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Citation for final published version:

Prosser, Thomas 2021. European insiders and outsiders? Assessing the reaction of German and French trade unions to EU austerity. *Political Studies Review* 19 (4) , pp. 624-636. 10.1177/1478929920931350

Publishers page: <https://doi.org/10.1177/1478929920931350>

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## **European insiders and outsiders? Assessing the reaction of German and French trade unions to EU austerity**

*Abstract: Though the existence of a European insider-outsider division has previously been theorised, a robust link between the actions of certain workers and the existence of such divisions has yet to be demonstrated. In this article, I examine differing reactions of German and French trade unions to austerity in Southern Europe. German and French unions reacted to austerity in a lukewarm manner, contributing to the emergence of European divides. This was particularly the case in Germany, in which the stronger position within EMU meant that there were fewer incentives for solidarity. I link this development with the nature of the contemporary EU, contending that the division is related to the propensity of EMU to initiate competition between national labour markets and an upturn in nationalism.*

**Keywords:** crisis; dualization; European Works Councils; Eurozone; insiders; outsiders

### **I Introduction**

Europe is characterised by marked discrepancies in labour market outcomes. In southern ‘periphery’ countries, high unemployment and diminishing security have prevailed for near a decade. The situation differs in northern ‘core’ countries; in these contexts, conditions have remained comparatively benign. Extant accounts have identified European divisions between workers (Author A; Hancké, 2000), though causal links have yet to be sufficiently established; this is vital if a European division is to be theorised.

In this work, I establish a link between the actions of certain unions and the existence of European divisions. Employing frameworks used by existing literature (Hancké, 2000; Palier and Thelen, 2010), I examine differing reactions of German and French trade unions to austerity in Southern Europe during the 2010-15 debt crisis. This period saw considerable changes in labour market conditions in southern Europe, which were linked to processes initiated by European public authorities. These changes were associated with a range of factors yet, consistent with existing literature, the attitudes of workforces in other European countries were crucial.

Although unions in Germany and France articulated solidarity with the periphery, lukewarm attitudes tended to prevail in both countries. This was particularly the case in Germany. The DGB union confederation issued the impressive *A Marshall Plan for Europe*, yet the extent to which German unions engaged in anti-austerity actions was minor. This was related to the position of Germany in the Eurozone. EU-imposed austerity posed a threat to German workers, yet benefits associated with the status quo diminished grounds for opposition. Nationalism also meant that some workers adopted hostile attitudes towards the periphery.

This situation had parallels in France. The degree to which French unions engaged in acts of solidarity with periphery countries was more extensive than in Germany, reflecting the intermediate competitiveness attained by France within the Eurozone (Hassel, 2014), yet efforts were modest in comparison to mobilisations against national reforms. Such behaviour was related to the French position in the Eurozone. Pressure exerted on the labour market enhanced grounds for resistance, yet the intermediate competitiveness achieved by France meant that incentives for opposition were inferior to periphery countries.

Results show the means by which new European divisions emerge. Even if unions in Germany and France were constrained by structural influences, lukewarm dispositions in both countries meant that changes in the periphery were not fully contested, economic benefits of the status quo diluting grounds for opposition. This is demonstrated by differing reactions of French and German unions, the weaker position of France entailing greater incentive to protest. Findings develop knowledge of causal mechanisms of European divisions, which are underdeveloped in existing literature (Author A; Hancké, 2000). In conclusion, I argue that divisions are related to the propensity of EMU to initiate competition between national labour markets and an upturn in nationalism.

## **II The European insider-outsider division: moving towards a conceptualisation**

Transnational divisions between workers have long interested scholars. Evaluating global inequalities, certain Marxists have emphasized that such divides are underpinned by the position of labour in richer countries (Baran, 1968; Lenin, 1999). Researchers have noted divisions in Europe. Following the launch of Economic and Monetary Union (EMU), scholars noticed that national labour movements engaged in competition. Rhodes (1998) labelled national social pacts ‘competitive corporatism’, highlighting their propensity to undercut conditions in other member states.

Scholarship on European Works Councils (EWCs) developed this theme. Following introduction of the EWC Directive, researchers warned of the potential for regime competition; Streeck (1997) predicted that EWCs would inspire coalitions between national workforces and management. Investigating industrial restructuring in the European car industry, Hancké (2000) asserted that unions used EWCs to obtain information for

transnational competitions for production capacity. Despite aims of the Directive, weaknesses of EWCs and sectoral competition meant that union cooperation failed to emerge; this was underpinned by differences in language, culture and industrial relations systems (Knudsen et al., 2007; Timming, 2006). Others disagreed, underlining the potential of EWCs to promote minimum standards (Banyuls et al. 2008), yet the ‘pessimistic’ school became established (Müller and Hoffmann, 2001). Such arguments were echoed in literature on cross-border trade union alliances, literature finding that trade unions with few resources undertook defensive isolation (Lévesque and Murray, 2010). Causal mechanisms nonetheless remained undertheorized. Pessimists tended to underline existence of competition, rather than evaluating the means by which it occurred.

Literature on the dualization of labour markets develops knowledge of causality. This work concerns insiders and outsiders within national labour markets, yet shows how the inaction of insiders causes division. In a study of France and Germany, Palier and Thelen (2010) underlined the relationship between dualization and the vigour with which trade unions opposed certain forms of deregulation,

‘We see strong resistance in French unions to a general flexibilization of the labor market—especially with respect to regulations governing hiring and firing—but tacit support for the development of cheaper and more flexible jobs on the periphery through the relaxation of conditions for the use of fixed-term contracts, part-time, and agency work.’

Certain studies analyze European divisions through the lens of dualization theory. Observing differences between core and periphery Eurozone countries, author A suggested that such divisions were in the interests of permanent workers in core countries and emerged through a

two-fold process. First, greater efficiency of collective bargaining ensured that core countries obtained an advantage within the Eurozone which became evident following the 2008 crisis. Second, workers within the core offered limited opposition to consequent austerity measures within periphery countries. This was related to benefits associated with the advantage of core countries within EMU, involving the guarantee of employment and relenting of pressure for deregulation. The major beneficiaries were permanent workers in core countries; gains for temporary workers and the unemployed in these countries were more modest. Permanent workers in periphery countries lost the most; the protection enjoyed by these employees was downgraded. This represented a tentative conceptualisation of a European insider-outsider division and was consistent with work which emphasized the potential of European influences to transform national institutions (Armingeon and Baccaro, 2012), yet failure to develop case studies demonstrating causal mechanisms meant that a gap remained.

In this article, I address this gap. Not only will this develop knowledge of the means by which transnational divisions emerge, but it adds to literature on the Eurozone crisis. Study is inspired by the argument of Palier and Thelen (2010) that divisions results from lack of opposition of insiders to reform of the labour market periphery. Given such a causal argument, it is necessary to examine the attitudes of European insiders (Author A) to processes of European reform and the foundations of relevant attitudes. Investigation of the reaction of German and French unions to EU austerity measures in periphery countries is a suitable case study. Not only do permanent workers in Germany and France represent the European insiders considered to occupy a predominant position within EMU, but the 2010-15 period was distinguished by rapid reform in periphery countries such as Greece, Portugal and Spain; this time may be considered a ‘critical juncture’ (Capoccia and Kelemen, 2007) in which institutions undergo uncommon change and the influence of actors is enhanced.

It is true that multiple variables caused the deterioration of conditions in periphery countries; these include the austerity measures which were designed by European public authorities and the attitude of southern European conservative elites. The relevance of these influences is not denied. I merely suggest that the attitude of non-periphery unions was a further significant variable, which merits theorisation. The conclusions of dualization literature indicate the validity of this premise (Emmenegger et al., 2012; Palier and Thelen, 2010). It is more challenging to establish such relationships on a European scale, yet the link which dualization theory makes between inaction and division is relevant to transnational cases. Comparative analysis is also illuminating. Given that unions across Europe mobilized against a common set of austerity measures, discrete reactions raise questions about the importance of country-specific variables, including economic status. In-depth study of particular countries, with reference to cases in other member states, will illuminate such factors.

Country selection is motivated by position in the Eurozone. Analysis of national insider-outsider regimes hinges upon the behaviour of insiders; it is thus necessary to examine settings in which such behaviour can be appraised. Theorisation of the cases of one core (Germany) and one intermediate (France) country is appropriate; the insiders in which I am interested are present in these contexts (Author A). Analysis of an intermediate case will also allow for comparison between actor behaviour in core and intermediate contexts. I do not consider a periphery case; these countries were affected by studied processes and therefore lack relevant insiders. Such contexts are nonetheless valuable as comparisons, behaviour of unions differing from core and intermediate counterparts.

The first of the countries I examine, Germany, is the archetypal core European country. After the launch of the Euro, the capacity of German unions to moderate wages ensured that the country increasingly enjoyed competitive advantage (Hassel, 2014). This paved the way for a consolidation of the existing German labour market model; there was no further liberalisation of employment protection after the 2002-5 Hartz reforms and unemployment fell. Germany played a crucial role in the debt crisis, many perceiving EU policy to be under German control (Mody, 2018). The role of German unions was also significant. Even if their influence over the Government had limits, unions were an important domestic actor and predominance was enjoyed within European trade union confederations (Dribbusch, 2015).

The second of the countries I examine, France, occupies an intermediate position in the Eurozone. After the launch of the Euro, the uncoordinated character of French capitalism meant that the country was not as competitive as the core (Hassel, 2014); loss of competitiveness was nonetheless less significant than in periphery countries. Given that deterioration of labour market conditions was less acute and France attained a privileged position vis-à-vis the periphery, author A is inclined to regard French workers as European insiders; this status is nonetheless more tentative than in Germany. The role of France in the debt crisis was key. Though not as influential as Germany, the need to achieve Franco-German consensus meant that the consent of France to reform was crucial (Mody, 2018). The significance of unions should not be overlooked. Even if French unions are numerically weak, their capacity to organise mass mobilisations means that they exert substantial influence over public authorities (Parsons, 2017).

It is crucial to set out my criteria for the assessment of union behaviour. As outlined, I aim to evaluate the willingness of German and French unions to mobilise in defence of southern



European counterparts; it is thus vital that appropriate measures of behaviour are devised. Consistent with Palier and Thelen's (2010) causal argument, actions are assessed on two grounds: (i) vigour of policy activity and (ii) willingness to engage in anti-austerity actions. The first of the criterion, vigour of policy activity, involves assessment of the extent to which austerity was opposed on a political level. This not only entails appraisal of stated attitudes towards austerity, but also involves evaluation of the extent to which public authorities were lobbied for policy changes. Attention is paid to the degree to which opposition was prioritised, particularly in comparison to alternative goals.

The second criterion, willingness to engage in anti-austerity actions, involves assessment of engagement in the pan-European strikes and demonstrations which took place in this period. Dufresne and Pernot (2013) usefully identify three degrees of input: participation in (1) general strikes, (2) mass demonstrations and (3) symbolic actions and/or messages of solidarity.

I employ two main research methods: analysis of secondary sources and semi-structured research interviews. Owing to its evaluation of macro-level events over a longer timescale, the study relies primarily on analysis of secondary sources. Three types of these sources were assessed. The first of these forms, official documentation (i), included material such as position papers and reports issued by trade unions. Examples of such sources include *A Marshall Plan for Europe*, a position paper of DGB, and union reports of protests. The second of these forms, media reports (ii), included material issued or transmitted by newspapers, internet sites, television or radio. The third of these forms, academic work directly and indirectly concerned with relevant subject matter (iii), is comprised of scholarly output pertinent to developments in the studied period.

Though evaluation of secondary sources primarily underpins analysis, the fact that certain organisational perspectives remained obscured meant that it was necessary to undertake semi-structured interviews; 10 interviews were conducted between June 2016 and October 2017. The majority were carried out face-to-face though some were undertaken via telephone. Appendix one provides further details of interviews. Five interviews were conducted in Germany; representatives from the trade unions DGB, IG Bau, IG Metall and Ver.di and an expert in union-party relations from the SPD political party were interviewed. Five interviews were conducted in France; representatives from the trade unions CFDT, CFE-CGC, CFTC, CGT and FO were interviewed. Respondents were asked about organisational attitudes towards austerity and involvement in protests. Interviews were recorded and transcribed and later coded according to research aims. Rich insight was yielded into organisational attitudes though, as stated above, such data is used in a supplementary capacity.

### **III Germany: magnanimity or indifference?**

German unions have long assumed leadership roles within European confederations, campaigning against measures such as the Bolkestein directive. On a rhetorical level, the austerity measures which were implemented in southern Europe were repeatedly denounced by German trade unions. Aside from motivations of solidarity, there was a fear that, in the longer term, such measures would be employed in Germany. Individual unions consistently issued declarations against austerity and suggested alternative courses of action based on fiscal stimulation; in 2011 both IG Metall and Ver.di issued statements to this effect. Notwithstanding activity of individual unions, the most notable contribution was *A Marshall Plan for Europe*, published by the DGB confederation in December 2012 and outlining a

Keynesian vision for European regeneration. Working on the premise that austerity was ineffective, the plan argued for a programme of investment on the basis of detailed economic calculations. It was contended that these measures would not only stabilise economies, but also restore trust in the European project. *A Marshall Plan for Europe* attracted widespread support amongst German unions, yet particularly significant was the reaction of unions in other countries; an official from the Spanish UGT described it as ‘a fantastic document’ (author B).

Though German unions protested against austerity, an interesting finding was that some unionists perceived the approach taken by *A Marshall Plan for Europe* to be more effective than demonstrations. A DGB official asserted,

‘*A Marshall Plan for Europe* I believe is, without being too modest, a real masterplan... For a simple reason we thought, okay we could protest against austerity... we could go on the streets and declare our solidarity with Greece, with Portugal, with Italy, with Spain... but it wouldn’t change anything.’

Despite rhetorical solidarity with counterparts in southern Europe, the actual support of German unions can be critiqued on two grounds. Firstly, unions supported policies which were associated with austerity. Though not as implicated in austerity as the centre-left SPD political party, SPD voting in favour of measures associated with austerity, unions were accused of endorsement of austerity. An example was union support for increased funding of the European Financial Stability Facility (EFSF). Prior to a Bundestag vote in September 2011 to boost EFSF capacity, the head of DGB issued a common statement with the head of the BDA employers’ association, which advocated increasing the fund so as to maintain a

united Eurozone. The declarations of certain leaders were close to the line of the Government. Not only did IG Metall head Berthold Huber assert that unions were responsible for inflexibilities in the Spanish labour market, but the European strikes of 14 November 2012 were dismissed as ‘voluntaristic nonsense’ (Bieler and Erne, 2015: 12). Many within the German labour movement were critical of such stances, particular opposition emanating from figures associated with Ver.di (Wehr, 2012).

Secondly, participation in anti-austerity demonstrations was comparatively limited. Not only do German unions appear to have shied away from the organization of European protests, this task falling to unions from southern countries (Dribbusch, 2015), but German participation in the Europe-wide protests which took place from 2010 was inferior to levels in other countries. Involvement in a 29 September 2010 European Trade Union Confederation (ETUC) action appears to have been restricted and the reaction of German unions to the 14 November 2012 European Day of Action and Solidarity was muted. On this day, there were general strikes in Portugal and Spain, strikes in Greece and Italy and large protests in France, Belgium and certain central and eastern European countries. By contrast, support in Germany was largely rhetorical; it was confined to limited protests in towns and messages of solidarity from works councils (Dufresne and Pernot, 2013: 19). In analysis of union participation in the 14 November action which identifies three levels of input – (1) general strikes, (2) mass demonstrations and (3) symbolic actions and/or messages of solidarity - Dufresne and Pernot (2013) judge the contribution of German unions to have been in the third category.

An autumn 2012 attempt by Ver.di to organise actions in towns and regions ‘largely failed to find active support among local union organisations in Germany’ (Dribbusch, 2015: 180), whilst a 14 November 2012 demonstration in Frankfurt attracted only 100 protestors

(Independent, 2012). Dribbusch (2015) also argues that significant protests within Germany would have achieved greater effect than actions in southern Europe; the cases of campaigns against the port services and Bolkestein directives are cited as examples of successful European actions. This perspective demonstrates potential leverage against European reforms and is difficult to reconcile with the argument, made by my DGB interviewee, that publications such as *A Marshall Plan for Europe* were a more effective means of opposing austerity.

The opposition of German unions to austerity, though regularly expressed rhetorically, was therefore rather equivocal. This raises questions about the foundations of this behaviour. Many of the points made by radical authors (Bieler and Erne, 2015), who contend that austerity poses an equivalent threat to workforces across Europe, are difficult to deny. The dwindling of labour strength in southern Europe weakens the capacity of workers to engage in European collective action, therefore making European policies hostile to labour more likely. The onset of developments unfriendly to labour in periphery countries also makes similar processes more likely in core countries. Not only does it put competitive pressure on conditions in other member states, particularly within the Eurozone, but it puts wind in the sails of employers desirous of deregulation. Union elites grasped these points; this is evidenced by the tone of publications such as *A Marshall Plan for Europe*.

Notwithstanding the threat which austerity posed to German workers, there were two complicating factors. The first was the advantage which Germany enjoyed within EMU. Germany had experienced initial difficulties - Euro membership had handicapped the economy in the early 2000s and there was continual wage restraint (Sinn, 2013) - yet predominance was achieved later in the 2000s; German unit labour costs (ULCs) became

increasingly competitive and a trade surplus was attained. This advantaged workers. As a result of the superior competitiveness of exports, German firms were able to establish long-term markets for their products and secure employment for workers (Mody, 2018). In these years, unemployment fell and pressure for the deregulation of dismissal protection relented. Workers in permanent employment were most significant beneficiaries, yet there were also benefits for German outsiders; economic success improved their prospects of permanent employment.

Secondly, austerity had certain advantages for the German economy. Not only did a weak Euro aid exporters, but cheaper borrowing costs, which resulted from the ‘safe haven’ status of German bonds, helped the economy; the Leibniz Institute for Economic Research associated this effect with savings of more than 100 billion Euros between 2010 and mid-2015 (IWH Online, 2015). In an August 2015 analysis of austerity, Oxford economist Simon Wren-Lewis concluded that the measures were related to German self-interest. Gains associated with austerity may have favoured richer citizens, yet there were also benefits for workers; economic success guarantees employment and postpones painful domestic restructuring. The latter point is made by Wren-Lewis.

Causal mechanisms are critical. Though German union members may have had limited awareness of wider economic contexts, the situation in Germany constrained possibilities of union leaders. A precondition to major protests was economic crisis linked to Eurozone membership; in no country outside of Southern Europe were there major protests. It is difficult to credit alternative explanations; northern countries have large union movements and participated in previous European actions, German unions leading earlier protests.

Nationalism exacerbated matters. After the outbreak of debt crisis in 2010, the German public were generally unsympathetic to southern European countries; there was a view that the troubles of these countries were self-inflicted and German aid was likely to be misspent. Such attitudes were encouraged by a tabloid press which depicted southern Europeans as feckless and lazy. The *Bild* tabloid, which declared that ‘Greece, but also Spain and Portugal have to understand that hard work – meaning ironfisted money-saving – comes before the siesta’ (Henkel, 2015), was widely read by union members. This was part of a rise in nationalism, in both Germany and Europe (Polyakova and Fligstein, 2016). Radicals consider nationalist discourse to serve the interests of capital. Though this cannot be denied, it is difficult to argue that the economic factors identified above exercised no influence on the preference of workers.

In these circumstances, it was difficult for the German unions to move beyond rhetorical unity with periphery countries. There was very little popular appetite for demonstrations of solidarity and members may have been hostile to concrete acts of support. Leaders were also not immune to sentiments which were unsympathetic to the periphery, as the remarks of Berthold Huber demonstrate. In other core countries, trends were similar; engagement in pan-European protests was limited across northern Europe (Dufresne and Pernot, 2013: 20).

These causal mechanisms are consistent with those elaborated by dualization theory (Palier and Thelen, 2010), scholars emphasizing that divisions result from inability to organize insiders, rather than conscious design. Though workers in core countries did not plan European divisions, limited prioritization of opposition meant that inequalities associated with EMU were not robustly challenged. This did not directly benefit such insiders, yet aided them in the medium term; it relented pressure and allowed these workers to benefit from

security in a time of increasing flexibility. By tacitly consenting to austerity and deregulation on the periphery of the Eurozone, insiders in core countries delayed reforms in national contexts.

#### **IV France: peu enthousiaste?**

In contrast to Germany, significant labour market reforms were implemented in France after the outbreak of crisis; these were mainly introduced by national public authorities and opposition was a key priority for French unions. There were also protests against EU reforms implemented in periphery countries, though French unions tended to dedicate less energy to this goal. General objection was made to the strategy of austerity. In a series of statements at key points in the Eurozone crisis, French unions advocated Keynesian solutions which were similar to those outlined in *A Marshall Plan for Europe*. CGT and FO adopted vociferous stances; this reflected militant traditions of these unions, including forceful opposition to European neoliberalism. Moderate unions such as CFDT were nonetheless steadfast in opposition, despite adopting a milder tone. Such resistance was rooted in solidarity with southern European counterparts, yet there was also concern about the long-term deterioration of conditions in France. A CFDT official said,

‘The policy of the European Commission is to put countries in competition with one another. Spain has lowered its cost of work, so it is necessary that France lowers its own cost. Then when France does this, it will be said that Spain has to lower its costs again. In the end, everyone will find themselves receiving Chinese salaries!’



The opposition of French unions also assumed tangible forms. On the European Day of Action and Solidarity of 14 November 2012, more than 130 actions took place in France (Dufresne and Pernot, 2013: 19). Consistent with the intermediate position of France in the Eurozone, levels of participation were more significant than in Germany. Demonstrations in cities such as Paris, Marseille and Bordeaux attracted thousands and a nation-wide figure of 113,000 protestors was reported. The actions also enjoyed considerable political support; not only were a range of unions involved, including CGT and CFDT, but prominent radical politicians such as Jean-Luc Mélenchon, leader of *La France Insoumise*, were present.

Degrees of participation can nonetheless be overstated. At the French actions which took place in November 2012, one report described participation as ‘often sparse’ (BFMTV, 2012). It should also be remembered that no strikes were held. This was not the case in southern Europe; in Greece, Italy, Portugal and Spain, calls for European solidarity inspired general strikes (Dufresne and Pernot, 2013: 19). The less extensive commitment observed in France is particularly conspicuous in a country in which hundreds of thousands habitually take part in demonstrations against domestic reforms, even if one takes into account the lessened ability of French public authorities to shape policy in countries such as Greece. French unions indeed perceived such matters to fall within the domain of unions in affected countries. When asked about the issue, a union interviewee remarked that it was important not to intrude in the affairs of counterparts.

The extent of political resistance also had limits. Though unions articulated opposition to austerity, Parsons (2019) notes a tendency for European affairs to be abdicated to European confederations. Forums in which French public authorities can be lobbied on European questions, such as the Committee for European and International Social Dialogue (CDSEI),

are also rather peripheral. Wider developments were also relevant. Following initial opposition to austerity, Socialist President François Hollande increasingly adopted the line of the German Government, Chancellor Merkel refusing to renegotiate the European Fiscal Compact. Though much of the French left opposed Hollande, unions such as CGT and FO identifying with the anti-austerity Mélenchon, moderates were conflicted.

The reaction of French unions to the crisis of the southern European periphery was therefore mixed. This could be associated with the French position within the Eurozone. On the one hand, the intermediate status of France meant that labour had an interest in challenging the prevailing shape of EMU. In contrast to Germany, implications for employment were ambiguous and national policymakers came under considerable pressure to effect deregulation. Austerity in southern Europe also posed a greater threat to French labour. Owing to the more precarious position of France in the single currency, European policies which were hostile to labour were more likely to impact French workers; to a degree which it did not in Germany, the new European Semester urged deregulation in France. The behaviour of French labour corresponded to such factors. Sizable protests on 14 November 2012, the equivalent of which did not occur in Germany, can be understood in these terms. In Belgium, which occupied a similar position in the Eurozone, labour acted in a similar fashion (Dufresne and Pernot, 2013: 19). Traditions of labour militancy encouraged such reactions.

Despite this engagement, the status quo was not entirely counter to the interests of French workers. France secured a degree of competitiveness in the single currency, which implied that increases in unemployment and insecurity were not as considerable as in periphery countries. The measures of austerity which were implemented in periphery countries were also not completely at odds with French economic interests; periphery debt was owned by

French banks and a cheap Euro helped exporters. Such advantages tend to accrue to richer classes, repayment of Greek debt being most clearly in the interest of French banks, yet the extent to which workers also benefited should not be ignored; national economic success has important implications for employment.

Causal mechanisms resembled those in Germany. Owing to the more equivocal effects of Euro membership in France, there was reduced incentive to participate in pan-European protests. Despite traditions of militancy, French unions therefore failed to emulate strikes which took place in Southern Europe. As in Germany, attitudes of ordinary workers were relevant. Though never as pronounced as in Germany, nationalist stances towards Southern Europe were common; opinion polls indicated that a majority of the French population favoured a hard line against countries such as Greece (IFOP, 2015). In these conditions, union elites were unable to achieve significant mobilization.

## **V Can a European insider-outsider divide be conceptualised?**

Results show the behaviour of German and French unions to be somewhat modest. In terms of the first assessment criterion, vigour of policy activity, findings demonstrate that responses were mixed. Though unions in both countries denounced austerity, the extent to which the goal of opposition to austerity was prioritised can be disputed. Not only did German unions support increases in funding for the European Financial Stability Facility (EFSF), but certain union leaders were ambiguous towards the periphery. The opposition of French unions was more full-blooded, though resistance was impeded by under-Europeanised industrial relations structures.

With regard to the second assessment criterion, willingness to engage in anti-austerity actions, the performance of unions was rather undistinguished. French unions held mass demonstrations, yet these actions were not equivalent to the strikes which took place in Southern Europe. German engagement was weaker; participation in the 14 November 2012 European Day of Action and Solidarity was confined to symbolic actions.

Unions in both countries faced major restraints, related to resource limitations and restricted influence on public authorities. Unflattering comparisons may nonetheless be made. Not only have unions in Germany and France opposed national reforms with more conviction, but southern European unions made greater effort to mount pan-European resistance; on the 14 November 2012 European Day of Action and Solidarity, regional disparities in mobilisation were conspicuous. It is problematic to assert that labour was bereft of influence. Though policy was primarily controlled by the troika, significant protests in core countries would likely have diluted austerity. The cases of successful actions against the port services and

Bolkestein directives demonstrate that European measures are not incontestable (Dribbusch, 2015).

Differences between French and German unions were apparent. In the former case, the reaction of unions was more impressive. This could be linked to French status in the Eurozone. Owing to the more precarious position of the French economy, unions had greater incentive to engage in solidarity with periphery countries. Though factors such as union militancy were also relevant, the salience of economic positioning is demonstrated by reactions in other contexts. In countries occupying an intermediate position in EMU, such as Belgium, mobilizations on the European Day of Action and Solidarity were similar. The stronger position of Germany entailed less incentive for action. Given benefits associated with the status quo, German unions had diminished motivation to engage in European protest. This is also demonstrated by responses in other contexts. In countries occupying a dominant position in EMU, such as Austria and Netherlands, mobilizations were similarly small.

In both core and intermediate settings, the inability of unions to defend threatened counterparts thus prompted new divisions between European workforces. The division was admittedly related to other developments - the influence of factors such as European austerity measures and the attitude of southern European conservatives cannot be denied - yet the modest reaction of German and French labour should be considered an important cause. Constraints faced by unions partly explain limits to solidarity, yet do not negate the role played by such inaction in prompting subsequent divisions.

Findings demonstrate the mechanisms which are absent from previous accounts of European divisions and develop knowledge of the means by which transnational divides between

workforces emerge (Author A; Hancké, 2000). As dualization scholarship indicates, insiders in other contexts have faced similar pressures; such divisions form as a result of the secondary emphasis which certain workers place on solidarity with others (Palier and Thelen, 2010).

European divisions crystallize more indirectly than national equivalents. In the latter, the capacity of public authorities to directly deregulate dismissal protection and proximity of unions to policy processes entails a direct link with insider agency (Palier and Thelen, 2010). Identical processes are precluded by the *sui generis* nature of EMU. Though the Eurozone is a single economic unit, labour market policy is primarily a national competence and unions remain organised at this level. In these circumstances, discrepant effects of EMU dilute motivation for pan-European action in non-periphery countries. EU-imposed austerity may have threatened unions in these contexts (Bieler and Erne, 2015), yet benefits associated with EMU meant that incentives for pan-European action were diminished. By tacitly consenting to austerity and deregulation on the periphery of the Eurozone, insiders in core countries also delayed such processes in national contexts.

Divisions are further distinguished by the exacerbating role of nationalism. This has always existed in Europe, though has heightened in recent times (Polyakova and Fligstein, 2016), and in the studied case took the form of popular hostility to Southern Europe. EMU structures may be primary causes of divisions, yet nationalism further impedes solidarity between workforces and makes such divides more difficult to overcome. Though national divides are not free of an ethno-national dimension, immigrants accounting for a high proportion of domestic outsiders, this facet of the European division is particularly marked. The influence

of nationalism further distinguishes European divisions from those found in EWCs, interfirm rivalries failing to ignite major tension.

The European insider-outsider divide is thus part of the wider crisis of European integration. Even if divisions between workforces are endemic, as demonstrated by scholarship on national divides (Palier and Thelen, 2010), the European division contributes to tensions between regions. Narrowing of the divide, via the pro-growth measures proposed by socially-minded economists (Stiglitz, 2016), is a foremost challenge; the future of the European project may depend on it.

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## Appendix 1: List of semi-structured research interviewees

Organisation	Form and nationality of organisation	Date interview conducted	Interview format
CFDT	French trade union	June 2016	Face-to-face
CFE-CGC	French trade union	June 2016	Face-to-face
CFTC	French trade union	June 2016	Face-to-face
CGT	French trade union	October 2017	Telephone interview
FO	French trade union	June 2016	Face-to-face
DGB	German trade union	February 2017	Face-to-face
IG Bau	German trade union	February 2017	Face-to-face
IG Metall	German trade union	February 2017	Face-to-face
Sozialdemokratische Partei Deutschlands (SPD)	German social-democratic political party (specialist in union-party relations)	February 2017	Face-to-face
Ver.di	German trade union	February 2017	Face-to-face