Future prospects
The EU political dilemma, Europe’s democratic challenge and the role of trade unions in solving these

David Natali

Introduction

As shown by the chapters in this volume, only very limited progress has been made by the EU in addressing the social legacy of the crisis. The little success of the last few months in improving economic prospects, employment growth and social standards has resulted in increased dissatisfaction with the European Union. We have thus seen evidence of increased political tensions between Member States, EU institutions and public opinions: the results of the 2014 EP elections, the increased support for anti-Europe movements in national elections and the Greek crisis in summer 2015. If the EU is not able to address the crisis soon, anti-Europe sentiments will grow further and put the whole integration project at risk.

The following pages shed light on these risks. They start by identifying the policy problems the EU should address to exit the crisis. Echoing the past editions of this publication, section one reviews the mounting criticism against the strategy pursued by the EU in order to stop the deterioration of the economic and social context. Many analysts agree on the need for a complete new set of policy measures to help economic recovery while fighting against social inequalities and divergences between Member States.

While we see a broad consensus among experts on what to do to exit the crisis, it is clear that the more political problems are still to be addressed. Section two outlines these major problems. In some respects
we see that a ‘EU political dilemma’ has emerged. European institutions, and the incremental approach they have taken to the crisis, are not seen as legitimate. The mix of intergovernmentalism and supranational technocratic decisions at the EU level is neither effective nor legitimate. Many have thus argued for a new move towards more politicised integration, stronger political institutions at the supranational level and more opportunities for citizens and their political representatives to participate in European governance. But, in the current political circumstances, repoliticisation could lead to further ideological conflicts, the strengthening of anti-Europe forces, and thus more danger for the EU.

This political dilemma then reflects a more general ‘democratic challenge’. European integration has destabilised the balance between national and supranational institutions and, in many respects, has undermined their democratic nature. This ‘democratic challenge’ concerns policymakers at both the national and supranational levels, but, as stressed in section three, it also concerns trade unions. The latter are a key element of national and supranational policymaking and contribute to the legitimacy of political institutions. They can thus help to resolve the EU political dilemma in particular, and the democratic problems mentioned above in more general terms. Trade unions, in fact, are at a crossroads: while they still retain decisive organizational and political resources, they seem to be under siege. They are increasingly isolated from the reform process and, at the same time, new social and political movements are attacking them. A few months before the 13th Congress of the European Trade Union Confederation (ETUC), these issues need to be investigated to make the future of the EU less of a gloomy prospect.

1. **Broad agreement among experts on the policy change we need**

Aside from the optimism and pessimism present in the EU and described in the introductory chapter, many observers agree that the impact of the institutional and policy innovations of the last months (e.g. the Juncker Plan and Quantitative easing) has been limited. Europe’s problems, such as high unemployment, timid economic recovery, not to mention migration flows, are still to be adequately
addressed, while the new political challenges for the EU have become massive.

As for the policy package needed to address the crisis, there is a growing consensus among experts on what has to be done (see recent editions of *Social developments in the European Union*). We refer here to some of the most widely-debated measures for EMU (Schmidt in this volume for a more detailed overview of the measures to take)

First, many have talked of the need to rebalance the EMU architecture, by adding a Banking and Fiscal Union to the Monetary Union. The former helps to avoid the vicious circle between sovereign debts and banks, which increases the cost of credit to business and households in the Southern Member States, leading to less investment (Geeroms and Karboknik 2014). There is also increasing support for the idea of a Fiscal Union. In the wake of the crisis, the Eurozone has proved unable to manage its macro-economic imbalances. Without enhanced EU-level fiscal capacity (based on pooled revenue collection and expenditure), the euro will always be vulnerable to asymmetric shocks. Recent declarations from German and French leaders have revamped the debate and voiced support for the work of the EU working group, headed by former EU Commissioner Mario Monti, on a Eurozone fiscal capacity.

Second, the EMU needs a more ambitious strategy to address asymmetric shocks and create an integrated monetary union, with more effective tools at its disposal than simple budgetary and economic coordination. Growth-oriented investments should help those states that suffer a sovereign debt crisis and consequently have to implement austerity measures. Full activation of the European Structural and Investment Funds has been proposed, to spread more efficient employment and social policies. More flexible implementation of the Fiscal Compact for those Member States with lower debts and deficit levels is another possible strategy. This should be allowed to stimulate

1. Some of the measures listed below are proposed for the EU and/or the EMU.
2. The creation of the Single Supervisory Mechanism (SSM), a joint resolution authority, provides the basis for further financial integration in Europe.
internal demand and help the recovery of all Member States, especially those trapped in devaluation (De Grauwe 2013).

Third, the EMU needs automatic stabilisers and new forms of redistribution to boost internal demand while improving solidarity between Member States. This may lead to – as one of various proposals – a binding European framework on minimum income protection. Minimum income protection gives substance to the idea of social rights in a more solidaristic Europe. It would also oblige all Member States to have a national minimum income. Others have proposed the activation of a Social Solidarity Fund, to provide food assistance where it is most needed. Another proposal has been the launch of a European unemployment insurance scheme: this would consist of a basic safety-net to protect workers, by shifting a minor part of national payroll taxes to the European fund, in order to redistribute resources (Natali 2014).

While many agree on these and other measures, the problem is how to change the EU policy agenda in the direction mentioned above. The new priorities – economic growth, solidarity between Member States and some form of redistribution - would need new political institutions and a new political approach to the integration process.

2. The EU political dilemma and the broader democratic challenge in Europe

As well as proposals to tackle the social legacy of the crisis, the Eurozone also requires different governance procedures to help the EU be seen as legitimate in the eyes of European citizens. Here we will analyse the major political risks to be addressed.

The political effects of the lingering economic and social crisis are already visible. In the short term, it has led to unrest in the form of strikes and unpredictable electoral outcomes, the latter occurring most

3. Right now, Italy, for example, has an inadequate minimum income and Greece doesn’t have one at all.
4. Another issue under debate is the setting up of some form of coordination of minimum wages in the EU. Such a common framework would ensure that cross-border mobility could be encouraged without jeopardizing national social arrangements.
apparently in Greece but also in France, Denmark, and Sweden. In the medium term, it will lead to unsustainable divergence between EU Member States. The gap between the North and the South will widen in terms of employment rates, levels of education (Agostini and Natali in this volume), healthcare (Stamati and Baeten in this volume) and more. In the long term, this increasing social divergence and the presence of a large group of unemployed youth (the ‘Lost Generation’) will result in the EU losing political credibility with huge groups of Europeans. The risk is that the result of the EP elections, with the growing support for anti-Europe political forces, could be the first sign of a more dramatic change in EU politics in the coming years.

As stressed above, these political developments have led to a new political dilemma for the EU. On the one hand, the ‘integration by stealth’ pursued by EU policymakers in the last few years has proven ineffective. The more frequent references to intergovernmentalism and supranational technocratic decision-making have not increased effectiveness and legitimacy. On the other hand, there is a risk that the repoliticisation of the EU advocated by many analysts in order to improve the legitimacy of the EU could, in fact, heighten conflicts and provide more power to those political movements that want to go back to purely national policymaking.

2.1 Merkel's Union method is not a solution

One aspect of the dilemma is the fact that technocratic and intergovernmental policymaking is, by itself, no longer sufficient to address the threats mentioned above. It has proved to lack both input and output legitimacy; it is not subject to direct democratic control, and is not effective in solving problems. This shortcoming is true for the ECB and its increased role in monetary and economic policy. As stressed by Majone (2010), while many define the ECB as a truly federal institution that offers rapid solutions whenever EU political institutions are weak and unable to take decisions, it is in fact a perpetuation of the misguided}

---

5. This is an example of the ‘policy without politics’ syndrome (Schmidt 2006): party politics and left/right differences are marginalised by the search for compromises and the key role of technocratic institutions such as the ECB.
institutional assumptions of the past. The bank’s role as a fully independent body is the result of a lack of mechanisms for economic governance. Until these failings are fully addressed, the ECB, by default, will continue to exercise authority over the entire domain of monetary policy. But as stressed above, without a true fiscal union and a direct assumption of responsibility by the political government of the EU, such a strategy will not be effective (Natali 2014).

The rise of intergovernmentalism is generating further tensions. Key decisions taken since the crisis have been based on intergovernmental agreements and are perceived as an imposition by Germany. As a consequence, input legitimacy is weak and open to contestation. The combination of technocratic supranationalism and intergovernmental agreements underpins the so-called Union method (Chopin 2014). Merkel’s idea of the ‘Union method’ implies a new division of labour between EU institutions (supranational where possible) and national governments (intergovernmental where needed) (Behr and Helvig 2012). The latter consists in fact of a new German pre-eminence – sometimes expressed through a formal Franco-German leadership – at the new decision-making centre. The process focuses on narrow, short-term goals, while the long-term vision is weak. In the words of Amato et al. (2013: 179), ‘choices appear to be dictated by political appraisals leading to a preference for any formula on which it is easier for national leaders to reach an immediate agreement. (...) It has no prospects, is indistinct and poses problems that are difficult to solve, given the competition and conflict between Community sources and intergovernmental sources’. What is more, this exacerbates legitimacy problems and reduces the common trust between Member States. As stressed by Behr and Helvig (ibid.: 11), ‘by failing to embed this new approach within a comprehensive vision for Europe’s future, German actions inevitably appear threatening and domineering to the rest of Europe’.

The Union method has been used to promote austerity and the rigid implementation of what is called the ‘Brussels-Frankfurt’ consensus: a
sort of European declination of the ‘Washington consensus’ of the 1980s (Fitoussi and Saraceno 2012). In line with the ‘Brussels-Frankfurt’ consensus, the EU is anchored to three main principles:

- Inflation and debt are seen as the major problems for the European economies. As a consequence, fiscal consolidation and strict monetary policies are the cornerstones of balanced economic growth, so economic actors have confidence and may invest;
- internal devaluation is based on labour market flexibility and a gradual reduction of social rights and wage levels. Such a reduction should boost competitiveness and thus economic growth;
- it is then assumed that these problems can be addressed by the institutional design agreed on at Maastricht: unitary monetary policy and a coordinated but still nation-based budgetary policy. The ECB is the main actor, if not the only actor, which can stabilise the economic context through monetary policy decisions and there is thus no need for a EU budget to address asymmetric shocks (Beetsma and Giuliodori 2010).

Both the political and economic assumptions underlying the EU approach to the crisis are questionable and, after all, the measures introduced so far have not proved effective. Even if the last round of negotiations on the Greek crisis in the summer of 2015 seems to confirm the validity of the ‘Union method’, the efficacy of this approach is far from certain.

### 2.2 Repoliticisation of the EU: an urgent but risky remedy

The other side of the EU political dilemma concerns the risks of repoliticisation. In line with the ‘EU democratic deficit thesis’, some analysts have stressed that the European Union needs a more democratic design to improve its legitimacy. Greater political competition is desirable for many reasons: European citizens would be able to choose between alternative political leaders and agendas, and form preferences; competition would also provide policymakers with a stronger political mandate; and it might lead to the formation of a European demos (Follesdal and Hicks 2005 quoted in Korfer 2014). The recent politico-institutional steps mentioned in the introductory chapter show that the EU has moved towards the politicisation of EU
politics through the reinforced role of the EP. In particular, the designation of leading candidates for the presidency of the Commission and the more explicit role of the EP have been regarded as an appropriate means to address the democratic deficit (Korfer 2014).

Repoliticisation would also provide more channels for challenging the austerity paradigm that has dominated the last few years of integration. The last EP elections, as well as a number of recent national and sub-national elections, have shown the emergence of new political movements, which are against this paradigm. Repoliticisation would give more political leverage to the opponents of austerity, thus facilitating the adoption of those reforms we have listed above, including the setting up of a truly EU fiscal capacity and a more politics-driven monetary and macro-economic policy.

So the question remains: do we need a political earthquake at EU and national levels, in order to see this major revision of the EU plan come true? This debate seems to be the key challenge facing political leaders and the trade union movement alike. While all that we have seen above leads us to think that such an earthquake is precisely what we need, this thinking could in fact lead to further problems for the EU and its future survival. As stressed by Diamond et al. (2015), the rise of radical and populist forces poses a profound challenge to Europe’s traditional political parties, national and EU political institutions. And while citizens in the north are increasingly attracted to the Eurosceptic, anti-immigrant parties of the right, the turn to the left by citizens in the south appears to be based on scepticism concerning supranational institutions. Both trends are challenging the hegemony of traditional parties, and of social democrats in particular. In the words of Koole (2015): social democrats ‘are faced with the challenge of keeping alive the possibility of redistributive politics without losing out on efficiency (...) The trend towards the growing importance of non-majoritarian institutions should therefore be critically scrutinized in order to avoid being dragged into a technocratic logic that reinforces the neoliberal agenda’. If social democratic parties are not able to distance themselves

---

7. This seems to be the case in the Southern periphery, where political movements from the right and the left are increasingly opposing austerity measures promoted by the EU.
8. Non-majoritarian institutions, such as the ECB, are those insulated from direct political control.
from austerity, they will be the first victims of anti-Europe movements. In such a political context, repoliticisation of the EU can be seen as a solution but it might also intensify conflicts and make agreements to reform the EU extremely difficult to achieve.

What is more, the rise of radical anti-Europe leaders could force countries to withdraw from the Eurozone. A new populist leadership in EU members could further destabilise the political context. This could also be the effect of a round of referenda such as the recent Scottish vote (Matthijs and Blyth 2015).

2.3 The democratic challenge at supra-national and national level

The EU political dilemma mentioned above is in fact related to a much broader democratic challenge to Europe. This is a problem for the EU: the previous section has provided evidence of the weak input and output legitimacy of the Union, which is part of the ‘policy without politics’ syndrome. But it is also a challenge for national democratic institutions.

Nation States and their institutions have been destabilised by many events in recent years. All this is very much related to what Vivien Schmidt (2006 and 2010) calls the ‘politics without policy’ syndrome: increasing numbers of policies are transferred from the national political arena to the EU, leaving national citizens with little direct input into key policies that affect them. National policymakers thus have full political legitimacy but little power to decide on policies. The recent Greek referendum of 2015 is just the most recent example of such a clash. In the past, the Irish referendum of 2007 and the announced but then cancelled referendum in Greece in 2011 provided evidence of the limited room to manoeuvre for national decision makers in shaping their policy agenda. Still in the Southern periphery we saw the emergence of technocratic governments that, with the support of the EU, replaced political governments to solve the debt crisis.

All in all, domestic policymakers are increasingly constrained by decisions taken by supranational institutions and/or international organisations with much weaker democratic legitimacy (such as the IMF in the
context of the so-called Troika) (Reho 2014). As stressed by Armingeon and Guthmann (2014), with reference to the *Great Recession*, support for national democracy declined dramatically during the crisis. Philippe Schmitter (2014) has recently listed some of the key symptoms of the democratic malaise: increased abstention from voting, lack of identification with political parties, trade unions or professional associations, citizens’ mistrust towards their elected officials.

3. The potential role of trade unions in addressing dilemmas and challenges

The democratic challenge evident at both EU and national level is largely intertwined with the present and future of the trade union movement. The latter is part of the actual problems, but can be part of the solution to both challenges and dilemmas. Unions do contribute to the functioning of the legitimizing mechanisms at the core of democracy. We refer here to mechanisms that reinforce input, output and throughput legitimacy (Schmidt 2010: 7).

Trade unions help to express social demands, through their membership, campaigns and demonstrations (input legitimacy). Labour unions also help increase output legitimacy through effective policymaking procedures improving policy performance. Finally, trade unions may contribute to throughput legitimacy, via open policymaking, where citizens organized in interest-based organizations have an influence on the decision-making process. The three-fold role of the labour movement applies at national and EU level at the same time and can be crucial in a context characterised by the crisis and mounting popular disillusionment.

As stressed by Hyman (this volume), the key challenge for the union movement is to organize the discontent with austerity measures and to react to the decline in their organisational and political resources. The 2015 ETUC congress in Paris may represent a starting point, where trade unions try to envisage a new strategy to shape EU integration in the coming years and react to their perceived weakness. European trade unions and the ETUC will discuss their future, and the strategy to pursue in the next few years to represent workers’ interests. Here we propose a few issues to start off a broader reflection.
The new political context may be seen as an opportunity to go beyond austerity and poorly implemented neo-liberal strategies, while regaining a central political and social role. Yet there is also a risk that the new social and political movements will result in further attacks on the trade union movement, perceived as part of the *status quo*.

3.1 Trade unions under siege both at EU and national level

Trade unions are under siege and contribute in some respects to the democratic challenge in Europe (Serrano *et al.* 2011). The first challenge is the decline of social dialogue and concertation as we knew them. Political institutions at both the EU and national levels seem to disregard the role of social partners and their potential contribution to solving the crisis (output and throughput legitimacy). While social pacts at country level have experienced a decline, European social dialogue has weakened (Degryse 2011). The latter was launched by the then European Commission President Jacques Delors in Val Duchesse as a way to involve social partners in the Single Market process. 30 years later, the machinery seems to be stuck and unable to produce results (Vincenti 2015). Some point to enlargement, the financial and economic crisis, and the vetoing role of employers as the main determinants of such a stalemate (Degryse and Clauwaert 2012). Trade unions have also experienced a decline in social concertation at the national level. In the view of some authors, this has been the effect of a number of factors undermining the trade union movement: the decline in membership, the changing values in European societies, globalisation, the changing structure of the production systems and labour markets (Schnabel 2013). For others this is the consequence of the inability of trade unions to provide effective policy proposals for exiting the crisis, and of the increased mistrust between social partners themselves, with a certain cooling of employer attitudes (Culpepper and Regan 2014).

The second challenge comes from the new political forces and social movements. This is a new phenomenon especially in Southern Europe. Here we see the main problems facing trade unions in their attempts to contribute to input legitimacy. New social movements are quite suspicious of traditional social forces. Movements such as the Spanish *Indignados* and the Italian movements for the safeguard of common goods (e.g. water) perceive themselves as critical and opposed to trade
union confederations. As stressed by Pochet (2015), the newly emerging parties, such as Syriza in Greece or Podemos in Spain, lack the kind of historic relations with the trade unions that characterised traditional social-democratic parties. Yet the situation could evolve towards a new reinforced dialogue between far-left and trade unions. This is a possibility in Greece, where Syriza has promised to restore the institutional collective bargaining machinery.

3.2 A four-fold strategy for trade unions

Analysts have already proposed strategies for the trade union movement to pursue, to avoid marginalisation and be in a position to address the democratic challenge (see Hyman in this volume for a detailed overview). Four points are usually referred to: new organisational strategies to attract further members; an alliance with new political and social movements that are against austerity; providing new benefits and resources to their membership; and – at EU level – a new impulse for the European social dialogue. While these factors concern the reinvigoration of trade unions, we think they could also help to address the EU dilemma mentioned above. Stronger unions may help improve the legitimacy and effectiveness of EU socio-economic governance and address the democratic challenge at both EU and national level. These strategies to reinvigorate trade unions may also contribute to improving the democratic quality of policymaking in the three dimensions mentioned above: input, output and throughput legitimacy.

Innovative union strategies for ‘organizing’ new groups of workers outside the union itself, seeking alliances with other civil society organizations, not only for political and strategic reasons but also in order to reach out to the not-yet-unionized social groups which are most likely to become union members, are some of the strategies to relaunch trade unions (Bryson et al. 2011; Connolly et al. 2014). As stressed by Hyman in this volume, there have been recent attempts to forge new alliances between social movements and trade unions in Southern Europe. This informal alliance exists in Spain, where the Indignados recently called for ‘inclusive’ strikes in which the unemployed, students, and precarious workers could participate, while other social movements became involved in the strikes launched by trade unions. In the past, union action was quite closed to other movements.
These alliances have also been analysed by Ebbinghaus et al. (2011). Through a multilevel analysis, the authors have tested a number of hypotheses about the key determinants of trade union membership. Among others, the authors stressed the role of coalition-building. In the words of Ebbinghaus et al. (ibid.: 121), ‘there is a need for coalition-building with other social movement organizations which pursue similar goals. This can also serve a recruitment aim of unions, given (the) findings that those employees involved in other organizations are more likely to also join a trade union’. These strategies for new alliances and coalitions may also contribute to input legitimacy whenever these largely new demands and pressures find a place in the more institutional debate and agenda.

Other analysts have talked about the option of setting up new forms of welfare provision for their members, through, for instance, occupational schemes providing benefits and services (Natali and Pavolini 2014). Welfare benefits and services provide selective incentives for workers and may enhance their own social rights. In the past, such schemes have allowed trade unions to address new social risks well before state and public institutions in general were ready to set up institutions to protect workers. Especially in those countries where policies to address new social risks (such as skills obsolescence and family-work reconciliation) are insufficient, trade unions could consider occupational schemes as a means to protect their own rank and file. This option may help improve social policymaking and policy performances (output legitimacy) while integrating stakeholders in the decision making process (throughput legitimacy).

The fourth strategy concerns the EU level. European social dialogue (ESD) has re-entered the EU agenda. This could also help to put trade unions centre stage, with positive impact on both input, output and throughput legitimacy in the EU. But two major questions are unresolved: do employers really want to negotiate? And then, do trade unions agree amongst themselves (Degryse and Clauwaert 2012)? In the past both the Commission and employers proved to be at odds with the spirit of shared trust and common goals that is at the basis of any cooperation. This deficit is true for ESD and the involvement of trade unions in the European Semester (ETUC 2014; ETUI 2015).
But there are signs of a change. As outlined by Welz (2015), the social partners were consulted prior to the publication of the Annual Growth Survey (AGS), and the dialogue with the Employment Committee (EMCO) and the Social Protection Committee (SPC) has further improved. Starting with the Italian Presidency, the partners participate directly in discussions at the informal meetings of EPSCO ministers.

What is more, Commission President Juncker recently tried to relaunch this programme. The high-level conference in Brussels on 5 March was the first signal (Welz 2015). This conference of EU leaders discussed how to strengthen social dialogue with EU cross-industry social partners and their national affiliates. This first step was followed by the meeting of the Ministers for Employment and Social Affairs in Riga in April 2015. EU policymakers discussed informally ways to re-launch a true social dialogue, with a view to achieving inclusive growth, fostering employment and attaining economic, social and territorial cohesion.

The third signal was the recent agreement between EU social partners on the fifth work programme ‘Partnership for inclusive growth and employment’ presented on 14 July 2015. The social partners agreed on a list of issues to address: an autonomous framework agreement on active ageing and an inter-generational approach; efforts to implement autonomous framework agreements; highlighting the importance of more public and private investment; preparation of joint conclusions promoting better reconciliation of work and family life and gender equality; improvement of skills-development and active labour market policies; contributing to the efforts of the EU institutions to develop a mobility package, addressing loopholes and enforcement issues on worker mobility and promoting mobility of apprenticeships (ETUC 2015). It is still to be seen whether this new phase means full support of open dialogue or just a formal involvement of trade unions with no real weight in the economic and social decisions to be taken.

While it is clear that these complementary strategies are not an easy and fast solution to the main challenges facing the trade union movement, they can bolster its role and thus contribute to a fairer, more legitimate and social Europe.

July 2015
References


Future prospects


