PART I
Setting up the question

1

European labour movements in crisis

Europe lies in long-term torpor. Not only is the continent recovering from a decade-long crisis, but the single currency, hitherto the crown jewel of European integration, has itself been a major cause of malaise. This crisis of Economic and Monetary Union (EMU) has been underpinned by nationalist feuds over economic policy. A core of northern European countries, led by Germany and distinguished by their solvent economies, have become exasperated by the profligacy of southern countries. These periphery countries, ravaged by years of core-imposed austerity, in turn point to the ruinous effects of reforms demanded by the core. The dispute continues to threaten a break-up of the EU. Not only do certain periphery countries remain close to exit from the Eurozone, but the genie of nationalist-populism, unbottled by the tensions of crisis, threatens to tear the EU apart from below.

In this book, I contend that this malaise can partly be located in the response of labour movements to integration. Rather than cooperating with European counterparts so as to maximize joint outcomes, movements rely on national institutions; this instigates zero-sum forms of competition between regimes in different member states, albeit through largely unintentional means. Lack of solidarity during resulting crises reinforces effects of competition. The question of the nature of the reaction of labour to European integration has long preoccupied scholars. Political economists writing after the Maastricht Treaty underlined processes of competition (Rhodes, 1998a; Scharpf, 1999; Streeck, 1996), yet scholars who stress actor agency have contended that labour behaviour often takes a cooperative form. Such work has emphasized the capacity of unions to engage in European social dialogue (Falkner, 1998), successful union cross-border campaigns (Erne, 2008) and the Europeanization of social-democratic parties (Ladrech, 2000).

Owing to recent changes to European integration, specifically the deepening of economic integration and an upturn in nationalism, there

is need for an updated approach. My argument is rooted in the study of two key contemporary processes: first, the collective bargaining practices of trade unions in the first decade of the Eurozone (1999–2010); and, second, the response of trade unions and social-democratic parties to austerity measures in the periphery of the Eurozone (2010–15). The cases of four countries – Germany, Spain, France and Poland – are examined. In the first process, national bargaining practices led to divergent economic outcomes. In Germany, an archetypal core member of the Eurozone, agreements were concluded which safeguarded competitiveness vis-à-vis other member states; this contributed to significant trade imbalances and the outbreak of debt crisis in 2010. In Spain, which was considered a member of the southern European periphery, unions failed to achieve such competitiveness and the country entered crisis. Effects were less stark in other contexts. Though French unions played a limited role in collective bargaining, a state incomes policy ensured a middling level of competitiveness in EMU; France was thus spared the fate of the periphery and may be considered an intermediate case. Non-membership of the Eurozone insulated Poland from these processes, even if de-centralized bargaining structures might have allowed the country to achieve competitiveness within the single currency.

In this first process, competition between the labour market institutions in which unions are embedded took place. Though certain accounts suggest that unions consciously adopt competitive strategies (Bofinger, 2015; Johnston, 2016), limits on actor cognition and coordination capacity tended to preclude such tactics. In Spain and Poland, short-termism and restricted awareness of external pressure meant that inter-sectoral negotiators took minimal heed of European developments. This was also the case in Germany, though the complexity of sectoral negotiations represented an additional impediment. French competitiveness was planned to an unusual degree by the state, yet unions were excluded from this process.

Structural influences, which were largely independent of actor volition yet prompted zero-sum outcomes, instead came to the fore. As a result of labour market institutions which promoted retrenchment in exposed and non-exposed sectors, Germany increasingly achieved competitive advantage within EMU. Inverse developments occurred in Spain; wage guidelines agreed at inter-sectoral level were consistently overshot as a result of the fragmented form of private and public sector collective bargaining (Johnston, 2016). The middling competitiveness achieved in France was guaranteed by a state incomes policy, while in Poland non-membership of the Eurozone was the crucial variable. Strategies aiming at European bargaining coordination, which had the potential to promote positive-sum outcomes, were frustrated. As a result of long-standing problems of comparability and collective action (Glassner and

Pochet, 2011), such initiatives had little effect on bargaining outcomes; distinct competitive advantages within EMU were a further disincentive. These developments prompted divergent competitive advantages between countries. Unions did not aim at such an end, yet their reliance on national institutions and reluctance to engage in coordination encouraged such outcomes.

In a second process, which is related to the first and concerns the response of unions and social-democratic parties to austerity measures in Southern Europe (2010–15), the behaviour of labour movements also facilitated competition between regimes. *Pace* accounts which emphasize patterns of cooperation (Erne, 2008), labour movements tended to be unresponsive to attacks on counterparts in the periphery. Trade unions behaved in such a manner. Though German unions issued *A Marshall Plan for Europe*, their participation in European protests was limited. Engagement in such actions was more considerable in France and Poland, yet unions in these countries failed to emulate levels of mobilization observed in Southern Europe. Spanish unions assumed a leading role in the organization of European protests and held general strikes on the days of action arranged by the European Trade Union Confederation (ETUC); this was associated with the weak national position within EMU.

Social-democratic parties also behaved in an underwhelming fashion. The German Sozialdemokratische Partei Deutschlands (SPD) denounced austerity, yet the party often fell silent, and votes in favour of the fiscal compact and Greek emergency loan could be construed as supportive of the policy. In the French case, European political realities forced the leadership of Parti Socialiste (PS) to toe the line of the German Government, much to the chagrin of party rank and file. Domestic incapacity accounted for lacklustre reactions in Spain and Poland. The Spanish Partido Socialista Obrero Español (PSOE) had incentive to contest austerity while in opposition, yet the earlier introduction of austerity by the Zapatero PSOE Government meant that it lacked credibility. In the Polish case, the left-wing Sojusz Lewicy Demokratycznej (SLD) was particularly weak during this time, though the absence of Poland from the Eurozone ensured that opposition to austerity was a secondary priority.

Rather than engaging in the pan-European forms of solidarity which are theorized by scholars who emphasize cooperation (Erne, 2008), labour movements therefore reacted rather coolly to austerity in the southern European periphery. Austerity was an undoubted threat to workforces outside of the periphery, attacks on workers in one member state put European labour under general pressure, yet benefits associated with the status quo precluded stronger engagement. National pre-eminence within EMU ensured improvement of the employment prospects of German workers, while the middling competitiveness

achieved by France involved a related, albeit weaker, effect. In addition to these advantages, the liberalization of employment protection which took place in the periphery meant that deregulation was postponed in core and intermediate contexts.

On the basis of analysis of these two processes, I develop an updated theory of the manner in which labour movements respond to European integration. Rather than being based on cooperation, the behaviour of labour tends to facilitate competition between national regimes. Owing to the nationally embedded nature of labour movements, which is itself in the interests of certain workers, bargaining processes tend to lead to an unplanned yet incremental drift towards zero-sum outcomes which benefit national workforces in stronger structural positions. Strategies which aim to correct discrepant outcomes, which become particularly necessary at times of crisis, are generally unsuccessful. Not only are attempts at European cooperation often weakly prioritized by labour movements, which is related to the tendency for certain workers to benefit from the status quo, but difficulties associated with collective action mean they can be easily vetoed.

Previous studies have emphasized the propensity of labour to compete (Rhodes, 1998a; Scharpf, 1999; Streeck, 1996), yet my argument goes beyond these accounts in three ways. First, it theorizes developments in contemporary Europe. Existing work tends to conceptualize conditions in the 1990s; this was a period in which currency integration was less pronounced and nationalism was tamer. The current stage of integration necessitates an updated approach. Introduction of the euro has heightened competition between national regimes and increased the probability of crises (Höpner and Schäfer, 2010; Streeck, 2014), while spikes in nationalism have made workers less disposed to support disadvantaged counterparts (Polyakova and Fligstein, 2016). I contend that my results are consistent with intergovernmentalist theories which emphasize the capacity of states to control integration (Bickerton *et al.*, 2015) and underscore the role of labour in such processes. Findings are also linked to theories of disintegration (Rosamond, 2016), which conceptualize the potential of the EU to fragment and have emerged in reaction to recent crises.

Second, I elaborate precise causal mechanisms by which labour movements compete. This is a flaw of previous scholarship. Though such work underlines the propensity of labour to engage in competition (Johnston, 2016; Rhodes, 1998a; Streeck, 1996), it pays limited attention to the extent to which this results from actor volition. My claim that competition between bargaining regimes primarily reflects structural influences rather than union calculation, which is rooted in case studies more detailed than existing accounts, addresses a long-standing weakness of literature. The equation of indifference with the self-interest

of national movements is a further contribution. This relationship has been theorized by scholars of dualization who call attention to the nonchalance of insiders (Palier and Thelen, 2010), yet does not feature in debates which concern the reaction of labour to integration. My assertion that lack of solidarity functions as a softer, *de facto* form of competition addresses this gap.

Third, I innovate by forging associations between patterns of competition and/or cooperation and changes in labour market conditions. This is a reaction to the tendency of existing studies to make insufficient linkages with substantive outcomes (e.g. Erne, 2008; Falkner, 1998). Though such scholarship theorizes the behaviour of labour movements, little attention tends to be paid to the consequences of this behaviour; this raises the question of the significance of studied processes. I am particularly interested in two variables: levels of (i) unemployment and (ii) employment security. Change and continuity in these outcomes are tracked and links are made with the extent to which labour movements compete and/or cooperate; this allows the foundations and consequences of studied behaviours to be better understood. Selection of these variables is inspired by literature on dualization, which concerns the capacity of certain workers to shape substantive outcomes (Emmenegger *et al.*, 2012; Palier and Thelen, 2010). This scholarship is preoccupied with the processes by which insiders profit at the expense of outsiders, and my innovation is to suggest that divisions increasingly exist among member states. As a result of patterns of competition, marked discrepancies have emerged between core and periphery countries; I consequently argue that dualization is taking place on a European scale.

The book is divided into three parts. In the first part, which contains three chapters, investigated themes are set out and an analytical framework is developed. Following the current introduction, a chapter delineates scholarship concerning the reaction of labour movements to European integration. After evaluating prevailing interpretations, I contend that developments associated with the debt crisis necessitate a new approach. I then assert that existing scholarship inadequately conceptualizes the manner in which labour behaviour affects substantive conditions in labour markets, before arguing that literature on dualization provides valuable insight into this relationship. Finally, I set out the manner in which theories of European integration aid understandings of labour movements and propose that my cases provide rich material for reconsideration of existing approaches.

Chapter 3 delineates the research design used by the book. The chapter commences with an outline of my approach and conceptualization of labour movements. I contend that a framework rooted in the discipline of political economy is most appropriate and develop a definition of labour movements which includes trade unions and social-democratic

parties. Operationalization of the research question is then discussed; this involves assessment of the actions of labour movements in two distinct periods. Countries selected for case study are also presented, before my research methodology and methods are set out.

Part II contains four chapters and presents developments in studied countries; these countries are Germany (chapter 4), Spain (chapter 5), France (chapter 6) and Poland (chapter 7). Germany is the archetypal core Eurozone country and its labour movement is one which is well-organized and moderate. After the launch of the euro, the capacity of German unions to control wages via well-established sectoral bargaining institutions ensured that the country increasingly enjoyed competitive advantage within EMU (Hassel, 2014). The case of Germany consequently allows assessment of the extent to which unions may use sectoral bargaining to plan competitiveness. I argue that constraints on the ability of unions to calculate precluded such strategies and that the superior competitiveness of Germany was the result of structural influences. Following the onset of crisis and the implementation of austerity in Southern Europe, German ascendancy within the Eurozone raised the question of the extent to which a core labour movement was likely to extend solidarity to benighted counterparts. Though SPD often denounced austerity, certain actions of the party could be perceived as supportive. The disagreement of German unions with austerity was more vocal, yet their commitment to concrete opposition was arguably lacklustre (Dribbusch, 2015). I contend that the lukewarm reaction of German labour was rooted in the dominant national position within EMU.

Spain is a periphery Eurozone country and its labour movement is one which is unevenly developed. After the launch of EMU, Spanish unit labour costs (ULCs) escalated; this led to a loss of competitiveness within EMU, which exposed Spain to deep recession after the onset of crisis in 2007/8 (Johnston, 2016). Owing to the existence of intersectoral agreements in which unions attempt to establish competitiveness, the case of Spain raises the question of the extent to which efforts to achieve moderation are feasible in a periphery country. The failure of this strategy not only points to further constraints on the ability of actors to plan competitiveness, but also demonstrates the importance of structural influences; in this case, inefficiencies associated with lower-level bargaining institutions were crucial (Johnston, 2016). Following the outbreak of crisis and the tendency for periphery labour markets to become subject to the whims of core countries, the question was raised of the ability of periphery labour movements to marshal pan-European opposition. Though Spanish unions were at the vanguard of attempts to organize European protests and general strikes were held in Spain on European days of action, the mobilization capacity of unions was constrained by their under-Europeanized profile. The earlier implementation of austerity

measures by a Socialist Government also restricted the extent of social-democratic opposition, both domestically and at European level.

France occupies an intermediate position in the Eurozone and its labour movement is one which is fragmented and adversarial. Lack of corporatist tradition means unions in France have historically experienced difficulties responding to external shocks (Crouch, 1993); the French case therefore raises the question of how unions in weak structural positions can effectively react to Europeanization. Following the introduction of EMU, this was partly resolved by a state incomes policy which limited potential loss of competitiveness; the role of unions in this process was nonetheless minor. The Eurozone crisis raised a further question of the French labour movement; namely the extent to which a movement in an intermediate country was likely to extend solidarity to counterparts in the periphery. Though mobilizations in France were more impressive than in core countries, significant protests being organized in France at key points, this response had limits and was a secondary priority for unions. The disposition of PS was also lukewarm. This was particularly the case on the right of the party; after François Hollande became president in 2012, the line of the German Government was increasingly followed.

Poland is a non-member of the Eurozone and its labour movement is one which is weak and politically divided. Inclusion of Poland allows evaluation of the extent to which examined processes are tied up with euro membership. In the Polish case, a particular issue was the extent to which unions were able to use a central and eastern European (CEE) tripartite institution to respond to pressures associated with Europeanization. Challenges encountered by unions, which resulted from political division and constraints on their ability to plan, suggest that a coherent response is also difficult in these circumstances. The onset of crisis raised the question of the extent to which a labour movement in a non-Eurozone country was likely to exhibit solidarity with periphery countries. Despite the difficulties of their domestic position, the reaction of Polish labour was not insignificant. The left-wing SLD was rather uninterested, yet trade unions engaged in a series of actions in support of Southern Europe; this was remarkable given organizational weaknesses.

Part III concludes the book. Prior to answering the research question, chapter 8 assesses difference in substantive outcomes between countries; this is a potential 'smoking gun' in that it illustrates drivers and consequences of competition and/or cooperation. Consistent with literature on dualization (Emmenegger *et al.*, 2012), I contend that divisions among countries can be linked to the interests of workers in the core, even if the means by which divides have been instigated are indirect. Specifically, the advantage of core countries within the Eurozone benefits national workforces to the degree that strategies for European solidarity

are weakly prioritized and consequently unsuccessful. I also suggest that such partitions evoke Marxist-Leninist theories of imperialism, though stress differences between contemporary and historical contexts.

Chapter 9 then answers the research question. It is argued that, rather than being based on cooperation, the behaviour of labour tends to facilitate competition between national regimes. Owing to the nationally embedded nature of labour movements, which is itself in the interests of certain workers, bargaining processes tend to lead to an unplanned yet incremental drift towards zero-sum outcomes which benefit national workforces in stronger structural positions. Strategies which aim to correct discrepant outcomes, which become particularly necessary at times of crisis, are generally unsuccessful. Not only are attempts at European cooperation weakly prioritized by labour movements, which is related to the tendency for certain workers to benefit from the status quo, but difficulties associated with collective action mean they can be easily vetoed. I argue that this theory may be generalized to other settings, though emphasize the extent to which it is specific to contemporary Europe. Implications for the Europeanization of social democracy and theories of institutions and the employment relationship are also discussed.

A final chapter sets out an argument about the role of labour in the process of European integration. Rather than facilitating Europeanization, as certain theories predict, relations between separate labour movements tend to be based on national interests and, within EMU, unequal relations form between strong and weak. It is argued that such developments validate intergovernmentalist theories of European integration and, consistent with an emerging agenda which underlines the capacity of the EU to disintegrate, point to the ability of labour sectionalism to undermine the European project. An agenda for future research is also outlined. I discuss the degree to which new studies might advance knowledge of asymmetric relations between labour movements, encourage investigation into the capacity of actors to prioritize competing goals and emphasize the need for further work on the manner in which non-state actors drive the (dis)integration process. Finally, it is stressed that, notwithstanding tendencies for competition, the endurance of the EU is unequivocally in the interests of labour; I end by evaluating ways in which the EU might be reformed so as to strengthen institutional grounds for labour cooperation.