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A Paradigm Shift in Understanding EU Integration and Labour Politics

3.1 INTRODUCTION

The shift to the European Union's (EU's) new economic governance (NEG) regime after the financial crisis of 2008 questions key assumptions that guide the thinking of scholars and practitioners in the field. This prompts us to argue first for three conceptual innovations, namely, new ways to envision (1) different modes of European integration, (2) different EU governance mechanisms, and (3) the politicisation of EU governance and labour politics. After that, we outline the interests of the EU's NEG regime for employment relations and public services, as well as the need to examine the role of different structural conditions under which countervailing movements of trade unions and social movements can or cannot politicise EU integration (Erne, 2018; Szabó, Golden, and Erne, 2022).

3.2 MODES OF INTEGRATION: FROM NEGATIVE/POSITIVE TO HORIZONTAL/VERTICAL INTEGRATION

The 2008 financial crisis showed that the creation of the EU's single market and monetary union led not to economic and social convergence, as anticipated by its promoters (Cecchini, Catinat, and Jacquemin, 1988; European Commission, 1990), but to severe economic imbalances that threatened to break up the EU. To prevent that from happening, the European Commission and Council (EU executives) triggered a 'silent revolution' (Barroso cited in ANSA, 2010) and set up NEG, as shown in Chapter 2. As market forces failed to trigger the 'necessary' adjustments in member states' employment relations and social policies, EU executives had to trigger them by fiat, as a European Commission official from DG ECFIN openly admitted at a meeting of an EU–ECB–IMF Troika delegation with Irish government

officials, social partners, and academics in Dublin Castle in 2012 (see Chapter 1, n. 1). In response, by introducing NEG, EU executives created a new political space located outside the EU's ordinary legislative procedure. Its legality is liminal; and, surprisingly, it is still not clear to EU lawyers whether NEG prescriptions constitute law, and, if yes, EU law (Kilpatrick and Scott, 2021: 3), despite their constraining nature. Although NEG prescriptions were spelled out in legal documents, the legal scholar Alain Supiot (2013) argued that NEG would challenge the rule of law, as the normative concept of the rule of law should not be reduced to the mere application of legal techniques of domination.

By contrast, Ulrich Beck, the sociologist of the risk society, argued that the 'impending catastrophe empowers and even forces the Europe builders to exploit legal loopholes so as to open the door to changes' (Beck, 2013: 26–27), as mentioned in Chapter 2. It is thus hardly surprising that almost all legal challenges to NEG have failed, including those of workers, unions, and left-wing parliamentarians who questioned the legality of NEG interventions in the social field by invoking social rights as set out in national constitutions, International Labour Organisation conventions, and the EU's Charter of Fundamental Rights (Kilpatrick, 2017; Bonelli and Claes, 2018; Markakis and Dermine, 2018; Barrett, 2020; Kilpatrick and Scott, 2021). After all, pundits time and again presented NEG's package of internal devaluation, austerity, and structural reforms as a 'necessary' adjustment to an 'external shock' that would leave 'responsible' governments with no other option but to implement it; even if this meant that more and more people would become detached from democratic politics (Armingeon, Guthmann, and Weisstanner, 2016; see also Mair, 2013). The EU's NEG prescriptions in areas hitherto shielded from vertical interventions have thus questioned interpretations of the EU's competences that are based on a narrow reading of its Treaties. The wording of the Treaty articles on 'pay' (Art. 153(5) TFEU), the 'protection of workers where their employment contract is terminated' (Arts. 153(1)(d) and (2) TFEU), or 'the organisation and delivery of health services' (Art. 168(7) TFEU), for example, seems to suggest that these areas would be prerogatives of member-state rather than EU laws and procedures, but this did not prevent vertical NEG interventions in these fields.

Ironically however, by creating NEG, the EU's business and political leaders unintentionally created conditions that rendered past debates about the EU's apparent lack of legal competences in essential social policy fields anachronistic (Scharpf, 1999: 10, 203; Stan and Erne, 2021a, 2021b). Until recently, the opponents of social EU laws often succeeded in preventing them by pointing to the apparent lack of EU competences in the social field

(Cooper, 2015). After a decade of recurrent EU interventions in national wage and employment policymaking (Chapter 6), however, such EU competence arguments no longer worked to prevent the adoption of the EU Directive on Adequate Minimum Wages (2022/2041) by the European Parliament and Council in October 2022 (Chapter 13).

In sum, after the financial crisis, EU legislators broke the institutional padlocks that had hitherto limited EU interventions in the employment and social policy fields by adopting, in 2011, the Six-Pack of EU laws, which enabled unrestricted interventions by EU executives in these fields. The financial crisis triggered a ‘quantum leap of economic surveillance in Europe’ (Commissioner Rehn, *EUObserver*, 16 March 2011) and institutionalised NEG to allow vertical EU interventions in employment and social policy areas. NEG shifted legislative powers from national and European parliaments and social partners to the Commission and Council. This ‘revolution’, which was meant to ‘save the status quo’ (Barrett, 2020: 6), was also supported by the EU’s Court of Justice, the European Parliament (which approved the Six- and Two-Pack laws), and national parliaments of both deficit and surplus countries (which approved the EU’s bailout programmes). Consequently, the shift to NEG achieved what institutionalist EU integration theorists, like Scharpf (1999), believed impossible for the EU to achieve, namely, the concentration of substantive policymaking and enforcement powers in the hands of EU officials in all socioeconomic areas, including pension, healthcare, and wage policies.

Given this radical shift in EU policymaking, we argue that it is time for an analytical paradigm shift that allows us to capture the emerging European system in employment relations (Erne, 2019; Jordan, Maccarrone, and Erne, 2021), social policy (Stan and Erne, 2021a, 2021b), and public service governance (Golden, Szabó, and Erne, 2021). Instead of negative and positive integration (Tinbergen, 1965; Pinder, 1968; Scharpf, 1999), we propose an alternative analytical distinction that better captures the current EU integration dynamics triggered by the shift to NEG: the distinction between horizontal (market) and vertical (political) integration. Whereas vertical integration is triggered by substantive policy prescriptions of a ‘supranational political, legal or corporate authority’ (Erne, 2019: 346), horizontal integration refers to the abstract, but nevertheless constraining, transnational market pressures experienced by social actors within the increasingly integrated European marketplace.

This analytical move is important for two reasons. First, once the single market had been created by law (through negative and vertical EU acts that removed national legal restrictions to the free movement of goods, capital, services, and people across borders), the resulting horizontal market pressures

became an independent driver of further integration in their own right, hence the need to distinguish horizontal (market) integration from vertical (negative or positive) political integration.

Second, after the shift to NEG, earlier institutional padlocks no longer prevented EU interventions in substantive policy areas, such as employment relations and public services. To ensure structural convergence (Scharpf, 2021), the NEG regime set supranational standards also in these policy fields. This amounts to positive integration in the original, analytical sense of the term, which denotes the making of the 'system of economic regulation at the level of the larger unit' (Scharpf, 1999: 45). At the same time, the policy orientation of the NEG 'government of governments' (Scharpf, 2021: 162) hardly matches the underlying normative Keynesian beliefs of those who coined and propagated the positive/negative integration typology in the first place. Accordingly, Scharpf (2021) quietly abandoned the typology, which had informed the scholarly debate on different modes of European integration for decades. We thus distinguish between different types of vertical EU intervention in the economic and social fields, based on their (commodifying or decommodifying) policy orientation and not their (negative or positive) institutional properties.

The shift to the EU's NEG regime also questions earlier institutionalist views of EU politics, which emphasised the EU's limited legal competences and policymaking capacities in the field of employment relations and public services. We therefore go beyond earlier institutionalist thinking and take larger processes into account, especially those of capitalist accumulation and crisis (Bieler and Erne, 2015; Bieler and Morton, 2018: ch. 9). This wider perspective on transnational economic and political integration pressures helps us explain why EU leaders were able to break institutional EU padlocks when they created the NEG regime.

We acknowledge that the underlying idea of these two concepts is not new. Vertical political interventions and horizontal market pressures have been forces structuring the behaviour of modern capitalist societies since their making. Acknowledging this, however, is an asset rather than a drawback, as it gives the proposed framework for analysis an even stronger basis. After all, the social sciences were created to study the interactions between capitalist horizontal (market) and vertical (political) interventions precisely when the 'great *question sociale* (or soziale Frage) of the late nineteenth or early twentieth century: how to incorporate the industrial working class within civil society' became a salient political, economic, and social issue (Crouch, 2015: 4).

The distinction between horizontal market pressures and vertical political interventions allows us to account for both the economic and the political aspects of European integration and the ways in which they were combined

during its history. After the Single European Act (SEA), European integration was driven by vertical EU laws and interventions that opened new sectors and areas to transnational competition. Although rarely a direct target of the latter, national employment relations and social protection arrangements have nonetheless been *indirectly* impacted by the horizontal market pressures unleashed by the SEA, the Economic and Monetary Union (EMU), and EU enlargements.

Given the urgency of the financial crisis and the botched attempts to pursue further liberalisation through Commissioner Bolkestein's proposal for a Services Directive in 2004 (COM (2004) 2 final/3), EU leaders did not use the EU's ordinary legislative procedure to bring about the changes in employment relations and public services that they deemed necessary (Erme, 2015). Instead, the EU turned the (soft law) socioeconomic policy coordination instruments of the early 2000s into hard and coercive policymaking tools.

The EU's shift to the NEG regime brought a new formula to EU integration, namely, *country-specific* vertical interventions by EU executives based on *supranational* EU steering and surveillance mechanisms. These interventions also *directly* targeted areas hitherto largely shielded from EU vertical interventions via the EU's ordinary legislative procedure (e.g., pay and healthcare policy). In doing so, EU executives sought to compensate for the failure of existing horizontal market pressures to bring about the desired economic convergence of national policies in these social policy areas.

In contrast to horizontal market forces, vertical NEG interventions are much more tangible, and thus politically contentious. Countervailing movements may therefore be able to politicise vertical NEG interventions much more easily than horizontal market pressures (Erme, 2018). The concentration of new powers at EU level could be seen as a near perfect example of neo-functionalism spill-over, but increased vertical (political) integration pressures can also trigger popular countermovements that may lead to the EU's downfall. In 2012, even proponents of neo-functionalism EU integration theory could therefore imagine the following scenario: 'first, the collapse of the euro; then of the EU, and, finally, of democracy in its member states' (Schmitter, 2012: 41). Thus, precisely to prevent EU disintegration from happening, the NEG regime's architects devised new EU governance tools that could not be politicised that easily.

3.3 EU GOVERNANCE: FROM STATE-CENTRED TO CORPORATE MANAGEMENT MECHANISMS

In the 1990s, governance became a widely used analytical category, as it allowed scholars to adopt a much more encompassing perspective on politics

and the economy. EU scholars used the term to go beyond the classical intergovernmental and federal perspectives mentioned in Chapter 2 (Marks et al., 1996; Kohler-Koch and Rittberger, 2006). Economic sociologists used it to go beyond the dichotomy of states and markets (Hollingsworth and Lindberg, 1991; Hollingsworth and Boyer, 1997; Crouch, 2005), and industrial relations scholars used governance for both reasons (Marginson and Sisson, 2004; Léonard et al., 2007).

Since its origin however, the term 'governance' had also been used for political reasons. In its White Paper on governance, for example, the European Commission (White Paper, COM (2001) 428) used the concept to propagate a more deliberative (and less hierarchical) form of policymaking, which would allegedly allow a greater involvement of non-state actors and therefore increase its legitimacy (Joerges, 2002; Kohler-Koch and Quitkat, 2013). In addition, governance has been used to justify supranational interventions in the political affairs of notionally sovereign nation-states. After all, the World Bank and the IMF coined the term in the early 1990s precisely to legitimise their 'good governance' interventions in the Global South and Eastern Europe (Guilhot, 2005; Moretti and Pestre, 2015: 82).

Despite the shift to a much more vertical NEG regime after the crisis, most scholars who come from state-centric disciplines, such as law and political science, continue to portray governance as a non-hierarchical form of policymaking, namely, one based on mutual learning, policy coordination, and surveillance. Consequently, EU governance would be a mix (or a hybrid form) of intergovernmental and supranational mechanisms combining soft EU law with laws emanating from a hard and binding legal norm (Maher, 2021a, 2021b). Building on industrial relations and economic sociology, we propose, by contrast, an alternative analytical framework that captures NEG not as a hybrid form of intergovernmental and supranational rulemaking, but as an independent, third mechanism borrowed from the private governance found in transnational corporations (TNCs) (Erne, 2015). The vertical nature of the NEG regime rests on control mechanisms that TNCs use to govern their subsidiaries (numerical benchmarks, ad hoc prescriptions, and financial awards and penalties). This allows us to go beyond the dominant state-centred paradigms in EU integration research (e.g., intergovernmentalism or federalism) without having to abandon the focus of the political sciences on power and power relations.

The similarity of the NEG regime's *country-specific* and corporate *subsidiary-specific* policy prescriptions also allows us to go beyond the state-centric perspectives of EU scholars on differentiated integration (Kölliker, 2006; Leuffen, Rittberger, and Schimmelfennig, 2022). One can describe NEG's

country-specific prescriptions as a case of differentiated integration but not in the usual sense of the opt-outs from EU laws that aim ‘to accommodate economic, social and cultural heterogeneity’ (Bellamy and Kröger, 2017: 625). State-centred differentiated integration scholars have focused their analysis on national opt-outs, which accommodate EU member states with different objectives. Alkuin Kölliker (2006: 14), for example, defined differentiation as a general term for the ‘possibility of member states to have different rights and obligations with respect to certain common policy areas.’ In contrast, the EU’s NEG regime uses country-specific prescriptions to realign the policies of its member states along its overarching *supranational* priorities, namely, the proper functioning of the eurozone and the EU economy as a whole, as outlined above. Hence, EU executives used NEG’s country-specific measures to achieve pan-European goals, as managers in headquarters (HQs) of TNCs use site-specific interventions to achieve company-wide objectives. We have thus argued that NEG can be described as a case of *reversed* differentiated integration, as its country-specific prescriptions aim to reduce (rather than accommodate) national heterogeneity (Stan and Erme, 2023).

The proposed change of perspectives on EU governance from state-centred to corporate management mechanisms represents an important analytical move, and not just because TNCs started long ago to effectively use similar governance tools to advance their agendas (Arrowsmith, Sisson, and Marginson, 2004; Erme, 2015). Equally important are the insights of studies on international human resource management and industrial relations highlighting that TNCs’ vertical interventions in the affairs of their subsidiaries do not always succeed, regardless of HQs’ control over investment decisions and their frequent use of whipsawing tactics that pit subsidiaries against one another (Bélanger et al., 2000; Edwards and Kuruvilla, 2005; Anner et al., 2006; Morgan and Kristensen, 2006; Erme, 2008; Pulignano et al., 2018; Clegg, Geppert, and Hollinshead, 2018; Golden and Erme, 2022).

In sum, NEG is neither a supranational nor an intergovernmental governance regime (Bauer and Becker, 2014; Bickerton, Hodson, and Puetter, 2015), as it uses mechanisms that cannot be neatly captured by either of these state-centred paradigms of European integration scholarship. If, however, we go beyond them, we can grasp the nature of the EU’s NEG regime much more easily, namely, as a governance regime that mimics the corporate governance mechanisms of TNCs, which use numerical benchmarks and ad hoc prescriptions to increase the command of corporate HQs’ senior management teams over their subsidiaries (Erme, 2015). Accordingly, the EU’s NEG regime allows EU executives – that is, the supranational European Commission and the intergovernmental Council of national finance ministers – to shape member

states' labour and social policies through key performance indicators, country-specific ad hoc prescriptions, and corrective action plans.

NEG's methods reshape member states' policies by combining governance at a distance already set up through the Broad Economic Policy Guidelines and the Open Method of Coordination (Arrowsmith, Sisson, and Marginson, 2004; Lascoumes and Le Galès, 2004; Armstrong, 2010) with the vertical punch of constraining enforcement procedures. To regulate the EU economy, including its employment relations, public services, and social policies, EU executives draw on divisive corporate governance methods that business leaders have designed to govern TNCs (Arrowsmith, Sisson, and Marginson, 2004), rather than on universal laws enacted by democratic legislators (Joerges, 2016). Yet, as the EU is not a business corporation but a political organisation that claims to 'be founded on the values of respect for human dignity, freedom, democracy, the rule of law and respect for human rights' (Art. 2, TEU), its shift to NEG also led to a severe legitimacy crisis of EU governance, which in turn would facilitate its politicisation.

3.4 POLITICISING EU GOVERNANCE AND LABOUR POLITICS

The distinction between horizontal and vertical integration and the similarities between NEG and corporate governance mechanisms described above not only enlightens us about the EU's arcane NEG dynamics but also enables us to identify potential 'levers' (Mills, 2000 [1959]: 131) by which the NEG may be challenged and changed by countervailing social actors, namely, unions and social movements. As mentioned above, we distinguish vertical and horizontal modes of EU integration based on the different types of constraints underpinning them. Horizontal market integration places societal actors (unions and social movements, but also companies) under transnational (economic) market pressures. By contrast, vertical political integration leads to them being constrained by prescriptions of a supranational political authority. This distinction is pivotal, as these two modes of EU integration offer different crystallisation points for countervailing collective action.

Horizontal (market) integration pressures first and foremost result from the exploitation of labour power in the capitalist production process. The social nature of these pressures, however, is not easily detectable. Although commodities are produced by human labour, they seem to acquire a life of their own once they are traded on the market. As a result, the 'mutual relations of the producers, within which the social character of their labour affirms itself, take the form of a social relation between the products' (Marx, 2005 [1867]: ch. 1.4). Consequently, workers often perceive market pressures as emanating

from an external, even natural, mystical force. This highlights ‘a paradox in Marx’s account: how can there be class struggle when exploitation is not palpable but mystified?’ (Burawoy, 2022). If we pose Burawoy’s question in the context of increasing *transnational* market pressures, it becomes even more puzzling.

As seen above, the horizontal market pressures unleashed by the SEA and the EMU did not question the autonomy of national welfare states and trade unions. Even so, trade union experts described their national bargaining autonomy, as far back as 2004, as ‘autonomy in the playpen’ (Sterkel, Schulten, and Wiedemuth, 2004: 1), as national multi-employer collective bargaining agreements were no longer able to take workers’ pay and conditions out of competition between different producers, given their increasing exposure to transnational market competition. At the beginning of EU economic and monetary integration, some observers therefore believed that ‘as markets expanded unions had to enlarge their strategic domain to keep workers from being played off against each other’ (Martin and Ross, 1999: 312); but the attempts of European trade union federations to coordinate national wage bargaining strategies across borders, to prevent a race to the bottom in wages and labour standards through the adoption of EU-level targets, largely resulted in failure. This reflected European trade unions’ difficulties in revealing and politicising the hidden social relations behind horizontal market integration pressures (Erne, 2008: 189).

By contrast, vertical political pressures are more tangible than horizontal market pressures and therefore easier to politicise. Reliance on vertical state-like structures (e.g., EU institutions) makes decisions taken in their name more visible, thereby offering concrete targets for contentious transnational collective action (Erne, 2008; Erne et al., 2015). Vertical interventions are easier to politicise, albeit ‘within a limited timeframe, as the impact of vertical intervention (e.g., in the case of looming liberalizing EU laws) increases horizontal competition in the medium and long term’ (Szabó, Golden, and Erne, 2022: 636). In short, horizontal integration constrains transnational labour mobilisation, whereas vertical integration can act as a catalyst for it (Erne, 2008: 199–200; Erne, 2018). Crucially however, there is a significant difference between universal vertical interventions and country-specific vertical interventions, as the latter favour uneven protests across countries (Stan, Helle, and Erne, 2015).

Thus, given NEG’s recourse to mechanisms characteristic of corporate governance, we can learn a lot from unions’ fights against corporate whipsawing tactics that put workers from different subsidiaries in competition with one another. TNCs put workers under pressure, but, at times, workers within

TNCs can also unite across borders (Anner et al., 2006). Countervailing *transnational* movements of workers within TNCs occur when workers across different locations are victims of similar vertical corporate interventions (Erne and Nowak, 2022; Golden and Erne, 2022). Likewise, NEG interventions in labour politics must follow an overarching EU script to trigger encompassing countermovements. To be effective, these movements can either deliberately target NEG through *transnational* collective action or unintentionally trigger EU-level policy changes through the aggregate effects of their actions at local or national level if they point in the same policy direction (Nunes, 2021; for countervailing, national, and local level protests in the era of NEG see: Maccarrone, 2020; Naughton, 2023; Galanti, 2023).

But what kind of EU interventions would represent a fundamental challenge for trade unions and social movements such that it would trigger countermobilisation? The distinction between horizontal market pressures and vertical political interventions allows us to grasp the *form* of EU pressures that may or may not trigger countervailing movements. We nevertheless must also address the *substance* of these pressures and their articulation with labour politics. Otherwise said, what fundamental labour interests do these pressures threaten? We argue that labour movements are not only about struggles that limit the exploitation of workers by their companies in the production process. It is equally in the interest of labour to decommodify employment relations and public services to ensure labour's social reproduction and well-being by shielding it from the vagaries of market fluctuations and the systemic whims of transnational processes of capitalist accumulation. We thus need to see where EU integration and NEG stand in relation to them and to labour commodification.

3.5 THE INTEREST OF IT ALL: THE COMMODIFICATION OF LABOUR AND PUBLIC SERVICES

The creation of European welfare states during the twentieth century would not have been possible without labour's struggles for social rights seeking to shield workers from the vagaries of the market (Marshall, 1950). Labour's interest in engaging in such struggles can be seen as stemming from the nefarious effects that unchecked markets have on society. These effects take the form of commodification, a process whereby 'wage employment and the cash nexus [become] the linchpin of a person's existence' (Copeland, 2020: 103). Traditionally, welfare states sought to respond to commodification through decommodification, that is, the processes allowing individuals 'to uphold a socially acceptable standard of living independent of the market' (Copeland, 2020: 104; see also Esping-Andersen, 1990). Nonetheless, since

the 1970s, the application of neoliberal reforms to employment relations and social protection has led to employment and welfare arrangements being used 'to both commodify and decommodify' social relations (Copeland, 2020: 103).

But why was it so, why did the mid-twentieth-century class compromise no longer do the trick? In order to respond to this question, we must address the fact that labour has an interest in social rights not only because markets dissolve meaningful social relations in society at large (Polanyi, 2001 [1944]), but also, more precisely, because the interest of the capitalists who are the players in these markets is to expand and intensify labour commodification as a way to maximise the extraction of surplus value in the productive process (Marx, 2005 [1867]; Bieler, 2021). At a macro, structural level, welfare states are thus an attempt to temper capitalist accumulation and rebalance the power relation between capital and labour. Traditionally, employment and welfare arrangements aimed to (partially) shield labour from market forces by (1) shielding workers from full exploitation and commodification (through protective employment legislation); (2) socialising the reproduction of the current and future labour force (through the provision of public services in the areas of healthcare, water, transport, but also childcare and education); and (3) socialising the risks of sickness, unemployment, and old age (through social security).

The crisis in the Fordist regime of capitalist accumulation after the 1970s unsettled the post-World War II class compromise (Harvey, 2005). Dominant classes, including European ones, used neoliberal theory – namely, its view of free markets as offering the best road to economic and social development – as a justification for attacks on the solidaristic, redistributive employment and welfare arrangements of the previous era. These attacks were driven not only by a purely ideological preference for markets over redistributive employment and welfare arrangements but also by capitalists' need to respond to the exhaustion of previous modes of capitalist accumulation by conquering new areas for capitalist expansion and commodification – in this case, social reproduction processes hitherto shielded from capitalist accumulation through solidaristic, redistributive employment and welfare arrangements.

Labour's loss of power in the context of stagflation (since the 1970s) and then the demise of communist regimes in Eastern Europe (since the 1990s) emboldened neoliberal free-market approaches to employment and welfare arrangements. At the same time, during neoliberal times, capitalist accumulation came to rely extensively on predatory practices reminiscent of Marx's 'primitive accumulation' (2005 [1867]: part 8) as an antidote to the exhaustion of spatial-temporal fixes relying on expanded reproduction in the form of capital delocalisation and long-term investment in new productive assets. This

is what Harvey (2003) aptly calls *accumulation by dispossession*, a process that involves not only using financial mechanisms and intellectual property rights in asset stripping but also, and importantly, ‘enclosing the commons’ (Bieler and Jordan, 2018: 75) of previously socialised, decommodified areas of social reproduction. Indeed, one of the key mantras of contemporary global capitalism is the privatisation of state assets, state companies, and public services (Harvey, 2003).

Given the variegated character of neoliberalisation (Brenner, Peck, and Theodore, 2010) and the uneven realisation of the single market programme across the EU, the commodification of employment and welfare arrangements proceeded to different degrees and at a different pace across countries and sectors. This was already apparent in the 1990s and 2000s when EU leaders sought to construct the single market as a space for extended capitalist accumulation. The single market put national employment and welfare arrangements under increasing horizontal market pressures. These pressures triggered different responses at different times in different member states. The single market programme, EMU, and accession processes placed governments under budgetary and competitive pressures that led to their adopting various mixes of commodifying employment and welfare measures to lower public expenditures and unit labour costs. These pressures also led to a greater integration of productive capacities across Europe, most notably by transnational manufacturing firms opening subsidiaries in the EU’s eastern periphery. This was paralleled in the area of social reproduction by the rise of TNCs engaged in public service provision, including in water, transport, and health-care, and informal private arrangements in the form of transnational ‘care chains’ (Hochschild, 2000). As a result, workers were set in competition with one another not only through regulatory competition between national systems but also through competition between public and private service providers as well as subsidiaries and suppliers of TNCs.

Although these commodification pressures are thus linked to broader restructuring processes within the capitalist world system that preceded the EU’s shift to NEG, they also needed to be enforced politically (Burawoy, 2000), especially when horizontal market integration did not lead to the desired economic convergence of national labour and social policies as outlined above. This explains our book’s focus on EU executives’ NEG prescriptions on employment relations and public services and the social countermovements that they might trigger. In section 3.6, as a last conceptual move, we outline our approach to countervailing protests of unions and social movements, including their potential role as agents of the EU’s democratisation.

3.6 NEG AND TRANSNATIONAL COLLECTIVE ACTION: FROM AGENT-CENTRED TO STRUCTURAL FACTORS

The formation of political authority in nation-states typically preceded their democratisation through political and social rights. Accordingly, the formation of a more vertical EU polity through NEG may paradoxically also lead to a transnational democracy. After all, 'democracy requires not only a people (*demos*) but also binding rules (*kratos*)' (Erne, 2008: 18). There is a dialectical relationship between popular mobilisations and the creation of political authority (Tilly, 1992). Nonetheless, the vertical nature of the EU's NEG regime may not only trigger popular demands for more voice but equally lead to popular calls to exit the EU, as became apparent in the UK's Brexit referendum debate. This has also been emphasised in many EU politicisation studies that analysed the salience of Eurosceptic positions in opinion polls, elections, referenda, or EU-related media debates (for a review, see Zürn, 2016).

To understand the growing politicisation of the EU integration process however, we must go beyond the scope of existing EU politicisation studies that assess the salience of EU-related issues in media debates, opinion polls, election, or referendum campaigns. To capture the restructuring of the European political space, we must study not only these micro- and macro-level processes but also activities that take place at the (meso) level of interest-group politics (Zürn, 2016). After all, the creation of the left–right cleavage in European politics has also been driven by the *organisational networks* of the labour movement (Bartolini, 2005).

The restructuring of the European political space remains a social process (Saurugger, 2016). Individual attitudes become a social force only if they are mobilised and reinforced by intermediary associations; this in turn depends on the organisational networks of interest groups and social movements in the forecourt of party politics. EU politicisation studies should therefore look below the macro level of public debates as presented in mass media and above the micro level of survey results and election outcomes (Zürn, 2016). This explains our interest in European trade unions and social movements, as they play a key role not only in the formation of the left–right cleavage but also in the democratisation of social and economic policymaking (Rueschemeyer, Huber Stephens, and Stephens, 1992; Bartolini, 2000; Foot, 2005; Erne, 2008).

The shift to a much more vertical NEG regime offers contradictory options for labour. EU executives' vertical NEG interventions make decisions taken in the EU's name more tangible, offering concrete targets for countervailing,

transnational collective action. At the same time however, NEG's technocratic, numerical benchmarks and its country-specific, ad hoc interventions put countries in competition with one another. This constitutes a deterrent to transnational collective action. Thus, the shift to NEG may also favour the politicisation of EU politics along national culturalist rather than transnational class lines (Erne, 2019). This is partly because some pro-European politicians – such as former Commissioner Bolkestein (Béthoux, Erne, and Golden, 2018) – like to portray their critics in cultural terms as nationalists (Statham and Trenz, 2013: 132) and partly because Eurosceptics believe that the restoration of national social states' formal autonomy would solve workers' social and economic problems.

NEG thus risks being a supranational regime that nationalises social conflict (Erne, 2015). Does this mean that transnational counterreactions to NEG are doomed from the start, as some Eurosceptic analysts of the EU's democratic prospects think? For Wolfgang Streeck, for example, the 'growing feeling among the citizens of Europe that their governments are not taking them seriously' (2014: 160) mirrors capitalists' diminished interest in democratic interest intermediation: 'All capital still wants from people is that they give back to the market . . . the social and civil rights they fought for and won in historic struggles' (2014: 159). Even so, we do not assume that 'constructive opposition is impossible', as this would indeed imply that 'irrational' outbursts of rage would be the only option left to people (2014: 160). Nor do we share the false optimism of global labour scholars who assume, following a partial reading of Polanyi (2001 [1944]), that transnational market fundamentalism will inevitably produce a transnational countermovement, as if 'society' would 'summon up its own defence in the face of a market onslaught' (Burawoy, 2010: 302).

In this study, we avoid Polanyi's under-theorised notion of society and analyse concrete social actors instead, namely, those engaged in social protests that contest the commodification of public services, such as water provision, and those engaged in social protests that target the exploitation of workers in the production process. Polanyi's approach suffers from another limitation: that of missing the 'complex interplay' between 'state and society' (Burawoy, 2010: 302). Thus, we do not focus our analysis on the actor-centred factors that explain why some labour alliances have succeeded in politicising European integration pressures across borders (Szabó, Golden, and Erne, 2022). Instead, we try to unpack the relationships between the structures of the EU's NEG regime and countervailing collective action.

Indeed, scholars of social protests have acknowledged the role played by structural explanations in triggering them, such as political opportunity

structures faced by social movements (Tarrow, 1994) or long waves of economic boom and bust in which they act (Kelly, 2012 [1998]). Nevertheless, social movement scholars usually explain successful instances of collective action in terms of actor-centred factors, such as activists' interactions with allies and the public (Diani and Bison, 2004), the use of bottom-up organising strategies (McAlevy, 2016), or activists' capacity to foster alliances across workplaces and union organisations at different levels (Brookes, 2019). Although these social interactions are certainly critical, the options available to actors to build successful countervailing movements are also shaped by structural factors, as neatly summarised by union organiser and industrial relations scholar Jane McAlevy (2016: 3): 'Even understanding whom to target – who the primary and secondary people and institutions are that will determine whether the campaign will succeed (or society will change) – often requires a highly detailed power-structure analysis.' This explains our interest in the different forms of European integration pressures that unions and social movements have been facing.

Hence, we analyse the making and operation of the EU's NEG regime across time, locations, and sectors to identify the internal contradictions that could serve labour movements as crystallisation points for countervailing collective action (Poulantzas, 1980; Bieler and Erme, 2014; Bruff, 2014; Cox and Nilsen, 2014; Panitch, 2015). This is important, as the biggest challenge that we are facing is hardly the absence of studies that deplore the decline of the mid-twentieth-century class compromise that laid the foundations for solidaristic, redistributive employment and welfare arrangements in Europe. The biggest challenge is rather the scarcity of ideas about the potential 'levers' (Mills, 2000 [1959]: 131) that countervailing movements could pull to turn the page of austerity politics. In this book, we therefore aim not simply to add a novel, conceptually driven depiction of the EU's NEG regime, its operation, and its outcomes, but also to identify such potential levers or points of intervention for trade unions and social movements that the EU's NEG regime may unintentionally have created for them.

Certainly, these interventions are far from easy, as NEG concentrates decision-making powers in the hands of EU executives and uses technocratic governance-by-numbers techniques to insulate policymaking from popular demands. At the same time, we also know that the more policymaking institutions are insulated from democratic interest intermediation mechanisms, the more they risk becoming targets for countervailing mobilisations (Bruff, 2014; Erme, 2018) or calls to simply exit them (Hirschman, 1970). The EU's much more vertical NEG regime may offer unions and social movements a tangible target for its politicisation to defend decommodified labour and

welfare arrangements. Yet, NEG's politicisation is likely to happen across national borders only if its country-specific prescriptions are informed by a commodifying pan-European policy script. As such a script is a necessary (albeit not sufficient) condition for countervailing collective action, we outline in Chapters 4 and 5 a novel methodology to assess the policy direction of NEG prescriptions in the social field across countries and years that goes beyond the decontextualised pea counting of EU executives' country-specific recommendations that has so-far dominated the research in the field.