 67 of the 141 CSRs issued in 2013 contain at least one item that addresses employment or social policies.[94] The thesis of a socialization of the European Semester cannot be sustained by such a simple word count however, as not all CSRs that deal with social and employment issues "can be considered socially oriented," as incidentally also acknowledged by Vanhercke and Zeitlin.[95] The instructions to abolish wage indexing systems that compensate workers for cost of living increases; to decentralize national wage bargaining systems; to weaken the protection of workers against dismissals; to introduce workfare systems for the unemployed; and to moderate national minimum wages only represent social progress if one accepts the free-market-oriented mindset of the Commission's DG ECFIN.[96] Likewise, the CSRs that demand more cost-effective healthcare systems or an increase in workers' retirement age can only be regarded as socially progressive if one assumes that cutting welfare spending "might support the social dimension in the longer run".[97] Nonetheless, Vanhercke and Zeitlin are comforted by the fact that the greater number of progressive social CRSs will "overshadow" the regressive CRSs;[98] however, without mentioning that, according to the Six-Pack, member states risk being penalized only for the non-implementation of certain CRSs, notably those that they themselves regard as regressive.

Conclusion

European trade unions' unresolved response to the new European economic governance regime suggests that supranational reorganization of economic governance structures is a necessary, but is not a sufficient, cause for contentious transnational trade union action. Whereas Euro-Keynesian legacies and the shock of the Euro crisis played an important role during the initiation and adoption phase of the new regime, European trade unions' and social movements' difficulties in politicizing European economic governance are best explained by the ability of the new supranational EU regime to nationalize social conflicts

The formulation of the Six-Pack's policy issue as a problem of 'macroeconomic imbalances' comforted those who had been arguing from the beginning that European monetary union would require a *gouvernement économique européen*. As far back as 1999, European unions had called for more policy coordination in industrial relations within the Eurozone and established their own European wage bargaining coordination rules. When the ETUC's wage coordination benchmarks failed to prevent the adoption of disruptive beggar-thy-neighbor wage policies, skeptics pointed at their voluntarist nature and argued that any meaningful coordination in this field would require a statutory basis. Therefore, leading European trade union economists initially welcomed the idea of binding European economic governance guidelines. Although the ETUC realized early on that the Commission did not intend to prevent a race to the bottom in wages, the framing of its European economic governance as a measure to 'avoid macroeconomic imbalances' hampered its early politicization. If the Commission had proposed a clear-cut legislative package for the imposition of welfare and health spending cuts; wage controls and labor market deregulation; or increased retirement ages, instead of the indefinite Six-Pack, it would indeed hardly have been endorsed by many center-left MEPs in the European Parliament – including José Bové, the alter-global trade unionist and French Green MEP.[99]

The apparent urgency of the new European governance regime proved to be as important as the framing of its policy problem. Without the imminent danger of a financial breakdown of Europe's banking system and a collapse of the Euro, the new regime would hardly have been adopted. The specter of an impending catastrophe justified the implementation of radical institutional changes that violate core principles of the rule of law (*nulla poena sine lege*) and delegate important legislative powers to European executives to the detriment of both national parliaments and the European Parliament and – in the area of industrial relations – also to the detriment of the two sides of industry. In addition, the upheavals caused by the social and economic crisis absorbed trade unions' and people's resources to such an extent that they lacked the strategic foresight to politicize the transformative, but less visible, changes in Europe's socioeconomic governance regime. The crisis did not stop popular protest. However, European trade unions primarily fought pressing defensive struggles at company or national level and therefore recurrently lacked the resources necessary to engage in longer-term transformative struggles.

First and foremost however, the failure to politicize the new system results from its particular design. Yet, the removal of economic governance from the purview of national democratic politics (and media[100]) only partially explains European leaders' success in circumventing people's "constraining dissensus".[101] The capacity of the EU's new supranational governance regime to *nationalize social conflict* is hindering its politicization by European trade unions and social movements much more effectively than the regime's technocratic character.

EU leaders did not restore a technocratic consensus in favor of a deeper political integration by coopting leading representatives of the dominant conflicting social interests, notably capital and labor, as theorized by Ernst B. Haas and practiced by the Delors Commission in the run-up to the Maastricht Treaty.[102] On the contrary, they tried to shield EU policies from the fallout from domestic politicization by putting member states in competition with one another. During severe economic crisis, elites may indeed no longer want to secure their authority through the pacification and integration of social conflicts, due to the higher costs of social redistribution for the wealthy. Nonetheless, elites may still succeed in affirming their authority by managing to deflect social discontent to particular social groups inside and outside their country, such as the '*fannulloni'* in the Italian public sector, or the 'lazy' Greeks.

Neither the Six-Pack's 'new macroeconomic imbalance procedure' nor the reinforced 'excessive deficit procedure' pacifies social conflicts. Quite the reverse is true.[103] In both cases however, technocratic policy instructions target particular countries, and, within these, particular social groups, such as teachers or healthcare workers. Certainly, European unions succeeded in politicizing technocratic EU policies in the past – for example, in the case of the EU Service Directive or the rescue of Alstom in spite of the EU's strict competition policy rules in 2003.[104] The indirect, unequal, and asynchronous consequences of the EU's new economic governance regime for workers across the EU, however, make it much more difficult for trade unions and social movements to politicize the new regime in the transnational public sphere.

In this regard, the new European economic governance regime very much mirrors the modern corporate governance structures that aim to hamper transnational trade union solidarity through the use of whipsawing tactics that put workers from different subsidiaries in competition with one another.[105] And yet, analysts of the industrial determinants of transnational trade union solidarity have also shown that "competition can frustrate cooperation, but it also motivates it."[106] In addition, in contrast to corporate governance structures, political bodies and regional integration processes require popular legitimization. For this reason, an elite strategy that aims to prevent transnational politicization through the nationalization of its policy discourses also risks the disintegration of the European project. Therefore, it is hardly surprising that the Commission is trying to stabilize the new governance regime by a 'socialization' of its policy discourse. But even if the Juncker Commission has promised some social accents, the Eurozone finance ministers have made it clear in the negotiations with the new left-wing Greek government that they are resisting the abandonment of their austerity narrative.

And yet, only the "neoliberal spell" – the belief that there is no alternative – can bring people to confound the establishment of the new European economic governance regime with the impossibility of modifying its contents and directions.[107] By expanding the scope of EU intrusions to anything that it takes to prevent and correct excessive imbalances, Regulation (EU) No 1176/2011 not only challenges the constitutional rights of the social state, but also destabilizes the neoliberal 'new constitutionalism' of the EMU's governance framework, because it replaces a Hayekian rule-based governance regime with a much more political regime of executive interventions.[108] The delegation of extensive legislative powers to an increasingly 'political' Commission accidentally questions the principles of regulatory governance, according to which policies can be "modified only in extraordinary circumstances and through burdensome procedures, often requiring special majorities or unanimity".[109] If Regulation No 1176/2011 has empowered European policymakers to set maximum thresholds for nominal ULC increases across Europe, it is indeed only consistent that the ETUC is now in turn also demanding a binding EU-wide minimum wage floor.[110]

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Note on the contributor

Roland Erne teaches international and comparative employment relations at University College Dublin. His work centers on European Union governance, transnational democracy, and labor relations. His publications include *European Unions. Labor's Quest for a Transnational Democracy* (Cornell University Press, 2008).

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[1] Leonard et al., *New Structures*; Erne, *European Unions*, 81.
[2] Incidentally, French and German bankers predicted as far back as 1997 that trade unions would lose their role in wage negotiations following the creation of the European Economic and Monetary Union (EMU). Erne, *European Unions*, 54.
[3] Bauer and Becker, "The Unexpected Winner"; Blankenburg et al., "Prospects"; Erne, "European Industrial Relations"; Degryse, "The New European"; Pochet and Degryse, "Monetary Union."
[4] Erne, *European Unions*, 189.
[5] Greer and Hauptmeier, "Identity Work"; Pulignano, "EWCs": Meardi, "Union Immobility."
[6] ANSA, "Barroso, Stiamo facendo rivoluzione silenziosa." Agenzia Nazionale Stampa Associata. News wire. Fiesole (Firenze), 18 June 2010; Phillips, L. "EU Ushers in 'Silent Revolution' in Control of National Economic Policies." *EUobserver*, 16 March 2011. http://euobserver.com/institutional/31993
[7] The six new EU laws that constitute the Six-Pack are published in the *Official Journal of the European Union*, OJ L 306, 23 November 2011.
[8] Croatia did not ratify the Fiscal Treaty either when it joined the EU in 2013.
[9] Although no member state has thus far been penalized, Commission President Juncker noted that the French government, for example, understands very well that sanctions are possible. Juncker, J.C., "Tsipras aún tiene que contar a los griegos que va a incumplir promesas." *El País*, 5 March 2015. http://internacional.elpais.com/internacional/2015/03/03/actualidad/1425417195_457874.html.
[10] Degryse et al., *The Euro Crisis*, 29; de la Porte and Heins, "Game Change."
[11] Habermas, "Die Konstruktionsfehler."
[12] De la Porte and Pochet, "Boundaries of Welfare"; Dufresne and Pernot, "Les Syndicats"; Dufresne, "Euro-Unionism"; Marginson and Welz, "Changes to Wage-Setting"; Schulten and Müller, "European Economic Governance."
[13] The EPC comprises two officials from the Commission, two officials from each member state (e.g. from the finance ministry or even its central bank), and two officials from the ECB. The proceedings of the EPC are confidential. See: http://europa.eu/epc/about/index_en.htm
[14] The scoreboard stipulates two different ULC thresholds; a 3 years percentage change in *nominal* unit labour cost, with thresholds of +9% for Eurozone countries and +12% for non-Eurozone countries.
[15] Carnegy, H., "Manuel Valls Warns French Left against Blocking Reform." *Financial Times*, 16 June 2014. http://www.ft.com/intl/cms/s/0/c0305738-f53b-11e3-91a8-00144feabdc0.html#axzz34sScp3ak
[16] European Commission, *Macroeconomic Imbalances*.
[17] European Commission, *Recommendation*.
[18] Laurent, S., Travail du dimanche, pouvoir d'achat... ce que prévoit (ou pas) la future loi Macron, *Le Monde.fr*, 18 February 2015. http://www.lemonde.fr/les-decodeurs/article/2014/12/08/travail-du-dimanche-autocars-professions-reglementees-qu-y-a-t-il-dans-la-loi-macron_4536498_4355770.html#jvtQP7EAfggS38bl.99
[19] Chassany, A-S. "French government overrides parliament to ram through reforms." *Financial Times*, online edition, 17 February 2015. http://on.ft.com/1DBbHkW
[20] Juncker, J.C., "Tsipras aún tiene que contar a los griegos que va a incumplir promesas." *El País*, 5 March 2015. http://internacional.elpais.com/internacional/2015/03/03/actualidad/1425417195_457874.html
[21] Didry and Mias. *Le moment Delors*; Degryse et al., *The Euro Crisis*; Nakano, "Maastricht Social Protocol," 1066; Smismans, *Law*; Welz, *The European Social Dialogue*
[22] European Commission, "Labour Market Developments," 104.

[23] Crouch, "Privatised Keynesianism," 398.
[24] Erne, *European Unions*, Chapter 3.
[25] Webb and Webb, *Industrial Democracy*, Part II, Chapter 2.
[26] Erne, *European Unions*, 186–202.
[27] Ayres, "Transnational Political Processes"; Crespy, *Qui a peur de Bolkestein?*; Dufour-Poirier, *Construction*; Dobrusin, "Transnational Labor"; Gajewska, *Transnational Labour*; Kay, *NAFTA*, "New Challenges"; Meardi, "Union Immobility"; Turnbull, "The War."
[28] Erne, *European Unions*, 23.
[29] Kohler-Koch and Quittkat, *De-Mystification*.
[30] Hancké, *Unions, Central Banks*; Molina and Rhodes, "Corporatism"; Erne, "Interest Groups."
[31] Teague and Donaghey, *Why Has Irish*, 55.
[32] Erne, "Let's Accept," 425.
[33] Martin and Ross, *Euros*.
[34] Stieglitz, J., "Banking Crisis: Expert Views: After a Week of Turmoil, Has the World Changed?" *The Guardian*, 20 September 2008.
[35] Goetschy, "The Lisbon Treaty."
[36] Erne, *European Unions*, 86–90.
[37] Lafontaine, O., and Strauss-Kahn, D. "Europa-sozial und stark. Märkte brauchen die ordnende Hand des Staates," *Die Zeit*, 31 December 1899 (*sic!*). http://www.zeit.de/1999/03/199903.lafontaine_strau.xml; Schulten, *Solidarische*.
[38] Dufresne, *Le salaire*; Erne, *European Unions*; Schulten, *Solidarische*; Wagner, *Vers une Europe.*
[39] Dufresne, "Euro-Unionism"; Erne, *European Unions*; Lehndorff, "Crisis losers."
[40] Erne, *European Unions*, 116.
[41] Keller, "Buchbesprechung."
[42] Since 2003, Emmanuel Mermet has been advising the CFDT's General Secretary on European economic matters. Formerly, he was one of the architects of ETUC's wage bargaining coordination policy at the European Trade Union Institute (ETUI) in Brussels. Erne, *European Unions*, 57–61.
[43] Delors et al., "The European Semester."
[44] Collignon, *Democratic Requirements*.
[45] Busch and Hirschel, *Europe at the Crossroads*. On the Euro crisis and internal conflicts within the German union movement see also Bieler and Erne, "Transnational Solidarity?"
[46] Collignon, "Macroeconomic Imbalances and Competitiveness," *Macroeconomic Imbalances and Comparative Advantages*.
[47] ETUC, *European Economic Governance*,1; Phillips, L. "Trade Unions 'Dare' EU to Hold Referendum on Economic Pact." *EUobserver*, 2 March 2011. http://euobserver.com/economic/31910
[48] ETUC, *Declaration on the Treaty*.
[49] Degryse, *The New European*.
[50] ETUC, *A New Path*; Rieger, "Umkämpftes Projekt Europa."
[51] Degryse, *The New European*, 80.
[52] Beck, *German Europe*, 34.
[53] Ibid., 26–27
[54] Zeibig, "Gefahren."
[55] Béroud and Yon, "Face à la crise"; Gumbrell-McCormick and Hyman, "International Trade Union Solidarity," *Trade Unions*.
[56] Urban, "Between Crisis Corporatism," 275.
[57] On 11 January 2013 for example, French employer and union confederations signed an agreement that *inter alia* paved the way for the mandatory incorporation of worker directors on private sector company boards. Béthoux and Jobert, "Négocier"; Conchon, *Les administrateurs*.
[58] Incidentally, the most important European Parliament report on the Six-Pack – namely, the one dealing with financial penalties for non-compliant states – was drafted by the British Conservative Party MEP and former JP Morgan banker Vicky Ford; this questions the popular portrayal of the EU's economic governance regime as the result of 'German' supremacy. Ford, *REPORT*.
[59] Degryse, *The New European*, 22, 60.
[60] My translation. CFDT, "Le traité budgétaire."
[61] ICTU, *Congress Briefing Paper*, 7.
[62] European Commission, *Alert Mechanism Report 2013*, 24.
[63] Bieler and Erne, "Transnational Solidarity?" 33.
[64] CFDT, "Le traité budgétaire."
[65] Bieler and Erne, "Transnational Solidarity?"; Clauwaert, *The Country-Specific Recommendations*.
[66] ETUC, *European Economic Governance*.

[67] ETUC, *Review of European Economic Governance*.
[68] In 2011, the Irish economist and current DG ECFIN director Declan Costello identified the requirement "of considerable country specific knowledge" as a challenge in the implementation of the excessive imbalance procedure. Yet, the relevant DG ECFIN officials were clearly aware of the exemplary Irish and German cases. Costello, "The excessive imbalances procedure," 9.
[69] European Commission, "Surveillance," 3.
[70] Schulten and Müller, "European Economic Governance"; Marginson and Welz, "Changes to Wage-Setting".
[71] da Paz Campos Lima, "Portugal." Marginson and Welz "European wage-setting mechanisms".
[72] Bieler and Erne, "Transnational Solidarity?"
[73] de la Porte and Natali, "Altered Europeanisation."
[74] Schulten and Müller, "European Economic Governance"; Marginson and Welz," Changes to Wage-Setting"; Vogiatzoglou, "Workers."
[75] Dufresne, "Euro-Unionism."
[76] Business Europe et al., *Social Partner Involvement.*
[77] Hürtgen, "Labour as a Transnational Actor"; Dribbusch, "Where is the European General Strike?"
[78] Lehndorff, "Crisis."; Bieler and Erne, "Transnational Solidarity?"
[79] Bieler and Erne, "Transnational Solidarity?"; ETUC, *A New Path for Europe*; Party of European Socialists, *Towards a New Europe*; Rieger, "Umkämpftes Projekt Europa."
[80] Dräger, "Sado-Monetarism."
[81] Bieler and Erne, "Transnational Solidarity?"; Bieler, "Sic Vos Non Vobis."
[82] Erne, *European Unions*, 91f; Kay, "New Challenges"; Dierckx, "European Unions."
[83] Bernaciak, "East-West European Transnationalism(s)"; Crespy, *Qui a peur de Bolkestein?*; Dribbusch, "Where is the European General Strike?"
[84] The 14 November 2012 European day of action was a success in Southern Europe, especially on the Iberian Peninsula, also because students, precarious workers, and the unemployed joined and, at times, even led the protests. In Northern and Eastern Europe however, the day passed almost unnoticed, with the notable exception of Belgium. Dufresne and Gobin, "La grève européenne"; Helle, "A New Proletariat"; Hofmann, "Grenzüberschreitende gewerkschaftliche Antworten"; Vogiatzoglou, "Workers."
[85] European Commission, *The Future*.
[86] Business Europe et al., *Social Partner Involvement*.
[87] European Commission, *Tripartite Social Summit*.
[88] Janssen, "A Trojan Horse." Janssen is a Belgian trade union economist and – like Mermet – an active promoter of the ETUC's European wage coordination policy. Janssen and Mermet, "Wage policy."
[89] Peruzzi, "Contradictions and Misalignments."
[90] ETUC, *Review of European Economic Governance*.
[91] Business interests do not have to be organised collectively in order to exercise political power, as each individual investment decision has a political impact. Erne, "Interest Groups."
[92] Costello, "The excessive imbalances procedure," 9.
[93] Business Europe et al., *Social Partner Involvement.*
[94] Vanhercke and Zeitlin, "Socialising," 32.
[95] Ibid., 33.
[96] Ibid.; Bekker, *EU Economic Governance*; Dufresne and Pernot, "Les syndicats européens"; Jolivet, "Recommandations"; Jolivet et al., "La dimension sociale." ; Marginson and Welz "European wage-setting mechanisms".
[97] Bekker, *EU Economic Governance*, 14.
[98] Vanhercke and Zeitlin, "Socialising," 33.
[99] Vote Watch, *Enforcement*.
[100] Erne, "European Industrial Relations"; Mercille, "The role of the media in fiscal consolidation programmes."
[101] Schimmelfennig, "European Integration," 331.
[102] Haas, *The Uniting of Europe*; Nakano, "Maastricht Social Protocol."
[103] Stan et al., "European Collective Action."
[104] Crespy, *Qui a peur de Bolkestein?*; Erne, *European Unions*, 128–156.
[105] Greer and Hauptmeier, "Identity Work"; Pulignano, "EWCs."
[106] Anner et al., "The Industrial Determinants," 24.
[107] Mezzadra and Negri, "Breaking the Neoliberal Spell."
[108] Gill, "European Governance"; Hayek, "The Economic Conditions."
[109] Lesage and Vermeiren, "Neo-Liberalism," 43.
[110] ETUC, *Review of Economic Governance*.

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Table 1: Actor strategies leading to different European polity regimes

Action framework	Actor activities*	Actor strategies leading to* Euro-democratization	Euro-technocratization	Technocratic renationalization	Democratic renationalization
Politicizing socioeconomic governance at EU level	Creating a European public sphere	**Yes**	No	No	No
	Organizing European collective action	**Yes**	No	No	No
Depoliticizing socioeconomic governance	Supporting regulatory EU decision making	No	**Yes**	No	No
	Supporting competition state nationalism	No	No	**Yes**	No
Repoliticizing socioeconomic governance at national level	Affirming the autonomy of the nation state	No	No	No	**Yes**
	Rejecting the EU integration process	No	No	No	**Yes**

*Source: Erne, *European Unions*, 25