

0. UNIVERSITÀ DEGLI STUDI DI MILANO
GRADUATE SCHOOL IN SOCIAL AND POLITICAL SCIENCES

Dipartimento di Studi Sociali e Politici
Doctoral program in Political Studies (XXIX Cycle)
Settore scientifico-disciplinare SPS/04

**EU ORDOLIBERAL INTERGOVERNMENTALISM AND THE
TRANSFORMATION OF NATIONAL POLITICAL OPPORTUNITIES**

**Explaining governments' and trade unions' strategies in Portugal, Spain and
Italy during the Eurozone crisis**

Candidate:

Angie Gago

Tutor:

Prof. Maurizio Ferrera

Ph.D. Program Coordinator:

Prof. Francesco Zucchini

1st March 2018



EXECUTIVE SUMMARY

This thesis evaluates the impact of the new European economic governance on national political opportunities and explains national political actor's strategies, governments and trade unions, in the corporatist sphere. It argues that the new European governance led to the emergence of a new *rules-based* institutional setting that is the result of two factors. First, the asymmetry of power between creditors and debtor countries. Second, the reinforcement of ordoliberal ideas and intergovernmental procedures advocated by the creditors. This thesis claims that the European *rules-based* setting shapes national government's behaviour through three mechanisms. First, it isolates economic and social policies from national democratic processes. Second, it shifts European policymaking procedures from mechanisms of coordination to mechanisms of discipline and conditionality. Third, it imposes a policy regime based on austerity, welfare cuts and labour market deregulation. As a result, debtors have to comply with external demands of austerity and structural reforms if they want to receive financial support and avoid financial default.

This dissertation claims that *national responses* to external demands are the result of two-level games. On the one hand, governments have to evaluate the costs and benefits of complying with external demands (international constraints). On the other hand, governments' decisions depend on their ideology and their level of fragmentation (domestic consensus dynamics). *Full compliance* with external demands is associated with strong and/or centre-right governments whereas *timid compliance* with external demands is associated with divided, weak and/or left governments. Moreover, this thesis argues that *government's choice* (concertation or unilateralism) depends on the degree of external credibility achieved by different national responses. Governments that comply fully with external demands are credible and tend to implement reforms unilaterally. On the contrary, there are two paths through which external credibility can be compromised. First, when governments are divided around the adequacy of implementing external demands (*government-led timid compliance*). Second, when popular mobilisations can hinder the implementation of the reforms (*trade unions-led timid compliance*). In both cases, governments are interested in including trade unions to generate national consensus and signal external actors with credibility.

Finally, I argue that the new European *rules-based* setting transforms the political opportunity structure available for trade unions. The new setting multiplies the centres of power towards which they can direct their demands, erodes previous political alignments and creates new potential alliances. However, I further claim that the ability of trade unions to explore the opportunities of this new political structure depends on their framing processes, which are shaped by their power resources and identities.

Acknowledgements

An artist whom I admire affirmed in an interview that he felt privileged because he had always found a hand that said: ‘Come, I believe in you’. This made me think in how privileged I have been since I decided to do a PhD. In the last years, I have found many wonderful people that were willing to give me a hand. First, I would like to show my deep gratitude to my supervisor, Maurizio Ferrera, who believed in me and who has supported me academically and personally in this journey. His guidance and intellectual stimulation pushed me outside my ‘comfort zone’ and motivated me to take original paths. Besides, he has given me the opportunity to participate in his ERC-funded project, REsCEU, where I have had the privilege to exchange views with excellent scholars. I would like to thank all the REsCEU team, and especially Furio Stamati, Joseph Hien, and my PhD colleagues, Francesca Arcostanzo and Nicolo Donati, for their help and their feedback.

Moreover, I am grateful to the Network for the Advancement of Social and Political Studies for the provision of the PhD scholarship and for giving me the opportunity to form part of an excellent academic programme. Besides, I would like to show my gratitude to the Department of Social and Political Studies at the University of Milan, where I have met brilliant scholars who always showed interest in my work. I would like to thank especially to Matteo Jessoula, Marcello Natili and Stefano Sacchi, whose generosity and comments have contributed largely to improve my thesis.

A PhD is also made of corridor conversations and ‘terrible’ 50 cents coffees from the machine. I will always remember my first two years at the Graduate School in Via Pace with Martina P., Martina B., Valeria, Ale, Fede, Irakli and Vojkan. I cannot name everyone but it was wonderful to share that experience with all of my colleagues from the three PhD programs. Additionally, I was immensely lucky because I met my dear friend Cristina. Thank you for your help these years and for making me feel at home in Milan.

I would like to acknowledge that this thesis would have not been possible without the support of my previous PhD supervisors in Spain, César Colino and Eloísa del Pino, who trusted me and celebrated selflessly my scholarship in Milan. They have been present during all the process despite the distance and have provided me with invaluable help and guidance to develop all aspects of my academic career. During the last years, I have carried out my fieldwork in Spain, Portugal, Belgium and Italy and I have presented my work in several conferences. I would like to thank all the people (experts, trade unionists,

politicians, professors, etc.) that I have interviewed for their availability and to the scholars that have always been happy to hear about my thesis. In that regard, I would like to express my gratitude to Sergio González, Borja Suarez, Alexandre Afonso and Oscar Molina for their feedback on my work. In Spain, I am grateful to the Department of Political Science and Public Administration of the UNED, where I did a research stay of six months, for providing me with a good environment and resources to conduct my interviews. Also, I do not have words to express my gratitude to my dear friend and colleague, Angus, for her academic guidance and her unlimited personal support in a difficult phase. In Portugal, I would like to thank Hermes Augusto Costa, Adam Stoleroff and Tiago Fernandes for their comments and suggestions to improve the Portuguese case study.

In Belgium, I am thankful to the ETUI for allowing me to work in their offices and enjoy the excellent library. The conversations with Kurt Vandaele and Torsten Müller were very helpful to redefine the research project. Moreover, I would like to thank the Portuguese Institute of International Relations at FCSH-NOVA in Lisbon for allowing me to continue my career as a junior researcher. I am unlimited grateful to Catherine Moury for giving me the opportunity to work in her amazing project and for her generosity, professional guidance and personal care. Besides, the support of all my colleagues at IPRI and, especially, Adam and Daniel, have been fundamental at the last stage of this thesis.

Me gustaría dar las gracias por su ayuda y paciencia a mi familia y amigos/as. Sé que ha sido difícil para vosotros seguir el ritmo de tanta mudanza. Quiero agradecer el apoyo de Miguel a pesar de que Milán suponía aún más distancia. Estuviste ahí en los inicios, apareciste al final y, de alguna manera, siempre estarás. Gracias a mis amores mojinos, Marta, Vane, Lucía, Fariña, Inma, Jeza, Gema, Pili y a mis amores barceloneses, Regina, Oriol, Ali y Mia por esos wasaps de apoyo. Pero sobre todo gracias a mis padres, María Ángeles y Eduardo, y a mi hermana, Elisa, porque siempre están ahí para lo que haga falta. Gracias papá y mamá por vuestro esfuerzo para que pueda cumplir mis sueños. También me gustaría recordar a mi abuela Asun, quien nos dejó por el camino, por su amor y por nuestras conversaciones que siempre me servirán de inspiración. Finally, I would like to express my gratitude for the invaluable support of Fabio. He always encouraged me to pursue a PhD and, destiny or coincidence, he has been with me the last, and most difficult, year. Thank you very much for your patience and for your help when I thought that everything was falling apart.

TABLE OF CONTENTS

CHAPTER 1. INTRODUCTION	11
1. Introduction.....	11
2. Empirical puzzle and theoretical gaps.....	13
3. Research questions and objectives.....	14
4. Outline of the argument.....	15
5. Methods: case study research and process tracing.....	16
5. Organization of the thesis.....	17
CHAPTER 2. THE IMPACT OF THE EUROZONE CRISIS ON THE EUROPEAN SOCIAL MODEL: WHAT ROLE FOR SOCIAL DIALOGUE?	18
1. Introduction.....	18
2. The European Social Model before the Eurozone crisis	19
2.1 The European social model and national corporatism	20
2.3 The European economic and social policy coordination before the Eurozone crisis	23
3. The creation of the new European economic governance during the Eurozone crisis	27
4.1 The European Union financial assistance	29
4.2 The Six pack and the Two pack	31
4.3 The European Semester	34
5. The impact of the new European economic governance on the European Social Model	38
5.1 The role of trade unions and social dialogue during the Eurozone crisis	40
5.2 The European social dialogue during the Eurozone crisis	41
5.2.1 Transnational actions.....	42
5.3 The role of national social dialogue during the Eurozone crisis	44
5.4 National trade unions' strategies during the Eurozone crisis	46
6. Summary and research questions.....	47
CHAPTER 3. ORDOLIBERAL INTERGOVERNMENTALISM: EU REGIME CHANGE AND THE TRANSFORMATION OF NATIONAL POLITICAL OPPORTUNITIES	49
1. Introduction.....	49
2. Asymmetry of power and regime change.....	49
2.1 Principles and norms: Ordoliberalism.....	51
2.2 Decision- making procedure: intergovernmentalism	53
3. The new institutional setting and the transformation of national political opportunities.....	54
3.1 Explaining national responses under Ordoliberal intergovernmentalism.....	57
3.1.1 Level- 1: Constraints under Ordoliberal intergovernmentalism	58
3.1.2 Level-2: National conditions: ideology and fragmentation	62
4. Explaining government's choice: concertation or unilateralism.....	63
4.1 Lack of compliance.....	63
4.2 Full compliance and unilateralism	64
4.3 Timid compliance and concertation.....	65
.....	65

4.3.1 Path 1: Government-led timid compliance	65
4.3.2 Path 2: Trade unions-led timid compliance	67
5. Explaining trade unions' strategies under Ordoliberal intergovernmentalism	67
.....	68
5.1 The opportunity structure before the crisis: trade unions' power resources and identities.....	68
5.1.2 Power resources.....	68
5.1.3 Trade union's identities	71
5.2 Political opportunity structure under Ordoliberal intergovernmentalism.....	71
5.2.1 The multiplicity of independent centres of power within it.....	72
5.2.2 The extent to which the regime represses or facilitates collective claim making	73
5.2.3 The instability of current political alignments	74
5.2.4 Its openness to new actors and the availability of influential allies or supporters for challengers.....	74
5.3 Framing processes	74
6. Summary.....	76
CHAPTER 4. CASE SELECTION AND METHODOLOGY	78
1. Introduction.....	78
2. Research strategy	78
3. Selection of cases	79
3.1 Country case studies: Portugal, Spain and Italy.....	80
3.1.1 Conditionality in Southern European countries.....	80
3.1.2 The role of concertation in Southern Europe.....	80
3.2 Embedded units of analysis	82
3.2.1 National governments.....	83
3.2.2 Trade unions.....	83
3.4 Policy selection: pension and labour market reforms	84
4. Case study methodology: process-tracing.....	85
4.1 Process tracing, congruence methods and theory.....	86
5. Structured and focused comparisons.....	87
6. Causal inference and strategies of data collection	87
6.1 Data collection and sources	89
7. Summary.....	90
CHAPTER 5. CORPORATISM IN SOUTHERN EUROPE BEFORE THE EUROZONE CRISIS.....	91
1. Introduction.....	91
2. Corporatism and concertation	91
3. The political role of Southern European trade unions.....	93
3.1 Party-union linkages in Portugal.....	94
3.2 Party-union linkages in Spain	94
3.3 Party-union linkages in Italy.....	96
4. Industrial relations in Southern Europe	97
4.1 Labour market institutions in Portugal.....	97
4.2 Labour market institutions in Spain.....	98
4.3 Labour market institutions in Italy.....	98

5. The impact of the EMU on corporatism.....	100
5.1 Social pacts in Portugal under the EMU	103
5.2 Social pacts in Spain under the EMU	104
5.3 Social pacts in Italy under the EMU	105
6. Setting the stage: social concertation before the Eurozone crisis.....	107
7. Summary.....	108
CHAPTER 6. PORTUGAL.....	109
1. Introduction.....	109
2. PS Government (2009-2011).....	109
2.1 External pressures.....	111
2.1.1 Formal pressures	111
2.1.2 Informal pressures	113
2.1.3 Financial pressures	113
2.2 National responses: timid compliance	114
2.2.1 The shadow program	117
2.2.2 The Portuguese bailout.....	119
2.3 Two-level political interactions: acquiescence in the shadow.....	122
2.3.1 Reform episode 1	123
2.3.2 Reform episode 2	123
2.3.3 Reform episode 3	124
2.4 Trade unions' strategies: political identities and meetings with the Troika	129
2.4.1 Transnational actions.....	131
2.4.2 Anti-austerity protest dynamics.....	131
3. PSD-CDS Government (2011-2014).....	132
3.1 External pressures.....	134
3.1.1 Formal pressures	134
3.1.2 Informal pressures	137
3.1.3 Financial pressures	137
3.2 National responses: from 'good pupil' to timid compliance	138
3.2.1 Good pupil and ideological agreement	138
3.2.2 Timid compliance and veto players.....	140
3.3 Two-level political interactions: overcoming "vested interests".....	142
3.3.1 Reform episode 1	142
3.3.2 Reform episode 2	145
3.4 Trade unions' strategies	147
3.4.1 Social movements and citizen's repertoires.....	147
3.4.2 Transnational actions.....	149
4. Summary.....	150
CHAPTER 7. SPAIN	152
1. Introduction.....	152
2. PSOE government (2008-2011).....	152
2.1 External pressures.....	154
2.1.1 Formal pressures	154
2.1.2 Informal pressures	158
2.1.3 Financial pressures	159
2.2 National responses: timid compliance	160
2.3 Two-level political interactions: 'having your cake and eating it, too'	165
2.3.1 Reform episode 1	167
2.3.2 Reform episode 2	167
2.3.3 Reform episode 3	170

2.3.4 Reform episode 4	173
2.4 Trade unions' strategies: looking at Europe and beyond their membership for solutions.....	176
2.4.1 Framing process	176
2.4.2 Transnational actions.....	177
2.4.3 Social movement and citizen repertoires.....	178
3. PP Government (2011-2013)	179
3.1 External pressures.....	180
3.1.1 Formal pressures	180
3.1.2 Informal pressures.....	182
3.1.3 Financial pressures	184
3.2 National responses	185
3.3. Two-level political interactions: unilateralism and the exclusion of trade unions	190
3.3.1 Reform episode 1	192
3.3.2 Reform episode 2	193
3.3.3 Reform episode 3	193
3.3.4 Reform episode 4	195
3.5 Trade unions' strategies: asking Merkel for help and the European general strike.....	196
3.5.1 Transnational actions and alliances with social movements.....	196
4. Summary.....	200
CHAPTER 8. ITALY	201
1. Introduction.....	201
2. The PDL-LN-MPA coalition government (2008-2011)	201
2.1 External pressures.....	202
2.1.1 Formal pressures	203
2.1.2 Informal pressures	206
2.1.3 Financial pressures	210
2.2 National responses: timid compliance and political crisis	210
2.2.1 National structural reforms.....	211
2.2.2 The Italian political and institutional crisis.....	215
2.3 Two-level political interactions	216
2.3.1 Reform episode 1	218
2.3.2 Reform episode 2	218
2.3.3 Reform episode 3	219
2.3.4 Reform episode 4	221
2.3.5 Reform episode 5	221
2.4 Trade unions' strategies: political competition and framing of external pressures	222
2.4.1 Transnational actions.....	225
3. The technocratic government of Mario Monti (2011-2013).....	225
3.1 External pressures.....	226
3.1.1 Formal pressures	226
3.1.2 Informal pressures	231
3.1.3 Financial pressures	231
3.2 National responses: from full to timid compliance	232
3.3 Two-level political interactions	234
3.3.1 Reform episode 1	235
3.3.2 Reform episode 2	237
3.4 Trade unions' strategies: the fear of the bailout.....	242
3.4.1 Transnational actions.....	243
3.4.2 Anti-austerity social movements and strategic innovation	244
4. Summary.....	245
CHAPTER 9. NATIONAL POLITICAL OPPORTUNITIES UNDER THE NEW EUROPEAN RULES-BASED SETTING.....	246

1. Introduction.....	246
2. The European social policy regime: from neo-voluntarism to rules-based	246
2.1 Isolation of economic and social policy decisions from national democratic processes	246
2.2 Policy discipline and conditionality	247
3.1.3 Policy regime that limits options regarding labour and welfare policies	251
4. Explaining national responses: window of opportunity or constrained margin of manoeuvre?	252
4.1 Window of opportunity.....	253
4.2 Constrained margin of manoeuvre.....	253
5. Concertation under Ordoliberal intergovernmentalism.....	254
5.1 Credibility and unilateralism.....	254
5.2 Lack of credibility and concertation	255
5.2.1 Party-union linkages revisited	257
6. Trade union’s strategies under Ordoliberal Intergovernmentalism.....	258
6.1 Supranational and transnational channels of participation.....	258
6.2 Constrained social dialogue	259
6.3 Potential new allies: anti-austerity social movements.....	260
7. External validity and future research agendas	261
CHAPTER 10. CONCLUSIONS	263
REFERENCES.....	266
Literature.....	266
Media	292
Documents and institutional sources	302
List of interviews	309
APPENDIX: LIST OF FIGURES AND TABLES	312

List of Acronyms

CCOO Workers' Commissions
CDS-PP Portuguese Democratic and Social Centre- People's Party
CGIL Italian General Confederation of Labour
CGTP-IN General Confederation of Portuguese Workers
CSIL Confederation of Italian Workers' Trade Unions
ECB European Central Bank
EMU Economic Monetary Union
ESM European Social Model
ESM European Stability Mechanism
ETUC European Trade Union Confederation
EU European Union
MAP Macroeconomic Adjustment Programme
NEEG New European Economic Governance
NL North League
OMC Open Method of Coordination
OMT Outright Monetary Transaction
PP Spanish People's Party
PS Portuguese Socialist party
PSOE Spanish Socialist Worker's Party
PDL The People of Freedom
PDS Portuguese Social Democratic Party
SGP Stability and Growth Pact
UGT-E Spanish General Union of Workers
UGT-P Portuguese General Union of Workers
UIL Union of Italian Labour

CHAPTER 1. INTRODUCTION

1. Introduction

Ten years after the fall of Lehman Brothers we are still trying to understand the economic, political and social consequences that the financial crisis that originated in the United States has had for the European Union. At the end of 2009, one year after the collapse of the financial giant, a multi-year debt crisis started in Europe known as the Eurozone crisis¹. We know when it started but it is more difficult to affirm that the Eurozone crisis has ended. One could say that the crisis finished when the European Central Bank (ECB) managed to reduce financial speculation by putting in place the Outright Monetary Transactions (OMT) in September 2012 or when the second bailed out country, Ireland, exited the Macroeconomic Adjustment Programme (MAP) in December 2013. However, at the time of writing this introduction², Greece is still under a macroeconomic adjustment programme and none of the European countries that experienced financial difficulties during the first years of the crisis, mostly Southern European countries and Ireland, have reduced their debt levels under the 60 per cent established by the Stability and Growth Pact (SGP).

The Eurozone crisis brought about external pressures over national economic and social policies, leading to the emergence of a similar situation to the run-up to EMU. In this case, countries did not have to adapt to the Maastricht convergence criteria to enter the EMU, but they had to implement austerity and structural reforms if they did not want to incur in financial default (Sgherri and Zoli, 2009) or if they wanted to avoid being bailed out (Moury and Freire, 2013). This type of conditionality that emerged provisionally in May 2010 to solve the Greek financial problems, was later institutionalised through the creation of the European Stability Mechanism (ESM). Since then, countries in financial difficulties have to implement austerity and structural reforms based on labour market deregulation and welfare retrenchment in exchange for financial help. In addition, other mechanisms have been put in place, jointly with the Stability Mechanism, leading to the creation of a new European Economic Governance, which has transformed the processes of European policy coordination (Degryse, 2012; Schulten and Müller, 2012).

¹ Also known as the sovereign debt crisis or the European debt crisis.

² January 2018.

The new European economic governance has resuscitated debates about the foundations of the European Social Model. Since the end of the 1990s, many authors have questioned the capacity of the EU to maintain high labour and social standards in a global neoliberal economy (Ebbinghaus 1999; Hodge and Howe, 1999). Hence, the presence of external economic constraints is not a novelty brought about by the Eurozone crisis. In Europe, two processes have intertwined in the last decades, which have reduced the capacity of national governments to decide national economic and social policies. First, the processes of economic internationalization that accelerated in the 1970s and made national economies globally interdependent (Garrett, 1998). Second, since the 1940s, the creation of the European Union led to the transfer not only of economic but also political sovereignty from national spaces to the EU (Moravcsik, 1998). Both, globalization and Europeanization, has represented a challenge for national economic and social models because they have brought about external pressures over national governments to make economies more competitive (Kriesi et al, 2005).

Moreover, the European Social Model has been the battleground of different ideologies. Since the decline of Keynesianism in the 1970s and the increasing dominance of neoliberalism, market-making policies have been prioritised over market-correcting mechanisms in the process of European integration (Bieler and Morton, 2001). Competitiveness and economic growth are seen by orthodox monetarist economists as the result of flexible labour markets that can facilitate adjustment to adapt the workforce to economic needs, and also as the result of weak trade unions and minimal public sector and welfare services (Hall, 2001). As a consequence, European economies have gradually adapted to liberalisation demands by implementing policies that deregulate labour markets, cut public expenditures and reduce the role of public services (Schmidt, 2002). Keynesian and neoliberal ideas have competed in the processes of European integration to guide the design of the economic architecture of EU with mixed results (Hooghe and Marks, 1997). Although the construction of the EMU was based fundamentally on monetarist ideas, the latter did not prevent the expansion of the European Social Model during the 1990s.

This thesis contributes to these debates by focusing on the impact of the Eurozone crisis in one aspect of the ESM: social dialogue. This is important because, despite economic pressures to increase competitiveness, European economies are characterised by the mediation of social institutions between state and market (Whyman et al., 2012: 4). Many

European countries developed corporatist institutions that granted a legal role to trade unions to influence national economic and social policies (Schmitter, 1974). In other countries, these institutions were not created but the same processes, known as concertation, emerged (Baccaro, 2003, 2009). All in all, social dialogue between governments and trade unions has been a defining feature of the European social model:

“The ESM is, furthermore, considered to embrace an employment aspect, whereby European citizen rights and wellbeing is promoted through the enhancement of social partnership between employers and employees – typically, though not exclusively, through trade unions” (Whyman, et. al., 2012: 5)

This dissertation sheds light on the transformations of the ESM by analysing how the new European governance has changed national political opportunities in the corporatist sphere. This introductory chapter is organised as follows. The second section presents the empirical and theoretical puzzles that are going to be addressed in this dissertation. The third section defines the research objectives and questions. The fourth section provides a summary of the main argument of the thesis and the fifth section describes briefly the research strategy and methods. The final section explains the organization of rest of the dissertation.

2. Empirical puzzle and theoretical gaps

The impact of the Eurozone crisis on the ESM has been studied by the literature from different points of view. Many studies have focused, for example, on examining the impact of the crisis on national labour market and social policies (Petmesidou and Guillén, 2015; Degryse, et al., 2013; De la Porte and Pochet, 2012). There is a consensus to argue that the crisis has brought about a new type of EU interventionism on national economies (Schulten and Müller, 2012). However, we still do not know how these transformations impacted on the behaviour of national political actor's, governments and trade unions, in the corporatist sphere. The literature shows that external constrains are often mediated by national corporatist practices. The creation of the EMU represented a moment of amounting constraints over national governments to adapt their economies and social polies to the Maastricht convergence criteria (Rhodes, 1998; Dyson and Featherstone, 1996).

The run-up to EMU led to the emergence of pressures over collective bargaining institutions to achieve wage moderation and lower inflation. In this case, pressures were filtered by national political actors' dynamics and institutions through the emergence of social pacts (Natali and Pochet, 2009). The adaptation to EMU and neoliberal globalization did not dismantle the European Social Model and most European countries managed to maintain high levels of welfare and labour protection as well as high levels of trade unions' participation in collective bargaining institutions (Kunhle, 2003).

On the contrary, accounts about the role of corporatism during the Eurozone crisis are contradictory. On the one hand, some scholars argue that social pacts played an important role to mediate external constraints (Ghellab and Papadakis, 2011; Campos Lima and Martin Artiles, 2011 Bieling and Lux 2014; Hamann, 2012). On the other hand, other scholars argue that governments implemented most of the structural reforms unilaterally (Papadakis and Guellab, 2014; González Begega and Luque Balbona, 2015; Urban, 2012). Interestingly, both arguments use the macroeconomic constraints brought about by the crisis as the main explanatory factor to account for divergent outcomes, both concertation and unilateralism. However, we still do not know why and how, under similar constraints, governments opted for different strategies.

Moreover, the scholarly literature also offers different arguments to explain trade unions' strategies during the Eurozone crisis. The first argues that trade unions responded to these circumstances by availing themselves of the traditional repertoire of political action based on social dialogue and general strikes (González Begega and Luque Balbona, 2015; Campos Lima and Martin Artiles, 2011; Hyman, 2010). The second argues that the Eurozone crisis forced the trade unions to undertake a strategic reorientation and explore new action repertoires. Firstly, they began to pursue transnational actions, the most significant being the European general strike of 14 November 2012 (Dribbusch, 2015; Helle, 2015). Also, some authors argue that trade unions developed a "protest model that transcends the representation of labour interests and connects with civil society" (González Begega and Luque Balbona, 2014: 97).

3. Research questions and objectives

The main objective of this thesis is to explain the transformation of national political opportunities in light of the new European economic governance. With this purpose, this thesis aims at answering the following four research questions. First, *how does the new*

European economic governance impact on government's behaviour? The purpose here is to find out the causal mechanisms through which the new European governance shapes national government's behaviour in economic and social policymaking. In so doing, this thesis aims at discovering how the new EU governance transformed or replaced previous mechanisms of European social policy coordination based on 'peer review' and 'policy learning', that left autonomy to national political actors about how to design and implement national policies (De la Porte and Pochet, 2012).

Second, *how does the new European economic governance impact on government's strategies in the concertation sphere?* This thesis aims at explaining the impact of the new European governance on government's choice, concertation or unilateralism. The objective here is to find out whether-and if yes, how- the new mechanisms brought about by the new European governance influence the decisions of governments to include trade unions in labour and social policymaking processes or not. Third, *how does the new European economic governance impact on trade unions' strategies in the concertation sphere?* This thesis aims at explaining how the new European economic governance transforms the opportunity structure available for trade unions' participation.

Fourth, *how can we explain variation of governments' and trade unions' strategies?* The final objective of this dissertation is to explain why some governments opt for concertation and others for unilateralism. Besides, it aims at explaining why some trade unions opt for signing social agreements and others for mobilising against the structural reforms. In addition, we are interested in finding out why some trade unions develop transnational actions and alliances with social movements and others do not.

4. Outline of the argument

The main argument of this thesis is that the new European economic governance brings about a European *rules-based* institutional setting that transforms national political opportunities. This new setting is the result of two factors. First, the asymmetry of power between creditors and debtor countries at the EU level. Second, the reinforcement of ordoliberal ideas and intergovernmental procedures advocated by the creditors. This thesis claims that the European *rules-based* setting leads to the emergence of three mechanisms that shapes national government's behaviour. First, it isolates economic and social policies from national democratic processes. Second, it shifts European policymaking procedures from mechanisms of coordination to mechanisms of discipline

and conditionality. Third, it imposes a policy regime based on austerity, welfare cuts and labour market deregulation. As a result, debtors have to comply with external demands of austerity and structural reforms if they want to receive financial support and avoid financial default. This dissertation argues that *national responses* to external demands are the result of two-level games. On the one hand, governments have to evaluate the costs and benefits of complying with external demands (international constraints). On the other hand, governments' decisions depend on their ideology and their level of fragmentation (domestic consensus dynamics). *Full compliance* with external demands is associated with strong and/or centre-right governments whereas *timid compliance* with external demands is associated with divided, weak and/or left governments.

Moreover, this thesis claims that *government's choice* (concertation or unilateralism) depends on the degree of external credibility achieved by different national responses. I propose two paths through which external credibility can be compromised. First, when governments are divided around the adequacy of implementing external demands (*government-led timid compliance*). Second, when popular mobilisations can hinder the implementation of the reforms (*trade unions-led timid compliance*). In both cases, governments are interested in including trade unions to generate national consensus and signal external actors with credibility.

Finally, I argue that the European *rules-based* setting transforms the political opportunity structure available for trade unions. The new setting multiplies the centres of power towards which they can direct their demands, erodes previous political alignments and creates new potential alliances. However, I further claim that the ability of trade unions to explore the opportunities of this new structure depends on their framing processes, which are shaped by their power resources and identities.

5. Methods: case study research and process tracing

With the objective to test these arguments, this thesis uses process tracing methods in multiple case studies with embedded units (Baxter and Jack, 2008:550). First, I have selected three country-case studies, Portugal, Spain and Italy, which display various characteristics of the setting that we aim to analyse (Eisenhardt, 1989: 534). These countries are typical cases (Gerring, 2006). Portugal, Spain and Italy experienced financial difficulties and were subject to different types of European conditionality during the Eurozone crisis. In addition, all countries selected are characterised by the existence

of corporatist practices between governments and trade unions (Molina and Rhodes, 2002). Second, the country-case selection provides us with enough variation of other units of analysis: national responses (full or timid compliance), governments' choice (concertation or unilateralism) and trade unions' strategies (national/transnational, collaborative/adversarial).

Moreover, the dissertation uses process tracing methods to open the 'black box' between the new European governance and national political actor's behaviour. With this purpose I trace the processes of austerity and structural reforms (with a special focus on pension and labour market reforms) in Portugal, Spain and Italy from 2009 to 2014. I combine process-tracing with congruence methods to test theoretical arguments (Beach and Pedersen, 2013:13). Finally, I use "structured and focused" comparisons to examine variation of different units of analysis (George and Bennet, 2005:69). The dissertation uses different types of sources and multiple types of evidence (Gerring, 2007:216) such as institutional documents, eyewitness accounts, media, secondary literature and the data collected by the 28 interviews to politicians, public officials and trade unionists from the three countries selected that I realised from 2015 to 2017.

5. Organization of the thesis

Chapter 2 offers a review of literature about the creation of the new European economic governance during the Eurozone crisis. It examines the main changes of European policy coordination and evaluates their impact on the ESM and the role of social dialogue during the crisis. Chapter 3 provides the main arguments of the thesis and develops the theoretical framework. Chapter 4 explains the research design, the selection of cases and the methodology. Chapter 5 offers a historical account about the role of concertation in the countries selected. Chapters 6, 7 and 8 form the empirical analysis of the dissertation. Chapter 9 evaluates the empirical findings against the analytical dimensions of the theoretical framework and proposes future research agendas. Chapter 10 concludes.

CHAPTER 2. THE IMPACT OF THE EUROZONE CRISIS ON THE EUROPEAN SOCIAL MODEL: WHAT ROLE FOR SOCIAL DIALOGUE?

1. Introduction

The European Union (EU) distinguishes itself from other international regimes due to the existence of the European Social Model (ESM), which is characterised by a combination of economic and social features that many European countries share. The ESM has guaranteed for the last decades high levels of social justice, labour rights and welfare protection, between others (Jepsen and Serrano Pascual, 2005: 234). Besides, another essential characteristic of the ESM is the recognition of trade unions and social dialogue as an important feature of policymaking processes both, at the national and supranational levels (Streeck and Schmitter, 1991; Keller and Sörries, 1999:112). All in all, the ESM is a defining feature of the broader European integration project. However, the Eurozone crisis, also known as the European debt crisis, which started at the end of 2009, had profound effects on the labour and social policies and the political processes that underpin the ESM. The new European economic governance (NEEG) that was created in response to the crisis between 2010 and 2013 brought about changes in the way that the EU intervenes in national social spaces and, in doing so, it pushed an agenda of labour market deregulation and welfare liberalization (Armingeon and Baccaro, 2012:255).

The NEEG had an impact not only in the policy *content* of the reforms but also in the policymaking *processes*. Previous mechanisms of European policy coordination based on ‘policy learning’ were replaced by an increase of EU capacity to decide upon the direction of national reforms, to monitor their implementation and to impose sanctions in case of non-compliance (De la Porte and Heins, 2015). Besides, in countries with financial difficulties, the EU imposed fiscal consolidation measures and structural reforms in exchange for financial help, what is known as conditionality (Sacchi, 2015; Featherstone, 2015). Finally, the NEEG had an impact on European social dialogue and national concertation processes. Both, the new governance and the financial assistance programmes altered national political dynamics and the interaction between the EU, national governments and trade unions.

This chapter develops the empirical puzzle of this thesis and shows the shortcomings of existing accounts to explain the impact of the Eurozone crisis on government's and trade unions' strategies during the processes of structural reforms demanded by the EU. This chapter analyses the creation of the new European economic governance and evaluates its impact on the ESM, with a special focus on the influence of these changes on the role of social dialogue. The chapter argues that the crisis had profound effects on the ESM through the creation of the new European governance and, in so doing, altered the processes of social dialogue. However, I claim here that existing accounts on social dialogue during the crisis fail to explain how the new European governance shaped governments' and trade unions' strategies.

The chapter is divided in five sections. The second section describes the ESM before the Eurozone crisis. It explains the dynamics of European policy coordination and social dialogue both, at the national and supranational levels, before the Eurozone crisis. The third section characterizes the new European economic governance and shows how it altered the way through which the EU intervenes in national economic and social policies and policymaking processes. The fourth part evaluates the impact of the new governance on the ESM. The fifth section describes the role of supranational and national social dialogue during the Eurozone crisis with special focus on government's and trade unions' strategies. The final section summarizes and provides the research questions of this thesis.

2. The European Social Model before the Eurozone crisis

The definition of the European project is a contested issue. Some scholars focus on analysing the set of economic and monetary institutions, Economic and Monetary Union (EMU), which were established to face international economic challenges after the Maastricht Treaty (1992). On the other hand, a second perspective highlights the EU as a shared identity and shared cultural values by European citizens (Schmidt, 2009). Finally, the EU is also seen a social project (Mosley, 1990). Martin and Ross talk about the coupling between the EMU macroeconomic policy regime and the European Social Model (Martin and Ross, 2004). The social underpinning of the EU distances the European regime from other international systems based on free market capitalism:

“Jacques Delors was one of the first to popularize the term ‘European Social Model’ in the mid-1980s by designating it as an alternative to the American form of pure-market capitalism” (Jepsen and Serrano Pascual, 2005:234)

The ESM can be analysed as an entity, as an ideal model and as a project (Jepsen and Serrano Pacual, 2005). According to Ferrera, social Europe is defined by the existence of national social spaces, characterised by the existence of social market economic and systems of social protection, social citizenship spaces, regional social spaces and European social policies (Ferrera, 2014: 827). Besides, national social spaces are formed by factors such as full employment, the regulation of employment rights, and the guarantee of social rights, social protection systems and social dialogue (Hyman, 2005). The European Trade Union Confederation (ETUC) highlights five characteristics of the ESM: fundamental social rights, social protection, social dialogue, social and employment regulation and state responsibility of full employment³

2.1 The European social model and national corporatism

Furthermore, the European Social Model can be analysed also as a collectively constructed entity that has changed historically depending on variables such as economic internationalization, political actor's ideas and power constellations leading to different national socioeconomic configurations. After the World War II, during the 'golden years' of capitalism, many national social spaces were based on Keynesian ideas of full employment and welfare expansion as well as national systems of interest aggregation, known as corporatism, which awarded trade unions with formal participation rights in policymaking processes (Schmitter, 1974). Corporatism was institutionalised mostly in Nordic and some continental European countries, also known in the literature of Varieties of Capitalism as Coordinated-market economies (CME), where the role of trade unions in the codetermination of public policies and labour market policies was legally granted. On the other hand, these institutions of interest intermediation did not emerge in other countries like Ireland and the United Kingdom, named as Liberal-market economies (LME), where labour rights are minimally regulated (Hall and Soskice, 2001). Finally, in Southern Europe, a Mixed-Market economy (MME) emerged, where the role of trade unions in policymaking is contingent and characterised by their power relationships with governments and the latter's strategies (Hamann, 2012; Molina, 2011). Nevertheless, in

³ ETUC (2006) "The origins of the European Social Model" Available at <https://www.etuc.org/european-social-model>

spite of the diverse role of trade unions in public policymaking in different European countries, national corporatism became the 'role model' at the European level.

During the negotiations of the Treaty of Rome (1957), some national governments insisted on the need to create the necessary institutions in Europe to mirror a corporatist system of interest aggregation at the supranational level. The creation of the European Economic and Social Committee (EESC) aimed at responding to those demands (Streeck, and Schmitter, 1991: 138). The main function of the EESC, in which national interest groups were represented, was to provide with policy advice to the European Commission. In addition, the EESC helped to give a more democratic character to the EU by granting the participation of national interest groups at the supranational level.

However, the role of EESC soon became dependent on the will of the Commission that only accepted advises on low-stake issues. Moreover, the economic crisis in the 1970s and the pressures for economic deregulation and deindustrialization of the 1980s led to an impasse for the expansion of the ESM at the national level. In 1985, when Jacques Delors became president of the European Commission, there was a rise of political turmoil in many European countries due to the worsening of the economic situation. As a part of that process, trade unions became sceptical too about the contribution of the EU to national social and labour rights due to the increase of unemployment. As Streeck argues, the "relaunching of European integration in the mid-1980s is inextricably linked to a domestic European deregulation project" (Streeck 1991: 2). Many European countries went through an economic crisis during the 1980s that led to a raise of trade unions' protests and scepticism. This led to a period known as "Euro-sclerosis" characterised by the prioritizing of national interests over European integration (Olson, 1999; Youngs, 1999).

For the former president of the Commission, Delors, this meant that he needed to get trade unions on board if he wanted the negotiations on the Single Market to be successful. With that objective in mind, intensive negotiations between the Delor's Commission and the representatives of European trade unions, under the umbrella organization of national trade unions that was created in 1973, the European Trade Union Confederation (ETUC), started. The objective of those negotiations was to achieve the consensus of the European trade unionism for the creation of the European Monetary Union (Dølvik, 1999). At the end, the former president of the Commission convinced a great part of European trade

unions to support a further step of European integration in the late 80s and early 90s (Bieler and Erne, 2014).

In exchange for trade unions' acquiescence, Delors and the ETUC reached an agreement based on the creation of the European Social Dialogue (Mathers, Milner and Taylor, 2018). Besides, Delors defended the inclusion of a Social Charter in the Maastricht Treaty and the participation of social partners in supranational policy-making process. During the Delor's Commission (1985-1995), social rights became rooted in European treaties and regulations. Later, the ESM was consolidated with the enactment of the Employment Chapter in the Treaty of Amsterdam in 1997, the creation of the Charter of Fundamental Rights during of the Nice EU Summit in 2000 and the Lisbon Strategy of 2000 (Bieler and Schulten, 2008). Besides, the Treaty of Maastricht guaranteed the institutional representation of the ETUC at the EU institutions and granted them with an autonomous role to negotiate social agreements with the employer's organisations at the EU level. Since Maastricht, social dialogue was placed "at the heart of the social dimension of the EU" (Waddington, 2005: 518).

At present, the ETUC participates in the Tripartite Social Summits and the Macroeconomic dialogue vis-à-vis the Council, the Commission and the ECB. Besides, European Social Dialogue with the employer's organizations has produced some results such as the agreements of parental leave or part-time work. Finally, one of the biggest achievements of the European trade unionism has been the establishment of the European Works Council (Streeck, 1999). However, despite efforts to mirror national corporatism at the supranational level, some authors argue that we cannot talk about the existence of 'Euro-corporatism' because of the little impact that the ETUC has on final policy outputs. The ETUC participates in the Employment and Social Protection Committees and acts a lobby vis-à-vis the EU institutions in order to influence EU legislation and policy (Bieler and Schulten 2008:12). In this sense, some authors consider that the system of interest aggregation in the EU is better defined as "symbolic corporatism", in which unions can participate in discussions but with few possibilities to having real influence (Bieling and Schulten, 2001).

On the contrary, other authors argue that although the European Commission is not obliged to incorporate ETUC's demands, the European trade unions have "established a position of influence within the polity of the EU" (Waddington, 2005:533), having

contributed largely to the creation of the European Employment Strategy, the Charter of Fundamental Rights (2000) and the Lisbon Strategy (2000). Leaving aside the debates on the existence of not of corporatism at the EU level, it seems unarguable that one of the main institutional features of the European Social model is the “high degrees of interest organization and comprehensive negotiation between governments and social partners over conflicting interests” (Hemerijck and Ferrera, 2004: 249).

2.3 The European economic and social policy coordination before the Eurozone crisis

Another characteristic of the ESM is that economic and social policies remain the responsibility of member states. Until the Eurozone crisis, the intervention of the EU on these policy areas was through voluntary policy coordination. In this sense, the ESM is “also a range of practices aimed at promoting voluntarist and comprehensive social policy in the European Union (Jepsen and Serrano Pascual, 2005: 235). This section describes the European mechanisms of fiscal coordination through the Stability and Growth Pact and the mechanisms of economic and social coordination before the Eurozone crisis. The launch of the European economic and monetary union (EMU) meant the adoption by member states of common monetary rules but a real economic union was never put in place (Degryse, 2012).

The monetary pillar was further institutionalised with the creation of the European Central Bank (ECB) and the common currency. On the contrary, the economic pillar has always found more obstacles to be developed. The Maastricht Treaty set up the limits in national fiscal deficits (3 per cent of GDP) and public debts (60 per cent) but did not foresee the establishment of mechanisms to enforce governments to comply with those rules. This changed in 1997 when member states created the Stability and Growth Pact (SGP) that is at “heart” of the economic pillar of the UE (De la Parra, 2013:7). The main objective of the SGP is to maintain sound public finances that are considered to be crucial for financial stability and economic growth. With this objective, the SGP established mechanisms of “reciprocal surveillance of their respective budgetary policies” (Degryse, 2012: 13)

The SGP has two types of norms: preventive, which are aimed at controlling the appropriateness and quality of EU governments’ economic policies, and corrective, whose objective is to impose sanctions in case of noncompliance (Schuknecht et al., 2011). The regulations to achieve budgetary discipline have more enforcement power than the recommendations, which serve to coordinate economic policies (Degryse, 2012).

The preventive rules came into force in 1998. Since then, member states needed to submit their stability programmes with budgetary and economic policies (Strauch, Hallerberg, and von Hagen, 2004). The corrective arm was implemented in 1999 and meant the creation of the Excessive Deficit procedure (EDP) that is a set of rules for those countries with budget deficits over 3 per cent or debt above 60 per cent of the GDP. In cases where governments failed to take effective action, they can face sanctions up to 0.2 per cent of their GDP or their cohesion funds can be denied.

Whereas member states have been more prone to cede fiscal and monetary sovereignty to the EU, many economic and social policies remain states' responsibility that is regulated by principle of subsidiarity (Franzese and Hays, 2006). This principle regulated by the Article 5 (3) of the Treaty of European Union (TEU) defines the competences of the EU in areas in which the member states have full authority:

“Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level” (European Union, 2012)

The principle of subsidiarity has a double-edged property. On the one hand, it allows member states to keep national sovereignty in some policy areas and, in so doing; it can isolate social and labour policies from economic internationalization pressures (Scharpf, 2010). On the other hand, the principle of subsidiarity has made difficult the progress towards more European economic and social policy coordination in fields like welfare and labour policies, which lie at the heart of the European Social Model. As Ferrera explains, “social protection sphere is especially sensitive to the issue of sovereignty” (Ferrera, 2014: 826). In this sense, the principle of subsidiarity guarantees one of the main characteristics of the European Social Model based on the idea that European welfare states are diverse and they aspire to guarantee high social standards (De la Porte and Heins, 2015; Jepsen and Serrano Pascual, 2005).

In order to overcome obstacles to create common economic policies, in the last decades the EU has created various instruments of policy coordination, such as the Broad Economic Policy Guidelines (BEPG), the European Employment Strategy (EES), the Open Method of Coordination (OPM) or the Lisbon Strategy. These instruments of

economic and social policy coordination did not breach the principle of subsidiarity because they were based on mechanisms of peer review and benchmarking (De la Porte, 2002: 38). Given the voluntary character of these mechanisms, it has been difficult to assess the extent to which member states have moved towards policy convergence in those areas. In relation to this, the literature on Europeanization helps us to understand the degree of implementation of European policies at the national level and “assess the effectiveness of European-level policies at the domestic level as well as to understand how new European opportunities and constraints affect national politics” (Graziano et al., 2007: 3). One of the objectives of this literature has been to examine the role of the Broad Economic Policy Guidelines (BEPG). The BEPG are non-binding recommendations (Hodson and Maher, 2001) that were created by the Single European Act in 1986 and were regulated by the Article 121 of the Treaty on the Functioning of the European Union.

The European institutions modified the legal framework of the BEPG in several occasions with the objective to turn them into a common framework of economic coordination. The Maastricht Treaty modified the Article 103 of the Treaty of Rome and, in a later stage; they were included as part of the Lisbon Strategy of Growth and Jobs developed during the Lisbon Summit in 2000. However, the BEPG were “rapidly revealed to be ineffective” (Degryse, 2012:12). Regarding the European Employment Strategy (EES), it was introduced by the Employment chapter of the Amsterdam Treaty in 1997 and has also gone through many changes in the last years. The main objective of the Employment strategy has always revolved around solving unemployment by focusing on promoting employability and flexibility at the workplace. This has led to some criticisms about the content of the EES that prioritises the reduction of unemployment over the quality of job created (Goetschy, 1999).

Another instrument of European economic and social policy coordination is the Open Method of Coordination (OMC), which is an intergovernmental policy-making process that originated in the 1990s as a form of soft law and part of the employment policy. The objective of the OMC is to set up common economic objectives around areas that are exclusive responsibility of member states such as social protection, employment, vocational training, youth and education (De la Porte, 2002). The process is based on mechanisms of peer pressure through which countries are evaluated by one another and of “maieutic learning” (Ferrera and Sacchi, 2005). De la Porte and Pochet argue that although some countries have implemented reforms inspired on the policy ideas

recommended by the OMC, the impact of this instrument on welfare reforms is weak (De la Porte and Pochet, 2012). In the same line, Büchs explains that “the emphasis of the OMC’s voluntary character in the policy learning and deliberation approach therefore actually points to the limitations of the OMC’s effectiveness and influence (Büchs, 2008: 25). The policy-making process of this kind of soft governance is based on a joint diagnosis of the problem between the EU and nation states and the idea that the supranational diffusion of ideas shape the behaviour of actors rather than force them to adopt specific reforms (Natali, 2009).

The decision-making process of the OMC consists of three phases. In the first phase, the European Council establishes the common objectives. In a second step, they develop the indicators to measure compliance with the objectives and they provide the main guidelines to member states. Finally, the Commission is in charge of monitoring the process through a process of benchmarking. Jointly with the European Employment Strategy, the OMC aimed at giving support to national actors in the processes of welfare reforms but it ended up being “much ado about nothing” (De la Porte and Pochet, 2012: 336). As de la Porte and Heins, explain, “A recommendation under an OMC is merely a suggestion for reform, with no consequences in the case of non-compliance” (De la Porte and Heins, 2015:5).

Moreover, the OMC went through a period of transformation during the European Commission of José Manuel Durão Barroso (2004-2014) that made it more vulnerable to market-enforcement dynamics. The election of José Manuel Barroso as the President of the European Commission in 2004 had various implications for the European Social Model and the role of European Social Dialogue. In 2005, the Barroso Commission I launched the Lisbon Agenda, which gave priority to economic growth and competitiveness over social policy (Philine ter Haar and Copeland, 2010). The Lisbon Agenda also meant a redefinition of the Open Method of Coordination, which made it more vulnerable to the influence of macroeconomic constraints. As Degryse et al. argue, “The social OMCs were weakened in favour of a vision that gradually brought an economic approach back into the centre of European public policies and discourse” (Degryse et al, 2013: 14).

The re-election of the Barroso Commission II that took office on 9 February 2010 meant a confirmation of market-making policies. After the Nice Treaty, Commissioners did not

necessarily need to be chosen from both, the left and right of the political spectrum. This means that a qualified majority can now choose a commission formed principally by Commissioners coming exclusively from one ideology, which might lead to a prioritisation of partisanship preferences over European interests (Hodson, 2013; Hix, 2008). As Hodson explains, “Barroso Commission’s centre-right preferences, with fiscal discipline and light-touch financial regulation taking precedence over the pursuit of further integration” (Hodson, 2013: 312).

Finally, the Lisbon strategy was created in 2000 and gave an impulse to the OMC leading to the creation of different OMCs depending on the policy field. The strategy aimed at shaping national economic and social policies in order to create more sustainable economies with better jobs as well as to improve social cohesion. However, the Lisbon strategy experimented similar changes to those experimented by the OMC. The majority of centre right parties in national governments and the consolidation of the Barroso Commission led to a reconfiguration of the Lisbon strategy in 2005 that made it more dependent on economic objectives (Degryse et al. 2013). The next section shows how the European responses to the effects of the Eurozone crisis aimed at solving the shortcomings of the mechanisms of fiscal, economic and social policy coordination described above.

3. The creation of the new European economic governance during the Eurozone crisis

Table 1. A chronology of the EU responses to the Eurozone crisis	
2 May 2010	Financial assistance for Greece
9–11 May 2010	Creation of the European Financial Stability Mechanism and the European Financial Stability Facility
29 September 2010	Launch of the Six Pack
11 March 2011	Euro Plus Pact
11 July 2011	Treaty establishing the European Stability Mechanism
November 2011	Launch Two Pack
30 January 2012	The Fiscal Compact

The creation of a New European Economic Governance (NEEG) during the Eurozone crisis can be seen as a further attempt to strengthen the economic pillar of the EU considering that aims at “reinforcing the stability of the Eurozone by putting in place new

mechanisms for monitoring, sanctions and coordination” (Degryse, 2012:6). The NEEG is a new institutional system of fiscal, monetary, economic and social policy coordination between European member states that was created as a response to the problems posed by the Eurozone crisis. From 2008 to the end of 2009, the EU responded vis-à-vis the effects of the financial crisis by recommending member states to increase investment to boost economic growth (Watt, 2009; Armingeon, 2012). On 26 November 2008, the EU launched “A European Economic Recovery Plan” based on Keynesian ideas (European Commission, 2008). The main objectives of the plan were to increase budgetary expenditure to boost demand and to launch a program for smart investment. The recovery plan was underpinned by ideas of solidarity and social justice (European Commission, 2008:3). Besides, the program also granted member states with flexibility to deviate from the fiscal targets by using, for example, the flexibility clause of the Stability and Growth Pact that allows governments to depart from budgetary objectives to implement reforms to boost economic growth (European Commission, 2008: 7).

However, at the end of 2009 there was a turning point of European policy recommendations. In October 2009, the Greek political party in government, PASOK, revealed a big deviation of budgetary projections (Katsikas, 2012). The Greek fiscal deficit was not 6 percent but 15.5 per cent of the GDP. In addition, in other countries, mostly in Southern European countries and Ireland, the two years of investment recommended by the European recovery program had led to rapid increases of fiscal deficits and public debts. Some member states rapidly identified high debts and deficits as the cause of the crisis rather than the consequence, which finally led to a full stop of Keynesian-inspired recommendations and the beginning of austerity (Blyth, 2013).

Besides, financial markets became sceptical about the capacity of countries to repay their debts and to keep control of their public finances. The sovereign debt crisis led to a crisis of credibility and rating agencies downgraded the debts of many Eurozone countries at the end of 2009 (Degryse, 2012). Since then, the European Union advocated fiscal consolidation strategies to reduce public debts and deficits and structural reforms to increase productivity, competitiveness and economic growth (Barrios, Langedijk and Pench, 2010). Nevertheless, two important questions remained unanswered. The first one had to do with the incapacity of the EU to impose structural reforms on national governments due to the lack of competences to intervene in national economies. Secondly, what happened with those countries that were in financial difficulties and could

not fund their debt in financial markets? The Maastricht Treaty did not include a bail out clause thus revealing some structural flaws in the European economic architecture (Buiter et al.; 1993: 60).

The new European economic governance that was put in place from May 2010 to January 2012 aimed at solving those shortcomings, and in so doing it led to the emergence of a “New European interventionism” (Schulten and Muller, 2012) that gives the EU unprecedented power to supervise and control national budgetary plans and economic policies (Degryse, 2012: 67). The next section describes the mechanisms of financial help put in place during the Eurozone crisis and explains how the new instruments, Six Pack, Two pack and Fiscal Compact modified the Stability and Growth Pact. The objective is to observe how these new mechanisms depart from previous principles associated to the European Social Model.

4.1 The European Union financial assistance

One of the main responses to the Eurozone crisis was the creation of mechanisms of financial help for countries in financial difficulties that could not fund their debt in private markets. The Member States of the Eurozone created the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM) as a temporary solution. The EFSF was an intergovernmental agreement, signed by the member states on 11 May 2010 and it meant the starting point of the creation of the new instruments of the economic governance (Degryse, 2012). The EFSF was based on issuing of bonds and other debt instruments on capital markets *conditional* to the implementation of specific policies and reforms. At present, the EFSF is only working in order to receive the payments of the countries that entered the facility in the first years of the crisis but conditionality was also part of the mechanisms of financial assistance that were created later. Countries that enter a macroeconomic adjustment program have to negotiate a Memorandum of Understanding with European institutions and the International and Monetary Fund (IMF) (Dinan, Nugent and Paterson, 2017). The idea of conditionality was inspired on the adjustment programmes managed by the IMF, which jointly with the European Commission, the ECB and the IMF, the so-called, the Troika, became the institutions in charge with negotiating with member states the conditions of adjustment programmes and their monitoring (Pisani-Ferry, Sapir and Wolff, 2013). The

article 122.2 of the Lisbon Treaty that regulates financial assistance includes the idea of conditionality:

“Where a Member State is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council, on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned. The President of the Council shall inform the European Parliament of the decision taken” (Article 122.2, Lisbon Treaty, 2007)

The emergence of conditionality led to a debate about the compatibility of the content of the reforms included in the MoUs with European social rights. Costamagna shows how some measures of policy conditionality attached to the European programmes clashed with social objectives and rights included in the Treaty and the Charter (Costamagna, 2012). However, conditionality became an enduring feature of European financial assistance when the European Stability Mechanism (ESM), a permanent intergovernmental institution that was adopted in March 2011, came into force in October 2012 to replace the EFSM and the EFSF (De Witte, 2011; Gocaj and Meunier, 2013: 242). The ESM consists of a set of instruments that aims at helping countries in financial distress. The instruments are: loans within a macroeconomic adjustment programme, primary market purchases, secondary market purchases, precautionary credit line, loans for indirect bank recapitalisation, direct recapitalisation of institutions.

Up until now only two instruments have been used. The first country that accessed the ESM was Spain in December 2012 to ask for indirect bank recapitalisation (Quinn, 2012). After that, Cyprus accessed the ESM to ask for a loan within a macroeconomic adjustment programme and Greece have also requested assistance from the ESM. As it happened with the provisional mechanisms, ESM loans are always linked to conditionality. The conditions are included in a memorandum of Understanding (MoU) that is negotiated between the European Commission and the country (Graziano and Ladi, 2011). The MoUs include three types of reforms:

- Fiscal consolidation measures to reduce costs of public administration and improve its efficiency; cut government expenditure, increase revenue through tax reform and privatisation.

- Structural reforms to increase competitiveness and growth and create jobs.
- Financial sector reforms that include measures to recapitalise banks and improve banking supervision.

There are four institutions involved in the supervision of the implementation of those reforms, the ESM, the European Commission, the ECB and the IMF, which evaluate if the country has complied with the conditions attached to the loan during the review missions that are organised regularly (Featherstone and Papadimitriou, 2017). Finally, another mechanism of financial assistance, the Outright Monetary Transactions programme (OMTs), was created by the governing board of the European Central Bank (ECB) on 2 August 2012 (Traynor, 2012). The OMTs is the mechanism through which the ECB buy national debt in secondary markets. Countries affected by the OMTs need to comply effectively with the conditionality of the EFSF and ESM.

4.2 The Six pack and the Two pack

During the Eurozone crisis the EU designed different instruments, the Six Pack and the Two Pack, which had an impact on the different arms of the European system of financial and economic coordination (monitoring, preventive and corrective).

Table 2. Changes introduced by the Six Pack	
Deficit	The “reverse qualified majority” makes the enforcement of the rules stricter and more automatic
Public debt	EDP can be activated if public debt overcomes the 60 per cent even if the fiscal deficit is under 3 per cent
Expenditure benchmark	Cap on the annual growth of public expenditure according to a medium-term rate of growth
Budget imbalances	Budgetary deviations can lead to financial sanctions
	Member State can be requested to present new plans to comply with recommendations
Macroeconomic imbalances	Prevention: The Commission and the Council can adopt preventive recommendations under article 121.2
	Sanctions: A deposit can be imposed after failure to comply with the recommended corrective action. After a second compliance failure, the deposit can be converted into a fine (up to 0.1% of GDP).

The launching of the Six-Pack on September 2010 strengthened the mechanisms of the preventive arm (Pisany-Ferry, 2012:3). The Six-Pack introduced five further regulations and one directive, and according to the Commission, the Six Pack “represents the most comprehensive reinforcement of economic governance in the EU and the euro area since the launch of the Economic Monetary Union almost 20 years ago” (European Commission, 12 December 2012).

*Stability and convergence programs*⁴. One of the main changes of the Six Pack is the introduction of new rules that member states need to follow to draft their Stability Programs. The Stability and Growth Pact requires member states to submit Stability and Convergence Programs, which are part of the preventive arm (De la Porte and Heins, 2015). EU Member states draft their fiscal plans for the next three years every April and they have to include national measures to prevent fiscal imbalances according to SGP rules. Stability programmes need to address two areas. On the one hand, they need to provide a structural balance analysis. On the other, they need to offer an analysis based on the expenditure benchmark. Besides, Eurozone member states need to send (jointly with Stability programmes) Draft Budgetary plans (DBPs) by 15 October. DBPs are aimed at ensuring common fiscal policy between euro member states, and it is the Commission’s duty to decide if the DBPs are compliant, broadly compliant, or at risk of non-compliance (De la Porte and Heins, 2015:12).

Moreover, Stability and Convergence programmes should include measures to comply with Medium Term Objectives (MTOs) (Majone, 2014: 1220). They also have to incorporate economic expectations about inflation, employment and growth, an evaluation of economic measures, an assessment of changes in expectations and their effect on debt and current budgetary situation and plans. Besides, in case that governments have not met the targets they need to provide an explanation about why this has happened. The assessment of the programmes is carried out by finance Ministers and the Commission before and after their implementation. The Commission can therefore identify both, previous dangers of non-compliance or actual non-compliance cases that would need to be sanctioned in a later stage. One of the factors that the Commission considers in the evaluation is their fulfilment of MTOs that are designed to make sure that

⁴ Stability programmes are for members of the Eurozone while convergence programs are for countries that do not share the euro.

EU member states comply with national debt burdens as well as ensuring long-term sustainability. According to Heins and De la Porte, “governments have less leverage in defining their national policy agendas, including welfare reforms because of the budget restraining MTO” (Heins and de la Porte, 2015: 16).

After the implementation of the Six Pack, if governments do not achieve the MTO, their expenditure needs to be below the Expenditure benchmark (Buti and Carnot, 2012:907). The latter is a rule that measures the net growth rate of government spending in relation to its medium-term potential economic growth rate. In case that the spending is above the potential growth, governments need to include complementary discretionary revenue measures. In order to enforce this rule, deviations have been quantified and can lead to a financial sanction (an interest-bearing deposit of 0.2% of GDP as a rule) in case of continuous non-correction.

Furthermore, the Six Pack also modified the corrective arm of the EU economic governance, which has the objective to enforce governments to take effective action to correct imbalances and made sanctions under the EDP more automatic. Since the introduction of the Six Pack, a ‘Reverse Qualified Majority Voting’ (RQMV) in the Council can overturn a recommendation or proposal from the Commission (Buti and Carnot, 2012:907). The Six-Pack also strengthened this part of the economic cycle with the creation of the Macroeconomic Imbalances Procedure (MIP) (Buti and Carnot, 2012:907), which has the objective to identify countries with macroeconomic imbalances such as account deficits or real state bubbles. It increases the surveillance over those countries that have an Excessive Imbalance Procedure (EIP), which can be used for countries with excessive imbalances with the objective to reinforce surveillance over the actions that they are implementing. In some occasions, these countries are asked to submit a corrective action plan that have to be approved by the Council that can impose sanctions and fines on those countries that submit corrective plans that are considered to be insufficient.

Two Pack. The Two Pack is also a reform of the Stability and Growth pact. The EU introduced two further regulations with the implementation of the Two Pack in May 2013. Since then, the Commission can request modifications of national budgets of member states of the euro zone in cases of ‘severe non-compliance’ with the Country specific recommendations (Buti and Carnot, 2012: 908). The Two Pack also put in place an

enhanced monitoring process managed by the Commission and the ECB for those countries under an EDP or inside the ESM. The Two Pack strengthens the SGP and increases the EU surveillance over national budgets (De la Parra, 2013). As de la Parra argues, “One of the goals of the regulation is to bring the conditionality attached to financial assistance, granted outside the framework of the Treaties, into line with EU provisions, and to enshrine this conditionality in EU law” (De la Parra, 2013: 19).

Table 3. Main changes of the new European economic governance		
Date of creation	Type of instrument	Main changes
7 September 2010	European Semester	Annual economic cycle to overview Member states' budgets
Launch on 29 September 2010 and implemented on 13 December 2011	Six Pack	Introducing new instruments in the preventive (guarantee compliance with budgetary objectives) and corrective arms (strengthen regulations of EDP)
11 March 2011	Euro Plus Pact	Strengthening the economic pillar of the monetary union, achieve a new quality of economic policy coordination, improve competitiveness
March 2012	Treaty on Stability, Coordination and Governance in the Economic and Monetary Union	Fiscal Compact: introducing the Golden Rule in national law
27 May 2013	Two pack	Strengthening euro area budgetary surveillance

4.3 The European Semester

The main change in European economic coordination was the creation of the European Semester in September 2010. The European Semester is an annual cycle of implementation of the EU economic governance which serves as a framework for EU member countries to coordinate their economic policies (Buti and Carnot, 2012: 908). The Semester brings together the Stability and Growth Pact, the Europe 2020 and the Macroeconomic Imbalance Procedure (Costamagna, 2013: 10). All political actors are involved. The Commission evaluates national budget plans as well as plans for structural

and macroeconomic reforms and publish Country-Specific Recommendations (CSRs). However, the final evaluation is made by the Council, which endorses and adopts in a formal way the Commission proposals. Finally, national governments elaborate responses to the Council. The European Semester also serves for monitoring country's resolutions to meet the targets of the Europe 2020 strategy (Costamagna, 2013: 10).

Table 4. The European Semester timeline	
November: Setting the priorities	Commission's Annual Growth Survey (AGS) Alert Mechanism Report (AMR) Joint Employment Report (draft) Recommendation for the euro area Communication on fiscal stance Commission's opinion on draft budget plans for Eurozone countries
February: The analysis phase	Country reports In-depth reviews (only for countries selected in the Alert Mechanism Report)
March-April: National plans	EU countries present their National Reform Programmes and Stability/Convergence Programmes
May-July: EU country specific-recommendations	the Commission presents each country with a set of country-specific recommendations (CSRs)
August-October: Putting Recommendations into practice	National governments must submit their Draft Budget Plans for the following year by 15 October

November. The European Semester starts in November with the launch of the mechanisms that form part of the monitoring arm. The European Commission supervises economic developments of EU member states in detail with the objective of identifying problems related with decreasing competitiveness or unsustainable policies. In addition to regular investigation of economic indicators, the Commission assesses national budgets and evaluates the national reform, stability and convergence programmes. Some of the economic indicators monitored by the Commission are unemployment, inflation and GDP growth. The Commission publishes the results of the assessments in different reports included in the so-called 'autumn package': the Annual Growth Survey (AGS), the Alert Mechanism Report (AMR) and the Macroeconomic Imbalances Procedure (MIP). The AGS, which offers guidance in different areas like fiscal consolidation, structural reforms and investment, "is very powerful for the agenda-setting process as it gathers all policy aims, instruments and actors involved in economic, social and labour market policy (De la Porte and Heins, 2016: 6).

Other mechanisms that are activated in November as a part of the European Semester are:

- *Joint Employment Report (draft)*. This report analyses the policy responses of national governments in employment and social areas.
- *Recommendation for the euro area*. It aims at including in the EU economic governance planning Eurozone and national issues. The recommendation makes suggestions of concrete measures regarding issues that are important for the single currency area.
- *Communication on fiscal stance*. It refers to the assessment made by the Commission of fiscal policy of euro area.
- *Commission's opinion on draft budget plans for Eurozone countries*. It is the result of the evaluation that the Commission undertakes in order to evaluate if national budget plan satisfy the requirements of the SGP.

February. After the reports, EU governments discuss country specific situations and the Commission undertakes In-depth reviews to assess the origin and the level of concern of imbalances. In the in-depth reports (IDRs), the Commission takes into account the recommendations of the European Council and previous commitments made by the country (De la Porte and Heins, 2016). After the launching of the European Semester, IDRs are now included in the European Semester's country reports since 2015.

March-April. Member states need to take into account all those reports when drafting and submitting their National Stability and Reform Programmes in spring of every year. In addition, since the adoption of the Euro Plus Pact, governments also have to show the evolution of the commitments that they adopted when they signed the Pact. The Euro Plus Pact is an intergovernmental solution adopted on 11 march 2011 that aims at increasing fiscal and economic discipline in the Member States. According to the Franco-German views, increases in Unit Labour costs represented an obstacle for the competitiveness of the euro area. Therefore, the Euro Plus Pact had the objective to achieve policy convergence in areas where the EU did not have previous legal provisions, like the labour market (European Commission, 2015). The Pact has four main objectives:

- Reinforce financial stability
- Ensure viability of public finances

- Control the development of labour costs
- Promote competitiveness

The competitiveness pact revolves around areas that exclusive competence of member states: health care and social benefits, labour markets reforms, wages, pensions, tax reforms and banking regulations. Member states are obliged to specify the measures that they are going to implement in these policy areas in the National Reform Programs. But the enforcement power of the EPP is low given that the decision making process is based on voluntary implementation through OMC mechanisms (De la Porte and Heins, 2015: 14). The Euro Plus Pact was criticised by left political parties and the ETUC. According to the latter, the competitiveness pact will lead to a worsening of working conditions in all the Eurozone because countries will start a race to decrease wages (ETUC, 2014). Besides, the Euro Plus pact sets objectives in areas like pensions policies that are the responsibility of member states (Heins and De la Porte, 2015: 21).

May-July. The Commission evaluates the National Reform Programmes and submit the Country-specific recommendations (CSRs) from May to July of every year. Pochet et al. argue that the European Semester tries to reinforce the “binding nature of normative recommendations” through a shift in the balance of power between political actors. Now, actors that advocate fiscal consolidation measures over social goals can exercise more pressure (Degryse et al., 2013: 31).

August-October. National governments need to adopt the Country-specific recommendations in their budget plans and send them to the Commission by 15 October. EU intervention on national budgets increased after the signature of the Fiscal Stability Treaty (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union) in March 2012. As it happened with other instruments, the idea originated in the discussions between the German chancellor and the French president during a Euro Summit celebrated on 16 August 2011. The fiscal chapter of the Treaty, known as the Fiscal Compact, requires Eurozone states to insert the *golden rule* in their national constitutions. After various disagreements about the form and content of this reform, the Treaty was approved by 25 countries on 30 January 2012. The Fiscal Compact also meant the consolidation of other features of the new economic governance. On the one hand, it institutionalises the Euro Summits that were born informally during the crisis. On the other, it guarantees country’s obligation to submit for discussion any major policy reform

(Degryse, 2012: 58). By imposing a limit of 0.5 per cent of GDP on structural deficits, the Fiscal Compact “reduces room for manoeuvre with regard not only to fiscal consolidation but also structural reforms such as in health care, pensions and labour market” (Heins and De la Porte, 2015: 18).

5. The impact of the new European economic governance on the European Social Model

“Mario Draghi: The European Social Model is dead”
(Interview to The Wall Street Journal, 24 February 2012)

The new European economic governance impacted on the direction of national policy reforms in a detrimental way for the European Social Model (Costamagna, 2013). In 2010, the Commission replaced the Lisbon Strategy with the Europe 2020 “strategy for smart, sustainable and inclusive growth” that has become the main instrument of the EU to coordinate labour market and social policies (De la Porte and Heins, 2015: 19). Since then, many doubts have emerged about the effectivity of the Europe 2020 to guarantee a social Europe. Ferrera argues that in the “transition from Lisbon to Europe 2020 the coordination of social and employment policies was *de facto* weakened through the merging of the OMC into the broader European semester” (Ferrera, 2014:833). In a similar way, De la Porte and Heins explain how the replacement of the Lisbon strategy by the Europe 2020 prioritises fiscal consolidation and economic growth over social policy (De la Porte and Heins, 2015).

The objective of the Europe 2020 is to provide member states with targets to be met by 2020 to improve productivity and competitiveness. These targets are understood as common goals but they are supposed to be adapted to national situations. The European Commission evaluates the national implementation of the Europe 2020 through the assessment of the National Reform Programmes (NRPs). The Broad Economic Policy Guidelines, renamed as Integrated Guidelines (IG), are now included in the Europe 2020 and governments need to prepare their NRPs according to them. Besides, statistical agencies such as Eurostat or the EU statistic office are also in charge of monitoring the Europe 2020 strategy through the publication of reports. The Europe 2020 revolves around policies that are the responsibility of member states like employment, poverty, social exclusion, education, climate change, energy, research and development. The problem, according to Theodoropoulo and Watt, is that “there is a major policy

contradiction between the positive goals of the Europe 2020 strategy and the imposition of draconian austerity requirements” (Theodoropoulou and Watt, 2011:27). The European strategy is thus “dependent on expenditure that now is burdened by high public debt” (De la Porte and Heins, 2015: 19).

All in all, we can say that the NEEG has had considerable impact on both, the policy *content* of the reforms advocated by the European institutions and the policy *process* given that the crisis intensified the “constraining influence of the EU” on national social spaces (Ferrera 2014: 833). Some authors talk of a “new European interventionism” to explain the increase of EU intervention on national social policy reforms (Schulten and Muller, 2012). This new interventionism has replaced previous mechanisms of European economic coordination, Europeanization based on policy learning, with a “fast forward Europeanization” in welfare state policies (Ladi and Graziano, 2014).

Two factors have influenced the room of manoeuvre of national governments to design welfare policies. On the one hand, the creation of a new European Economic governance implies that from now on welfare reforms will be implemented under European surveillance (De la Porte and Heins, 2015). On the other hand, the prioritisation of fiscal consolidation over social goals of the new governance “penetrate deeper into welfare state policies than before the crisis” (De la Porte and Heins, 2015:10). The latter has implications for the policy content of the reforms because the NEEG has established specific normative ideas around social policies that leave “little room for a social innovation agenda” (Petmesidou and Guillén, 2015:18).

In relation to this, many authors argue that national welfare states became the variables of adjustment of the Eurozone crisis (Petmesidou and Guillén, 2015; Degryse, et al., 2013). In this sense, simultaneous to changes in the coordination of policy process, the social agenda of the EU has “shifted towards retrenchment policies, including fundamental welfare reforms” (De la Porte and Pochet, 2012: 338). The European institutions are now allowed through the European Semester not only to elaborate but also to enforce a specific view on “how the welfare state and labour relations should be organized” (Costamagna, 2013:15). Two policy areas were specially affected by the NEEG: pension systems and labour markets. As Ferrera explains, “Labour market rigidities and the containment of pension expenditure became target of supranational institutions” (Ferrera 2014: 833).

Regarding pensions, the EU had already increased the monitoring over national pension systems in the years previous to the crisis. After the reform of Stability and Growth Pact in 2005 the ECFIN and other committees started monitoring the long-term sustainability of pensions (Pochet and Natali, 2005). In the same line, De la Porte and Pochet argue that the OMC on pensions is at present controlled by economically-oriented actors whose exclusive aim is to secure the financial sustainability (De la Porte and Pochet, 2012:338). The EU diffused its specific normative views on pension systems through the development of the Green and White Papers on pensions.

In June 2010, the Barroso Commission launched the creation of a report to define the European approach to pensions. The Green paper included proposals such as the introduction of automatic adjustment system to increase the retirement age. Later, the Commission published the White paper in January 2012. Since the Eurozone crisis, pension's reforms are a central part of the structural reforms recommended by the EU to reduce the effects of demographic ageing on budgets. Regarding labour markets, in a report of the DG ECFIN of 2012, the Commission considered that the reduction of wage setting power of trade unions was a desirable outcome of labour market reforms (Schulden and Müller, 2012). Schulden and Müller explain that since the creation of the new governance, the acceptance of European institutions of free collective bargaining outcomes and processes is not clear, which has led to a paradigm shift (Schulden and Müller, 2012:181). Besides, they argue that the EU advocates a specific vision on how labour markets need to be organised that has more binding power because of fear of sanctions:

“As a result of the new European economic governance, the EU's influence on national wage policies has grown substantially, especially since EU policy recommendations become more binding because Member States which ignore them risk financial sanctions” (Schulden and Müller, 2012:184)

5.1 The role of trade unions and social dialogue during the Eurozone crisis

As we have seen above, the Eurozone crisis represented a turning point in the way we analyse the impact of the EU on national social models. Some scholars have started to question if austerity has eroded the foundations of social Europe (Petmesidou and Guillén, 2015: 23). The responses to the crisis led to the creation of a new European economic governance that modified previous mechanisms of European economic

coordination. Before the crisis, European policy coordination was based on two pillars. First, the Stability and Growth Pact that included a preventive and corrective arm to make sure that countries comply with deficit and debt rules. Second, a system of economic and social policy coordination of those policy fields in which member states still retain competence, which was based on mechanisms of policy learning, benchmarking and recommendations. The new governance had an impact on both of them. On the one hand, it strengthened the Stability and Growth Pact by reinforcing the role of sanctions. On the other hand, it increased the capacity of the EU to intervene in policies that are responsibility of member states. Through the creation of the European Semester, the EU supervises now national budgetary plans and the implementation of reforms, and evaluates if the design of the reform complies with the country-specific recommendations (Savage and Verdun, 2015). The next section evaluates the impact of these changes on the role of social dialogue first at the supranational level and, second, at the national level.

5.2 The European social dialogue during the Eurozone crisis

During the Eurozone crisis, the European Social Dialogue had little impact on the European decision making process (Erne, 2015). The ETUC produced various policy documents to argue for a change of course in Europe but was “largely consigned by the unexpected crisis to the role of spectators” (Gumbrell-McCormick and Hyman, 2015: 11). The objective of these documents, which were presented to the EU representatives during the Tripartite Social Summits, was to provide the EU policymakers with alternative policies to austerity. In this line, the ETUC proposed a Marshall plan to create a European investment programme. To some extent, European trade unionism considered the crisis as an opportunity to achieve “a more socially balanced European Union” (Busemeyer et al., 2008). However, these “impressive policy documents” did not receive any response from the European Commission neither from the Council (Kowalsky and Scherrer, 2011).

According to Kowalsky and Scherrer, there was an increasing critical position of European trade unionism towards the EU, which was reflected in the political document that the ETUC prepared for their 12th Congress in Athens in 2011, “For another Europe” (Kowalsky and Scherrer, 2011). In the same line, Dufresne shows that “congress contributions revealed the existence of a widely shared rejection of permanent austerity and the governance institutions established to enforce it” (Dufresne, 2015: 152). This increase of criticism could also be observed in their opposition, for the first time in

history, to a European treaty, the Fiscal Compact, approved in 2012. In this sense, some argue that during the crisis the ETUC adopted a more offensive position, and became “much more political autonomous vis-à-vis supranational institutions such as the European commission” (Bieling and Lux 2014: 186).

However, the ETUC encountered serious problems to make their critical views heard. As Kowalsky and Scherrer explain, the “European trade unions met with deaf ear to social matters and the intransigence of the Barroso Commission II” (Kowalsky and Scherrer: 90). For Kowalsky and Scherrer, the inability of the ETUC to impact the management of the crisis at the EU level was due to “decrease of social responsiveness of the Commission” (Kowalsky and Scherrer, 2011:103). Thus political lobbying did not have any influence because although the Council, the Commission and the European Parliament received many representations from the ETUC, they did not change the direction of the policies (Kowalsky and Scherrer, 2011). In addition, the capacity of European trade unions to politicise European issues is curtailed as European decision-making “operate through unknown mechanisms behind closed doors” (De La Porte and Pochet 2003:34). Decision-making procedures at the EU level, known as “comitology”, have a technocratic character that neglects political conflict (Hyman, 2005). Comitology means that all parties write documents about their positions but they end up agreeing on a common position though backroom diplomacy to avoid public embarrassment (Hyman 2005).

5.2.1 Transnational actions

The incapacity of supranational social dialogue to influence European responses to the crisis led to a rise of transnational mobilisations. Dufresne analyses how transnational mobilisation increased in pace and intensity during the crisis (Dufresne, 2015). The ETUC organised nine collective actions between September 2010 and November 2012. They called for several European Days of Action and organized demonstrations in various European cities. During the Eurozone crisis it became “very clear that resistance as well as the fight for alternatives could no longer be limited to the national level” (Bieler and Schulten, 2008: 12). As Campos Lima and Martin Artiles point out “general strikes and mass demonstrations were called against the austerity plans of governments, but were also an expression of a generalized opposition to external constraints and impositions” (Campos Lima and Martin Artiles, 2011: 399). The fact that the main decisions around

labour and economic policies were not decided by national institutions started a debate about the need to coordinate trade unions' actions at the supranational level (Barranco and Molina, 2014: 185).

Moreover, Dufresne argues that trade unions relaunched old initiatives that are aimed at reinforcing collective bargaining at the supranational level at the same time that they created new demands like the European minimum wage (Dufresne, 2015). Similarly, other authors explain that the crisis generated a new transnational contentious cycle that had as an epicentre the realisation of the European general strike on the 14 November 2012 (Helle, 2015; Dribbusch, 2015). For example, Helle considers that the development of the European general strike creates the debate about the emergence of a new European proletariat (Helle, 2015). Although some scholars have shown doubts about the European character of the 14N, the transnational character of the 14N was unquestionable as the “drive behind 14 November in 2012 was the social rage against the austerity politics of the EU, the troika and the national governments” (Helle, 2015:141). He compares the 14N experience to the events occurred in Europe in May 1968 and during the social protests of “Another world is possible” in 1995. The author concludes that the 14N indicates “certain transnationalisation of the social class struggle, but also a substantial recomposition of western Europe’s working classes with potentially far-reaching implications for the traditional labour movement” (Helle, 2015: 229).

On the contrary, another argument claims that there were many difficulties to organise common European mobilisations during the crisis. Some authors argue that the same economic and monetary nature of the European Union is an obstacle in itself for trade union action because is based on the logic of competitive deregulation (Bieler, 2008). Some studies highlight that competitiveness hinders the emergence of solidarity between European trade unions. In fact, many studies have analysed the difficulties that European trade unions faced to generate solidarity (Gajewska, 2009; Gumbrell-McCormick and Hyman, 2015; Dribbusch, 2015). As Gumbrell-McCormick and Hyman explain, “there has been an evident contradiction between a global economic crisis, on the one hand, and trade union action that is essentially national” (Gumbrell-McCormick and Hyman 2015: 11). All in all, the ETUC could not influence the EU responses to the crisis through supranational social dialogue and attempted to increase mobilisations but national trade unions within held different views about the convenience of organising European actions.

However, we still do not know why some trade unions supported transnational actions and others did not vis-à-vis a common challenge.

5.3 The role of national social dialogue during the Eurozone crisis

The scholarly literature offers two different arguments regarding the role of national social dialogue during the Eurozone crisis depending on the period analysed. On the one hand, some authors explain that social dialogue was a key component of adjustment processes from 2008 to 2009, the first two years of the crisis (Ghellab and Papadakis, 2011). Some authors affirm that there was an increase of social pacts to face the external pressures in the first years of the Great Recession (Campos Lima and Martin Artiles, 2011). Campos Lima and Martin Artiles analyse the impact of the international crisis on government's choices and union's responses in Portugal and Spain, and argue that there was a move from general strikes to social pacts that was related to the increase of external pressures (Campos Lima and Martin Artiles, 2011). Similarly, Bieling and Lux show that from 2008 to 2010 all governments tried to cope with the effects of the crisis following the Keynesian paradigm and social concertation, but with the advent of the Great Recession, "crisis corporatism only survived in economically stronger countries with long corporatist traditions and current account surpluses" (Bieling and Lux 2014: 160). Also, regarding the Spanish case, Hamann argues that the economic crisis "appeared to strengthen rather than undermine social dialogue between the government and the unions" (Hamann, 2012:2).

On the other hand, from 2010 onwards some authors start observing an erosion of corporatism that increased with the pace and intensity of the crisis. The sensation of urgency to carry out reforms to decrease public deficits and debts turned social pacts into a "luxury" (Papadakis and Guellab, 2014:2). In comparison with Nordic and continental countries, most scholars agree in that, after 2010, governments with financial difficulties did not choose social concertation to face external economic challenges. In their analysis of the activation and deactivation of social pacts in Spain and Portugal, González Begega and Luque Balbona also argue that although before 2010 Spanish and Portuguese governments signed social agreements with trade unions, from that year a raise of unilateralism can be observed (González Begega and Luque Balbona, 2015). Similarly, Urban shows that whereas Nordic and some continental countries were able to cope with the effects of the crisis by using a kind of "crisis-corporatism", in Southern European

countries we can talk about “post-corporatism” (Urban, 2012). Moreover, Molina and Miguélez argue that “the perception of social dialogue as a mechanism for governing the response to the economic crisis and austerity policies changed significantly with the sovereign debt crisis” (Molina and Miguélez, 2013: 14). Regarding the labour market reforms in Spain, they point out to a qualitative change in the behaviour of actors:

“Labour market reforms have historically been preceded by negotiations and only when these failed could the government opt for regulating on the issues concerned. In contrast, social dialogue has been absent from the drafting of the most recent labour market reform proposal” (Molina and Miguélez, 2013, 2).

Many of these accounts emphasize the role of the Eurozone crisis to explain the deterioration of corporatist practices. According to these authors, external pressures of fiscal adjustment in Spain led to “the breakdown of negotiations on labour market reform in June 2010” (Molina and Miguélez, 2013: 15). Likewise, Barranco and Molina argue that the European dimension has adopted a new role regarding adjustment programmes that limited the role of national actors to influence policy decisions (Barranco and Molina, 2014: 188). National governments did not activate corporatist practices to deal with external pressures to implement austerity and structural reforms and “social pacts have not played a role” to deal with external pressures (Pochet et al., 2010: 398). Also, Papadakis and Ghellab explain that in countries with financial difficulties processes of public deliberation such as social dialogue was weakened:

“Social dialogue and tripartism were given a less prominent role in their societies and political systems. Above all, during the design of structural adjustment, public deliberation was weakened, even though, admittedly, the reforms triggered major and longstanding impacts on socio-economic policy choices” (Papadakis and Ghellab, 2014:2)

To sum up, national governments reacted differently to the Eurozone regarding the inclusion of trade unions in policymaking processes. Some governments resorted to social agreements to respond to the effects of the crisis whereas other governments opted for implementing structural reforms unilaterally. What it is yet to be understood is why, under the same external constraints, national governments opted for different strategies.

5.4 National trade unions' strategies during the Eurozone crisis

The scholarly literature also shows that national trade unions reacted differently to the challenges posed by the Eurozone crisis. Some authors explain that trade unions mobilised in some occasions against austerity and structural reforms, and they also opted for signing social agreements when governments opted for concertation (Campos Lima and Martin Artiles, 2011). As Gumbrell-McCormick and Hyman, explain “there is evidence of both radical and conflictual responses and of a reinforcement of cooperation and partnership” (Gumbrell-McCormick and Hyman, 2013: 133). In this sense, the literature shows that trade unions displayed sometimes an accommodating position that can be explained due to their institutionalization and dependency on state resources (Molina and Miguélez, 2013: 10). González Begega and Luque Balbona argue that trade unions usually resort to social dialogue due to their “institutional dependency” and the difficulties that these organisations have to create alternative strategies (González Begega and Luque Balbona, 2015: 6).

However, the literature also shows that in other occasions trade unions opted for an escalation of conflict through demonstrations and general strikes. In fact, there was a significant increase of general strikes in Southern European countries from 2010 to 2012 (Campos Lima and Martin Artiles, 2011; Molina and Miguélez, 2013; Barranco and Molina, 2014). Whereas in the first years of the crisis there was a raise of workplace stoppages, from 2010 labour organisations mostly responded to austerity measures with general strikes. Vandaele explains that “there has been an intensification of such strikes since the expansion and deepening of austerity programmes” (Vandaele, 2016: 291.) As Campos Lima and Martin Artiles argue “exogenous shocks in a number of countries seem to have triggered general strikes rather than social pacts” (Campos Lima and Martin Artiles, 2011:389).

This contentious cycle has been related to the emergence of anti-austerity social movements during the crisis. Nowak and Gallas explain that the success of the strike wave lied in the fact that strikes were closely related to the emergence of social movements that demanded social and democratic rights leading to an alliance of trade unions and activists (Nowak and Gallas, 2014). Helle argues that the Spanish *Indignados* and the M-15 movements were crucial in the organisation of the 14N general strike. He highlights that the importance of the 14N was not only its transnational character but also the fact that it

was “initiated by the M-15 and similar activist networks in Southern Europe and then adopted as a Europe-wide common action day by the ETUC headquarters in Brussels” (Helle, 2015: 240). Nevertheless, the synergies between anti-austerity social movement and trade unions did not emerge in all countries. In Portugal, for example, in spite of the emergence of new types of actions, the general strike was the main type of mobilisation between 2010 and 2013 in countries like Portugal (Accornero and Ramos Pinto, 2014: 18).

6. Summary and research questions

In this chapter we have seen how the Eurozone crisis had an impact on the European Social Model. We have analysed the changes brought about by the new European economic governance and assessed the impact of the new European economic architecture on social dialogue. It is uncontested that the new European economic governance has transformed the European coordination of national economic and social policies. However, we still do not know how the new European economic governance shaped the behaviour of national actors in the concertation sphere. Governments and trade unions developed different strategies vis-à-vis the European intervention on economic and social policies. Some governments resorted to concertation to deal with European demands of austerity and structural reforms whereas other governments opted to implement reforms unilaterally.

On the other hand, some trade unions opted for participating in social agreements with governments whereas others opted for mobilising against structural reforms. Besides, certain trade unions launched transnational actions and alliances with other social movements to fight against austerity, labour market deregulation and welfare cuts whereas others did not. The next chapter will develop a theoretical framework to address the different questions that emerge from the shortcomings of the existing literature. On the one hand, we still do not know the causal mechanisms through which the new European economic governance shaped the behaviour of national political actors, governments and trade unions, in the corporatist sphere:

- How does the new European economic governance impact on national political actors’ behaviour?

- How does the new European economic governance impact on government's strategies in the concertation sphere?
- How does the new European economic governance impact on trade unions' strategies in the concertation sphere?

On the other hand, we still do not know why, under similar external macroeconomic constraints, national governments and trade unions react differently:

- Why did some governments include trade unions in policymaking processes and others exclude them in others?
- Why did some trade unions sign social agreements with governments whereas others opted for mobilising against them?
- Why did some trade unions explore alternative strategies to national social dialogue such as transnational and social movements actions and others did not?

CHAPTER 3. ORDOLIBERAL INTERGOVERNMENTALISM: EU REGIME CHANGE AND THE TRANSFORMATION OF NATIONAL POLITICAL OPPORTUNITIES

1. Introduction

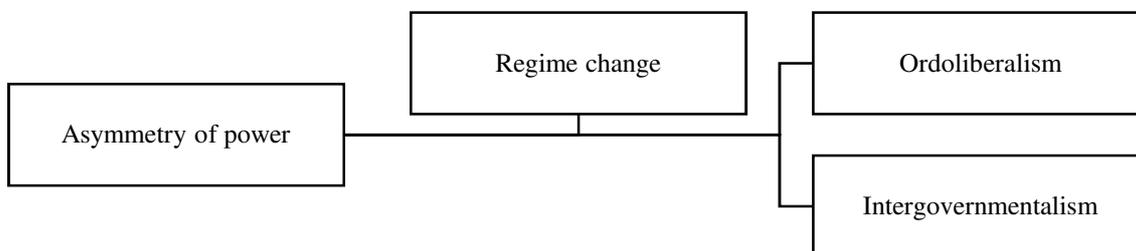
This chapter develops a theoretical framework to answer the research questions presented above. The chapter elaborates the arguments and theoretical expectations that will be tested later in the case study chapters. The central premise of this thesis is that the new European economic governance is the result of the emergence of a new European regime, Ordoliberal intergovernmentalism, which transforms national political opportunities through the creation of a new European *rules-based* institutional setting. The objective of this chapter is to explain *how* this new setting influences the behaviour of governments and trade unions in the corporatist sphere. This chapter is divided in three main sections. The next section explains the change of EU regime during the Eurozone crisis. The third section examines how the new European setting transforms national political opportunities. The fourth section explains national responses under the new EU regime. The fifth part analyses governments' choice in the corporatist sphere and the sixth one explains trade unions' strategies. The final section concludes.

2. Asymmetry of power and regime change

“International regimes are defined as principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area” (Krasner, 1982: 185)

Defining the European polity has traditionally been a contested exercise. Some scholars have categorised the EU as a political system due to the existence of a “dual executive”, the Commission and the Council, which share the functions of the government (Hix, 1999:27). Other scholars emphasize the lack of a centralised government and prefer talking about the EU as a governance system (Marks et al., 1996). Here I choose the concept of *regime* because the “European community is best seen as an international regime for policy coordination” (Moravcsik 1993:480). Therefore, regime theory is used here as a starting point to identify the conditions “under which governments will delegate powers to international institutions” (Moravcsik, 1993: 481).

Table 5. European regime change



Besides, regime is a broader concept than governance or system, and allows us to analyse not only decision-making procedures and institutions but also principles, norms, rules and power relationships. Regarding the latter, although the concept of regime has been criticised for obscuring power and economic relationships (Krasner, 1982: 185), acknowledging shifts in power relations is fundamental to explain the dynamics of regime change. As Krasner claims, “regimes are the result of configurations of interest and distribution of power” (Krasner, 1982: 1999). In this sense, the premise of this thesis is that the Eurozone crisis brought about a new regime because there was a change in the way that the EU dealt with power relations between European member states. The Eurozone crisis resuscitated a longstanding feature of European integration that is the asymmetry of power between member states, which is related to debt relations between the creditors and the debtors (Losada, 2016: 822-823).

According to Losada, in the first phases of European integration, European treaties were aimed at deactivating economic-based power relations but the sovereign debt crisis established a new regime where “new debt relations are an expression of power” (Losada, 2016: 883). The creation of the EMU and the Maastricht Treaty had already reintroduced debt relations and price stability became “core objective of the monetary union” (Losada, 2016:827). Similarly, Martin and Ross argue that most governments accepted a price stability regime after the increase of inflation of the 1970s and 1980s (Martin and Ross, 2004: 22). However, it has been during the Eurozone crisis when these features adopted a foundational character (Losada, 2016:831).

The role of Germany, the most powerful of the European member states, is central to understand the process of regime change because the “preferences of powerful actors have a greater weight in international regime thus constraining other choices” (Krasner, 1982: 200). In this sense, as it has been explained by the literature, Germany benefited from its strong position to propagate German ordoliberal ideas to manage the crisis. As Matthijs argues both, “the influence of ordoliberal ideas on Eurozone policy implementation as well as Germany’s relative position of power as the currency unions’ largest economy and main creditor state” are fundamental to understand the responses of the EU to the Eurozone crisis (Matthijs, 2016: 376). Bulmer and Paterson also analyse how the hegemonic role of Germany as the “most influential player in the process of finding solutions” helped to disseminate a “predominant set of beliefs that owe their origin to ordoliberalism” (Bulmer and Paterson, 2013: 1396).

In the same line, Matthijs argues that “the German political elite managed to frame any solution to the euro crisis from their preferred Ordoliberal point of view” (Matthijs, 2016: 379). Besides, after the elections in 2009 and the formation of a coalition government between the Christian Democratic Union (CDU) and the Free Democratic Party (FDP), the FDP forced a “much stricter view of ordoliberalism” because it “advocates a much tougher line of fiscal policy at home and in the context of the EU” (Matthijs 2016: 382). Finally, German ordoliberalism was also supported by some strategic actors such as Economic and Finance Ministers, certain Commission DGs and central bankers (Degryse et al., 2013: 6). As we are going to see in the next sections, the dominant position of Germany led to the reinforcement of ordoliberal principles and intergovernmental decision-making procedures, two of the main characteristics of the new regime.

2.1 Principles and norms: Ordoliberalism

The second premise of this thesis is that the Eurozone crisis led to a new EU regime because there was a reinforcement of ordoliberal norms and principles:

“Normative appeals based on neo- (or ordo-) liberal philosophical principles have in recent post-crisis times won the day, by invoking ‘common sense’ images of upstanding and righteous Schwabian housewives tightening their belts when their household are indebted” (Carstensen and Schmidt, 2016: 324)

Krasner argues that “norms and principles are the critical defining characteristics of any given regime” (Krasner, 1982: 200). Ordoliberalism is an ideology that was born in Germany during the Weimar republic in the 1930s. It was developed by the founder of the Freiburg School, Walter Eucken, and other ordo-liberals such as Wilhelm Röpke and Alexander Rüstow. Ordo-liberal principles were present in European institutions since the creation of the EMU in combination with Keynesian ideas. As Carstensen and Schmidt explain, “the Maastricht Treaty and the Stability and Growth Pact consecrated a set of ordoliberal ideas about how to govern the currency” (Carstensen and Schmidt, 2016: 332). However, it was during the Eurozone crisis when ordoliberalism became paradigmatic. The reinforcement of ordoliberalism is a far-reaching change because the “strict adherence to Germany’s Ordoliberal ideas of budgetary rules and structural reform” has altered the foundations of the EU (Matthijs, 2016: 375).

During the first two years of the crisis, ordoliberal and Keynesian ideas competed. Hall points out that ordo-liberals and Keynesians made divergent diagnoses of the causes of the crisis, which mirrored “longstanding differences in the economic doctrines espoused by German economists” (Hall, 2012: 367). As the author argues:

“Behind these schools of thoughts were deeper philosophies of governance. The Keynesians tended to favour activist government, while the ordo-liberals of Germany saw government as an institution that should steer society only gently if at all and operate as a factor of stability, providing sound money and a general framework for social market economies whose sources of dynamism lie in the private sector” (Hall, 2012: 367)

But since 2010, Ordoliberalism guided the diagnoses and solutions to the Eurozone crisis because the majority of German elite identified fiscal deficits and lack of competitiveness as the causes of the crisis “thereby painting the crisis as a morality tale of northern saints and southern sinners (Matthijs, 2016: 375). One of the main economic arguments of ordoliberalism is that a free market society is based on competitiveness without inflation (Biebricher, 2014). According to ordo-liberal economists, public deficits, welfare benefits and labour market regulations are obstacles for the development of a competitive economy with low inflation. As a consequence, as Ryner explains, “the symptom of rapidly increasing public deficits was henceforth treated as a cause” revealing that

responses to the crisis sought to “extend the accumulation strategy based on a particular variant of neoliberalism, ordoliberalism” (Ryner, 2015: 281).

Regarding the solutions to the crisis, the proposals based on ordo-liberal ideas had three characteristics. First, the defence of austerity and the reduction of public deficits and public debt. Second, the need to implement structural reforms in order to eliminate what ordo-liberals consider obstacles for economic competitiveness: “Austerity politics paired with structural reforms particularly of labour markets to gain competitiveness through increased commodification of labour power seems to be the norm” (Biebricher, 2014:8). And, third, the reluctance to create financial assistance mechanisms. Ordo-liberal values were behind Germany’s resistance to use Eurobonds and the hesitancy to the establishment of financial assistance mechanisms (Feld et al, 2015).

2.2 Decision- making procedure: intergovernmentalism

Another premise of this thesis is that the Eurozone crisis led to a regime change because there was a reinforcement of intergovernmentalism as the preferred mode of decision-making. Historically, two main theories have dominated the scholarly literature on European integration, Neo-functionalism and Intergovernmentalism. Neo-functionalism emerged after the publication of Haas’ seminal book “The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957” (Haas, 1958). Haas developed a theory of regional integration to explain the dynamics of state cooperation. Central to his theory is the concept of ‘spillover’, which is used to explain the process through which cooperation in one policy area creates pressure for integration in other policy areas (Hix, 2005:15). After a decade of popularity, Neo-functionalism struggled to explain the period of European stagnation that started in the 1960s.

It was then when Intergovernmentalism emerged as a better equipped explanation of European integration (Schneider, Weitsman, and Bernauer, 1995: 2). As the heir of the realist school, Intergovernmentalism argues that “European integration is driven by the interests and actions of the European nation states” (Hix, 2005:15). Neo-functionalism and Intergovernmentalism propose two logics of European policy coordination. Neo-functionalism is based on the “logic of integration”- member states coordinate their policies to advance the supranational process-, and Intergovernmentalism rests on the “logic of diversity”, which is based on the idea that states prefer keeping important policy areas under control, but these logics have worked in parallel since the Lisbon Treaty (Hix,

2005:15; Fabbrini, 2013: 1004). On the one hand, Neo-functionalism has been restricted to policies related to the single market. On the other hand, decisions around financial and economic issues are taken through intergovernmental methods (Fabbrini, 2013: 1004).

Intergovernmentalism was reinforced since 2009 because decisions about how to manage the Eurozone crisis were decided in intergovernmental forums as the European Council and the Economic and Financial Affairs Council (ECOFIN) (Puetter, 2012; Fabbrini, 2013). Besides, the intergovernmental turn led to the emergence of *informal* intergovernmental forums such as the Euro summits and the Euro group, which consisted of meetings of the heads of governments and meetings of finance ministers, respectively (Fabbrini, 2013: 1009). According to Fabbrini, the intergovernmental turn was the result of the alliance between France and Germany during the Eurozone crisis:

“The apex of the intergovernmental moment was reached between 2009 and mid-2012. In that period, in fact, French and German governments converged toward an intergovernmental interpretation of the integration process” (Fabbrini, 2013: 1010-1011)

Ordoliberal intergovernmentalism was in part the result of a trade-off between France and Germany. Whereas France accepted the economic paradigm advocated by the German elites, Germany, traditionally reluctant to intergovernmental methods, accepted this mode of decision making preferred by France (Fabbrini, 2013: 1012). As a consequence of this, the solutions to the crisis were adopted through intergovernmental treaties (Fabbrini, 2013: 1003).

3. The new institutional setting and the transformation of national political opportunities

“The combination of an intergovernmental decision-making regime with the German ordo-liberal approach, in the context of the euro crisis, has thus led to a centralised imposition of rules that has undermined the solidarity between member states” (Fabbrini, 2016: 593)

The central argument of this thesis is that *Ordoliberal intergovernmentalism created a new European rules-based institutional setting that transforms national political opportunities*. The new institutionalism literature has largely explained how institutions influence political actor’s behaviour (Hall and Tylor, 1996). Depending on the type of

institutionalism, institutions influence actor's behaviour in different ways, either by constraining their actions or by providing them with moral guides for actions, between others (Hall and Tylor, 1996). This framework builds on the new institutionalist perspective because it claims that the *rules* established by the new European economic governance influence domestic political actor's behaviour given that "rules are specific prescriptions or proscriptions for action" (Krasner, 1982: 186).

Ordoliberal principles and intergovernmental decision-making procedures were institutionalised during the Eurozone crisis through the creation of the new European economic governance. The new institutional setting was the result of "state to state debt dynamics" and institutionalised the struggle between creditors and debtors (Losada, 2016: 833). This is common in international regimes where "dominant actors may explicitly use a combination of sanctions and incentives to compel other actors to act in conformity with a particular set of rules" (Krasner, 1982: 1999). On the one hand, the new institutional setting entrenched ordoliberal principles. On the other hand, the new institutional setting was "largely motivated and defined on the basis of the intergovernmental logic and decided through and within the intergovernmental institutional framework" (Fabbrini, 2013:1004).

One of the major influences of ordoliberalism on the new European governance is the definition of a system based on *rules*. Ordoliberalism, as a version of neoliberalism, advocates market economy as the best way of organising socio-economic life. However, whereas Neoliberalism believes that market economy is the natural state of human society, ordoliberalism does not consider market economy to be natural *but* desirable. This leads to a different conception about the role of the state in socioeconomic governance. Neoliberalism argues that the state should be minimal and should not play any role in the market. On the contrary, ordoliberalism defends the existence of a strong state to enforce the desirable outcome of market economy, and in order to avoid deviation from the 'ideal' market economy, the duty of the state is to regulate it through a system based on rules. This is inspired by the ideas of classic ordoliberal such as Walter Eucken, who argued that an efficient free market needs a strong legal structure based on the idea of *order* (Ordnung), what he called the 'Ordnungspolitik' (Eucken, 1965). One core idea of ordoliberalism is that "the government should provide a rule-based (constitutional) framework to shape markets, but should not intervene in day-to-day economic decisions" (Feld et al. 2015: 2). We can argue that the establishment of new rules inspired on

ordoliberal principles leads to regime change because, as Krasner argues, “changes in rules are changes of the regime if we identify these changes with basic changes in principles” (Krasner, 1982: 188).

The new European economic governance is based on reinforcing fiscal rules and introducing new sanctions, which are at the heart of ordoliberal thought. As Nedergaard argues, “the Stability and Growth Pact was made to ensure that these countries exerted a responsible economic policy as the concept is understood according to ordoliberalism” (Nedergaard 2013:18). Schmidt and Thatcher also explain that “elements of ordoliberalism have proved highly resilient via the various EU pacts and treaty agreements that reinforce commitments to fiscal austerity” (Schmidt and Thatcher, 2013: 5). Ordoliberalism guided the design of the new economic governance because the objective of those institutions was to secure that countries will comply with the rules of fiscal and debt criteria marked by the SGP. The new set of instruments increase the surveillance and coercion over the economic and monetary policies of member states. In this sense, the first tool created in December 2011, the Six Pack, strengthens the SGP through the introduction of quasi-automatic sanctions in case of non-compliance with the rules.

Besides, the Six Pack, which specifies medium term objectives (MTO), has established a mechanism to monitor more indicators than those monitored by the SGP, the Macroeconomic Imbalance Procedures (MIP), which in case of deviation can issue Alert Mechanism Reports (AMR). The Fiscal Compact intervenes directly at the heart of national political institutions by introducing the so-called “golden rule” in national constitutions to set up a limit of 0.5 per cent of GDP on structural deficits. In addition, the Two pack, establishes that the Commission can request to send an alternative plan in case of non-compliance with the rules of the SGP (Costamagna, 2013: 12). Another example is the Six Pack that “introduces reverse qualified majority vote (rQMV) when recommending sanctions, which makes it easier to impose sanctions on member states than previously, when such a recommendation had to be passed in the Council by qualified majority vote” (Verdun, 2015: 228).

Moreover, ordoliberal principles are behind the introduction of conditionality which is the “defining factor of current debt relations in Europe” (Losada, 2016: 883). The introduction of conditionality was the result of the struggle between the creditors and the

debtors. Germany, initially reluctant to approve mechanisms of financial assistance that are at odds with ordoliberal principles, finally gave its consent in exchange for the attachment of conditionality. As a result, the creation of European mechanisms of financial assistance was provided that they were *conditional* on the implementation of austerity and structural reforms. In this sense, the European Stability Mechanism is the “institutionalisation of economic power relations” (Losada, 2016: 834).

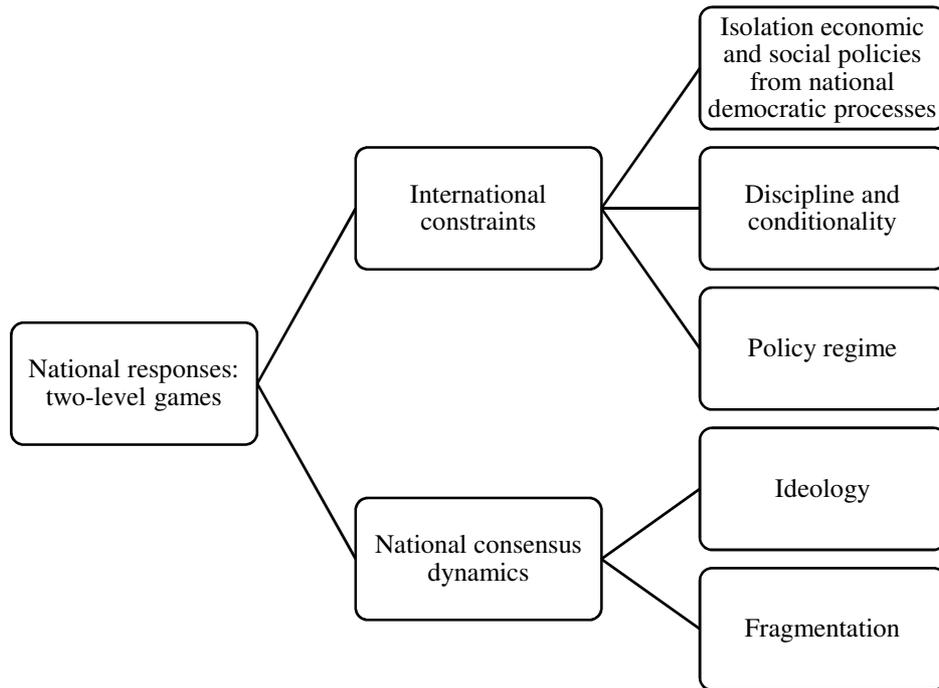
3.1 Explaining national responses under Ordoliberal intergovernmentalism

This theoretical framework combines regime theory and institutionalist theory with “theories of domestic politics and two-level games” (Moravcsik, 1993: 518) to explain the responses of national governments to the demands of austerity and structural reforms. Two-level games (Putnam 1988) occur when national governments have to negotiate agreements at the international level with other Member states, and, at the same time, they need to respond to the demands of domestic political groups:

“International policy coordination shifts policymaking from national to supranational channels by establishing two-level games between domestic groups and governments, and governments with international actors” (Putnam, 1998: 434).

National responses to the negotiations at the European level depend on both, the constraints brought about by international bargaining and the preferences of governments (Moravcsik, 1997: 542). In the next section we are going to see, first, how international constraints shape the responses of national governments and, second, how national dynamics of consensus building also affect government’s actions.

Table 6. National responses and two-level games



3.1.1.1 Level- 1: Constraints under Ordoliberal intergovernmentalism

This thesis argues that the new rules-based European economic governance constraints political opportunities of national governments through three interrelated mechanisms. First, the isolation of economic and social policy decisions from national democratic processes. Second, the shift from mechanisms of international policy coordination to discipline and conditionality. Third, the creation of a policy regime that limits macroeconomic, labour market and welfare policy options.

Theoretical proposal 1: The new institutional setting isolates economic and social policy decisions from national democratic processes

The isolation of economic decisions is the result of intergovernmental decision-making procedures that forces convergence “through a policy regime constrained by formal judicial rules and technocratic automatism” (Fabbrini, 2016: 593). This is in relation with ordoliberal principles which defend some kind of insulation of macroeconomic decisions from public debates and with intergovernmental procedures which leave marginal space to include citizens in decision-making processes (Graziano and Halpern, 2015). Although ordoliberalism has traditionally shown its commitment to democracy, some authors argue

that ordoliberal ideas are better characterised as “authoritarian liberalism” (Bonefeld, 2017: 747; Streeck, 2015:361; Wilkinson, 2015: 313). Ordoliberalism sees the state as the guarantor of market economy and claims that the best way to preserve it is by neutralizing democracy and de-politicising socio-economic relations (Bonefeld, 2017: 748). Bonefeld argues that European Council managed the crisis through an authoritarian decision-making (Bonefeld, 2017: 748). On its side, Streeck explains that the aim was to guarantee that economic decisions in international organisations were exempt from national democratisation pressures (Streeck, 2015: 365). Similarly, Matthijs claims that the new regime constraints democratic processes:

“The Eurozone’s policy solutions to the crisis did not allow for any democratic input, were implemented through opaque and often-undemocratic throughput processes, and resulted in deteriorating output” (Matthijs 2017: 266)

Theoretical proposal 2: The new institutional setting shifts international coordination of economic and social policies to mechanisms of discipline and conditionality

The new rules and procedures established by the new European economic governance substitute previous mechanisms of voluntary coordination with the objective to ‘discipline’ the behaviour of member states:

“The consequence of this new regime is a radical change in how national economies are supposed to converge. Instead of resorting to their coordination, they are now disciplined through a plethora of measures” (Losada, 2016: 833)

Before the Eurozone crisis, the coupling between EMU macroeconomic policy regime and the European Social Model –pointed out by Martin and Ross (2004) - was maintained because member states were responsible over national economic policies (Losada, 2016: 828). Economic and social policies were coordinated by member states on a voluntary basis through instruments of policy coordination based on mechanisms of “benchmarking, mainstreaming, peer review and, more generally, intergovernmental coordination” (Fabbrini, 2013: 1008). Member states accepted the Europeanization of economic policies provided that they retained the control of decision-making process (Fabbrini, 2013: 1004).

On the contrary, the new rules-based institutional setting alters the previous “compromise between a centralised monetary policy (in the European Central Bank or ECB) and

decentralised but coordinated economic policies (in the ECOFIN Council and the Eurogroup in particular)” (Fabbrini, 2016:592). Discipline is enforced through three types of external pressures: formal conditionality, informal conditionality and market discipline. On the one hand, *formal conditionality* refers to the mechanism of financial assistance in countries that enter a Macroeconomic Adjustment program with the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF), commonly known as the Troika, and received a Memorandum of Understanding (MoU). Besides, formal pressures are exercised also through other institutional corrective mechanisms such as the Excessive Deficit Procedure and the Macroeconomic Imbalance Procedure or the new surveillance instruments included in the European Semester, which become indicators of the degree of compliance of countries with structural reforms.

On the other hand, *informal conditionality* operates through “backroom diplomacy” in countries harassed by financial markets (De la Porte y Natali, 2014: 735). Informal or “implicit conditionality” (Sacchi, 2015) relates to the realisation by the creditors, representatives of the European institutions and the ECB to the countries in financial difficulties of unofficial demands of structural reforms or to exercise pressure on them to ask for the bailout. Sacchi explains that “this sort of conditionality is based on an implicit understanding of the stakes and sanctions involved, underline by some measure of power asymmetry” (Sacchi, 2015: 1). Conditionality mirrors debt power relations because it centralises a “policy regime, where the creditor member states have come to play a domineering role with regard to debtor member states” (Fabbrini, 2016: 591).

In addition, the new regime adds a third type of pressure over national governments, the one exercised by the markets through financial speculation. Since the creation of the EMU, member states have to rely on financial markets for financing. As a consequence, markets can “assess economic performance of each member state and establish a specific risk premium” (Losada, 2016: 828). As Sacchi explains, “financial markets play a fundamental role, as market discipline functions as the key operating mechanism for implicit conditionality to be effective” (Sacchi, 2015:4).

Conditionality generates a ‘fiscal emergency’ scenario prompted by the risk of financial default or the possibility of bailout. In this context, governments can use ‘Thatcherian’ claims based on “there is no alternative” (TINA) ideas and can use the external constraints

to justify the reforms (León *et al* 2015; Moury and Standing 2017). With the liberalisation of capital movements and the creation of the EMU states have to rely on financial markets for financing, which increased the structural power of the latter over member states (Losada, 2016: 828). Besides, financial markets support ordoliberal ideas of low inflation and price stability because they decrease the risk of losses (Losada, 2016:826). The discipline imposed by financial markets through the increase of the spread can increase the enforcement capacity of conditionality (Sacchi 2015, 78). The new institutional setting makes governments believe that they need to achieve credibility “in order to avoid a ‘negative’ reaction from the markets – later associated with the conditions of the bail-out” (Moury and Standing, 2017: 1).

Theoretical proposal 3: The new institutional setting establishes a policy regime that limits options regarding labour and welfare policies

The recommendations of the European Commission are not anymore the result of a joint diagnoses to solve national problems but they are ‘one size fits all’ prescriptions related to a specific ideology, ordoliberalism. The rules-based institutional setting constraints the behaviour of national actors through the development of a new policy regime that “define the range of policy options for social partners and governments” (Traxler, 2010: 21) and “shape private economic actors’ expectations about the conditions under which they must make their own decisions (Martin and Ross, 2014:21).

The policy regime that couples with Ordoliberal intergovernmentalism is based on the demands of specific economic and social policies such as austerity, welfare cuts and labour market deregulation. Classic ordo-liberals alerted about the emergence of “Irrational” behaviours within capitalism, what William Röpke identified as the “proletarianisation of economy” (Röpke, 2002). The two areas that are identified as risks are welfare state and labour rights. Röpke considered that the welfare state was the result of the ‘proletarianisation’ of society and that was dangerous because it led to inflationary tendencies (Röpke, 2002). Classical ordoliberal economists consider the “welfare state as an expression of proletarianised social structures, and demanded the de-proletarianisation of social relations” (Biebricher, 2014). These ideas were behind the demands of cuts of welfare benefits and deregulatory labour markets during the Eurozone crisis. Besides, ordoliberal economic paradigm was institutionalised through the Euro Plus Pact, which was concluded on 25 March 2011, as the result of the French and German heads of state

views around the underlying economic problems that led to the crisis. The idea of a competitiveness pact was born on 4 February 2011, after an agreement between Angela Merkel and Nicolas Sarkozy (Degryse, 2012: 44).

3.1.2 Level-2: National conditions: ideology and fragmentation

On the other hand, national responses to external demands are also shaped by the second level: government's preferences and domestic consensus building dynamics. In democratic systems governments need the support of a coalition of voters and interest groups "whose views are transmitted, directly or indirectly, through domestic institutions and practices of political representation" (Moravcsik, 1993: 483). National preferences emerge "from a process of domestic conflict in which specific sectoral interests, adjustment costs and sometimes geopolitical concerns played an important role" (Moravcsik 1998:3). For an international negotiation to be successful, governments need either to have ideological coherent preferences in line with those negotiated at the international level or they need to be prepared to lose support of domestic constituencies. Therefore, national responses depend on the preferences of governments about the issues negotiated and their capacity to build domestic consensus on the compromises acquired at the international level:

"Yet another constraint on successful two-level negotiation derives from the leader's existing domestic coalition. Any political entrepreneur has a fixed investment in a particular pattern of policy positions and a particular supporting coalition (Putnam 1988, 458).

Regarding *ideological preferences*, the scholarly literature has extensively argued that the preferences of governments regarding fiscal consolidation, welfare and labour market policies depend on the ideological location of political parties along the left-right spectrum. We can expect that centre-right governments are likely to support monetarist policies such as welfare cuts, labour market deregulation and austerity. On the contrary, centre-left and Christian democratic parties tend to defend Keynesian policies such as investment, welfare benefits and high levels of labour market regulation (Korpi, 1983; Esping-Andersen 1990; Huber et al 1993). Compliance of governments vis-à-vis external demands is compromised if its ideological position is social democratic or left-of-centre.

On the other hand, the level of fragmentation of the political system is also important to determine the preferences of governments. The “fractionalization” (Kittel and Obinger, 2002) of the political system and the divisions that emerged, for example from a coalition government, are also an indicator to explain government’s positions on fiscal and welfare retrenchment. We expect that compliance is also compromised when the government is fragmented. The more the fragmentation, the more difficult is for a government to implement austerity, welfare cuts and labour market deregulation:

“The stable and increasing effect of party fractionalization as along with the findings for coalition governments, as compared to governments with a hegemonic party, suggest that (fiscal)consolidation was much more difficult if parties needed to find a compromise between different ideological orientations” (Kittel and Obinger, 2002: 48).

Theoretical proposal 4: We expect that Left, Christian democratic and fragmented governments are less prone to implement fiscal consolidation, welfare cuts and labour market deregulation than centre-right parties and cohesive governments

4. Explaining government’s choice: concertation or unilateralism

This thesis further argues that government’s choice in the concertation sphere, concertation or unilateralism, depends on the type of national responses vis-à-vis external demands. National responses are the result of the interplay between the international constraints generated by Ordoliberal intergovernmentalism, ideological factors and consensus building dynamics. I distinguish three types of national responses: lack of compliance, full compliance and timid compliance. In this section I explain the relationship between each type of response and the type of government choice in concertation.

4.1 Lack of compliance

Governments that consider that the costs of implementing external demands are higher- in terms of ideological or electoral losses- than the costs of not implementing them- financial default or bailout- would opt for not implementing austerity and structural reforms. *Lack of compliance* occurs when government’s preferences are cohesive and are not ideologically in line with the conditions of international agreements. In these cases,

governments consider that the benefits of abandoning international agreements are bigger than the costs of financial default. In our case, abandoning international agreements is associated with risks of euro exit as a country that falls in default is expected to leave the euro and recreate an independent monetary system (Sims, 1999).

This type of response can be prompted by ideological or electoral reasons. We can expect that left-of-centre and social-democratic governments are more reluctant to implement de-regulatory structural reforms than centre-right political parties. Also, we can expect that governments that risk substantive electoral costs would opt for not complying with external demands: “politicians may be willing to risk a few of their normal supporters in the cause of ratifying an international agreement, but the greater the potential loss, the greater their reluctance” (Putnam 1988, 458). This type of response does not have implications for the corporatist sphere because these governments opt for not implementing the reforms required by international negotiations.

4.2 Full compliance and unilateralism

Governments that agree with the demands of international agreements will comply with them. *Full compliance* occurs when government’s ideological preferences are in line and cohesive with external demands, and government’s external credibility is not challenged. Therefore, full compliance depends on the capacity of governments to make credible commitments (Moravcsik, 1993: 497).

We expect that governments -centre-right and majoritarian/cohesive governments- that comply fully with international demands, implement reforms unilaterally given that they do not need to resort to concertation generate domestic consensus. Quite the contrary, governments that opt for full compliance can benefit from two-level games to overcome domestic opposition. This is so because international policy coordination has the potential to enhance “their autonomy vis-à-vis private interest groups as a consequence of their integration in systems of joint decision-making” (Grande 1996, 318). They can use the crisis as a window of opportunity to overcome domestic opposition and implement reforms that “they wanted all along” (Moury and Freire, 2013: 53).

4.3 Timid compliance and concertation

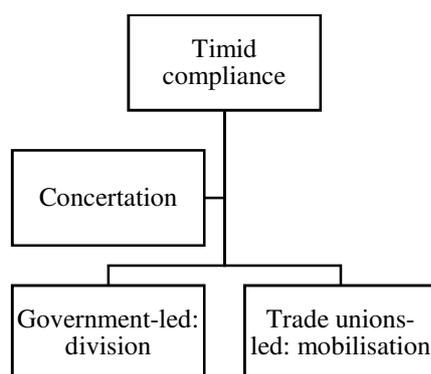


Table 7. Timid compliance and concertation

Timid compliance occurs when governments opt for complying with external demands but the full implementation of reforms is compromised by different factors, leading to lack of external credibility. I argue that there are two paths through which the capacity of governments to make credible commitments can be hindered, resulting in *timid compliance*: the existence of divisions within the government and popular unrest. In both cases, governments will resort to concertation with trade unions “as both conflict dampening and legitimacy-enhancing mechanisms” (Molina, 2007: 657).

4.3.1 Path 1: Government-led timid compliance

Government-led timid compliance occurs when governments consider that the benefits of complying with external demands are bigger than the costs of not complying but compliance is compromised due to *divisions* within the government. We can distinguish three types of weak governments. First, political parties that are governing in minority and need parliamentary support to approve laws (Afonso, 2013: 48). In these cases, governments need to negotiate reforms with political parties in opposition. The second type of divided governments are political coalitions, which are more susceptible to display ideological differences around certain issues (Afonso, 2013:48). And the third one refers to divisions within the political party in government itself. We can expect that social democratic parties can be divided regarding the cost and benefits calculations regarding compliance. The literature shows that divisions between Finance Ministers and other Ministries can increase under pressures of fiscal consolidation (Dyson and Featherstone, 1996). Finance Ministers usually hold a more orthodox economic view and are more vulnerable to pressures in international negotiations. These processes are

reinforced under Ordoliberal intergovernmentalism because international negotiations take place mainly in intergovernmental forums such as the Euro Council, Euro summit and ECFIN.

In the three cases, governments tend to include trade unions in policymaking processes to generate domestic consensus. Concertation processes are crucial to guarantee compliance because they are fundamentally an exercise of political legitimacy (Traxler 2010: 46). Baccaro and Simoni explain that “concertation allows governments to activate a non-parliamentary channel of consensus mobilization” (Baccaro and Simoni 2008: 1340). The literature on concertation has largely explained that “weak” (Baccaro and Simoni 2008) or “ideologically divided” governments tend to include trade unions in policymaking processes (Afonso 2013: 48). Baccaro and Simoni explain that “governments are willing to share their policymaking prerogatives with the social actors when they are politically weak either because they lack strong and united parliamentary majorities or because they are otherwise marred by internal struggles and legitimacy crisis” (Baccaro and Simoni 2008: 1342).

Besides, this strategy of consensus building is more common in socialist and social democratic parties due to the existence of party-union linkages. In Western Europe, most trade unions established formal links with political parties during their formative period. Although formal links have blurred in the past decades, (Hyman 2001; Hyman and Gumbrell-McCormick 2010), organisational and ideological links are still crucial. Trade unions and political parties have crossed membership and it is common that trade unionists assume relevant positions in the Ministry of Labour when their “friend” political party is in government (Afonso, 2013: 48). The literature shows that “individual parties and trade unions could be closely connected through, for example, liaison committees, leadership and membership overlap and interchange, and a wide arena of common collective activities” (see e.g. Harrison 1960; Kassalow 1963; Elvander 1980; Koelbe 1987, 256; Padgett and Paterson 1991, 177–85). Therefore, the relationship between political parties and trade unions can shape the politics of reform during economic crisis (Afonso et al, 2015: 316).

4.3.2 Path 2: Trade unions-led timid compliance

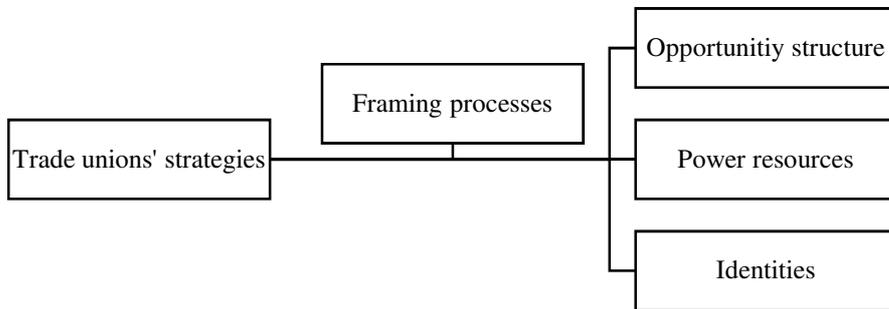
The capacity of governments to engage in credible commitments can also be compromised if there is a high level of popular unrest. In this sense, trade unions' mobilisation can rest credibility to governments about their capacity to implement reforms. This is important in countries where trade unions maintain relatively high mobilisation power and can veto unpopular reforms through strikes and mobilisations (Ebbinghaus 2010, 199). In this sense, governments need to achieve not only broad domestic consensus to be able to approve the reforms in the parliament but also to maintain broad popular support to send credibility signals to other member states about their commitment to meet with international demands. When governments consider that their credibility is challenged by trade unions' action, they will try to get their support to pre-empt mobilisation (Afonso, 2013: 48; Molina, 2006: 657)

5. Explaining trade unions' strategies under Ordoliberal intergovernmentalism

Trade unions, on their side, have the possibility to collaborate with governments and give their acquiescence to reforms or to mobilise against them. This section aims at explaining trade unions' strategies under the new European rules-based setting. I argue that trade union's behaviour is also a result of the international constraints brought about by the new European setting and national political conditions and dynamics. On the one hand, trade unions' strategies are shaped by the original political opportunity structure that emerged in their formative period, which is characterised specific power resources and identities.

On the other hand, I argue that the new European setting changes the original political opportunity structure by triggering three mechanisms. First, the new regime multiplies the centres of power towards which trade unions have to direct their demands. Second, it erodes previous political alliances between trade unions and political parties. And, third, it brings about the possibility to create new alliances with social movements. Finally, I claim that trade unions' strategies are the result of a *framing process* through which they evaluate the changes brought about by the new political opportunity structure against their power resources and identities.

Table 8. Explaining trade union's strategies



5.1 The opportunity structure before the crisis: trade unions' power resources and identities

Trade unions are embedded in specific political and institutional systems that influence the type of activity that they develop. Power resources are important because, even in moments of crisis, the responses of trade unions “are shaped by their different starting points and can involve a dynamic which is path-dependent” (Hyman, 2001:169). The existence or not of collective bargaining institutions or corporatist arrangements, for example, leads to the cultivation of specific power resources, which provide them with legitimacy to influence policy decisions. In this sense, power resources approach “helps us to understand the country-specific dynamics of trade union development” (Lehndorff et al 2017: 13). Besides, trade unions' activity is also influenced by their identities, which are “a combination of ideology and patterns of behaviour” (Gumbrell-McCormick, 2013: 241). Similar to what happens with power resources, identities are also path-dependent given that “ideologies inherited from the formative period of trade unions have proved persistent, shaping identities which cannot easily be altered” (Hyman and Gumbrell-McCormick, 2010: 317).

5.1.2 Power resources

Every political and institutional system defines a different set of power resources. According to Lévesque and Murray, “resources are fixed or path-dependent assets that an actor can normally access and mobilize” (Lévesque and Murray 2010: 335). They explain how “unions mobilize a set of resources that characterize their power in a given situation”

(Lévesque and Murray 2010: 334). Power resources grant trade unions with the capacity to put forward their demands and have an impact on policy decisions:

“Power’ embraces the ability to achieve objectives, the establishment of a framework in which unions’ agenda can be pursued and the capacity to influence perceptions so as to create a climate favourable to unions and their roles” (Hodder and Edwards, 2015: 848)

The legitimacy of trade unions to negotiate with employers and the state derives from different types of power resources: structural, associational, institutional and societal power, communicational power (Lehndorff et al, 2017). Here, I distinguish three types of power resources that have granted trade unions with legal recognition and legitimacy to negotiate with employer organisations and governments: organisational, institutional and societal:

a) Organizational power resources

Organizational power refers to the level of union membership and the capacity of labour organisations “to attract and retain members”, which “has a legitimacy, representation and efficacy component” (Molina, 2006:649). Lehndorff explains that organizational power “is based on numerical strength, as well as on the unions’ ability to successfully mobilize the membership” (Lehndorff et al 2017: 10). In the last years, the scholarly literature has pointed out to a long-term decline of trade unions’ membership. Some authors explain that changes in labour and product markets have led to a more precarious and fragmented labour system, which represent a challenge for trade unions “because they reinforce differentiation and competition between workers and fragmentation within and between unions” (Lévesque and Murray 2010: 338).

b) Institutional power resources

However, union density is not the only power resource for trade unions. In fact, trade unions with low membership can be very influential if there are institutions that grant them with legitimacy to negotiate with employers and governments. Institutions are crucial to understand trade unions’ behaviour because “in the socio-political arena union’s goals and methods are likewise shaped, even if in some cases conflictual, in reaction to the dominant institutional arrangements” (Hyman, 2007: 194). In this sense, “union power is always relative to the power of employers or the state” (Lehndorff et al

2017: 13). Institutional power refers to both, representativeness to negotiate in collective bargaining institutions vis-à-vis employers' organisations and legitimacy to participate in corporatist institutions vis-à-vis employers.

Institutional power can have a double-edged property because, on the one hand, it grants unions with capacity to intervene in labour and welfare policies but, on the other hand, if it is "is not buttressed by continuously renewed organisational and societal power, it may give rise to unjustified illusions of power and will in the long term become hollowed out and fragile" (Lehndorff et al 2017:25). In cases in which trade unions have cultivated mostly resources in relation to the social partnership model, this can lead to institutional dependency (González Begega and Luque Balbona, 2015). Similarly, Lehndorff et al. argue that "organisational and societal power resources are very difficult to mobilise for trade unions after decades of an almost exclusively orientation towards institutional power resources and representative forms of collective action" (Lehndorff, Dribbusch and Schulten, 2017:25). For this reason, Molina argues that "trade union action responds to a permanent search for equilibrium between a dialogical logic of representation of the working class and a monological logic of action and interaction as a political actor" (Molina, 2006: 649). On the contrary, corporatism is also a source of institutional power due to the "strong links between the social partners and the political system" (Lehndorff et al, 2017:18).

c) Societal power resources

Societal power resources refer to "the degree to which unions have horizontal and vertical links with other unions and with community groups and social movements" (Lévesque and Murray 2010: 336). Lehndorff argues that is "the capacity of unions to build coalitions and to act within civil society networks and includes the important link to political parties" (Lehndorff, 2017:11). Vertical societal resources refer to the relationship between trade unions and political parties whereas horizontal makes reference to links with other unions and social movements. Trade unions usually resort to societal power resources to complement their legitimacy beyond their membership (Barranco and Molina, 2014).

5.1.3 Trade union's identities

Identities are “the central and enduring attributes of an organization that distinguish it from other organizations’ (Whetten, 2006: 220). Gumbrell-McCormick argues that they are “reflection of beliefs and values, but it is also embedded in established practices and behaviour; it is ‘a relational construct” (Gumbrell-McCormick, 2013: 241). Similarly, Hodder and Edwards explain that “identity is a root structure, with matters of ideology, agendas and so on operating at a less fundamental level” (Hodder and Edwards, 2015: 847). Ideologies are very important during the formative period of trade unions. When trade unions emerged in Western Europe they were associated to ideologies such as social democracy, communism or Christian democracy, and in many cases, trade unions had important links with political parties:

“The identities and purposes of international trade union confederations have always rested on explicit ideational foundations, established historically by rival national confederations of Social-democratic, Christian, Communist and (to some extent) anarchist inspiration” (Gumbrell-McCormick, 2013: 242)

In the last decades, trade unions have gone through a process of ‘ideological blurring’ but cultural differences still remain (Hyman and Gumbrell-McCormick, 2010:321; see also Pasture, 1996). Some authors establish a dichotomy between militant and moderate or pragmatic trade unions (Bacon and Blyton, 2002). Whereas militant trade unions prioritise mobilisation strategies, moderate opt usually for social partnership. Gumbrell-McCormick and Hyman argue that we can talk about a social partnership ideology as opposed to adversarial orientations (Gumbrell-McCormick and Hyman, 2013: 125). Identities are path-dependent for two reasons. On the one hand, they are aimed at consolidating what a union is and what it does regardless changes of staff. On the other hand, identities are important to differentiate one union from other organisations (Gumbrell-McCormick, 2013: 242).

5.2 Political opportunity structure under Ordoliberal intergovernmentalism

Trade unions’ strategies are also shaped by the international constraints brought about by Ordoliberal intergovernmentalism. This section aims at explaining how the new regime changes the political opportunity structure available for trade unions to influence policymaking processes. Trade unions’ strategies depend on the opportunities and threats

generated by the opportunity structures inserted in different political regimes (Hyman and Gumbrell-McCormick, 2010; Streeck and Hassel, 2003; Gentile, 2009; Gentile and Tarrow, 2015). As Tilly and Tarrow argue, “opportunity structures include aspects of a regime that offer challengers both openings to advance their claims and threats and constraints that caution them against making these claims” (Tilly and Tarrow, 2015: 49).

According to Tilly and Tarrow, “the general features of a regime affect the opportunities and threats impinging on any potential maker of claims, and changes in those features produce changes in the character of contention” (Tilly and Tarrow, 2015: 59). Besides, political opportunity structures establish “the extent to which the regime represses or facilitates collective claims-making” (Tilly, 2006: 21). Political opportunity structures are composed by the following features (Tilly and Tarrow, 2015: 59):

1. The multiplicity of independent centres of power within it
2. Its openness to new actors
3. The instability of current political alignments
4. The availability of influential allies or supporters for challengers
5. The extent to which the regime represses or facilitates collective claim making
6. Decisive changes in items 1 to 5

5.2.1 The multiplicity of independent centres of power within it

The new political opportunity structure (POS) under the European rules-based setting multiplies the number of power centres towards which trade unions have to direct their demands: national and supranational. The EU intervention on national economic and social policies means that decisions are not taken only at the national level. Therefore, trade unions have to devise strategies to be able to influence also European decision making processes at the European Council, the European Commission, the ECFIN and the ECB. However, there are two obstacles for that. On the one hand, trade unions’ resources and activities are traditionally directed at the national level. Gumbrell-McCormick and Hyman explain that “there is a contradiction between a global economic crisis and trade union action that is essentially national” (Gumbrell-McCormick and Hyman, 2013: 134).

On the other hand, the effects of the crisis Ordoliberal intergovernmentalism erodes European alliances between national trade unions and between trade unions and political parties. The new regime hinders solidarity between European workers. The asymmetry of power within the European Council leads to an unequal effect of austerity and structural reforms in member states. Gumbrell-McCormick and Hyman explain that “the timing and severity of the different phases of crisis varied markedly across countries...which hinders the “efforts to achieve solidaristic relations between unions cross-nationally Gumbrell-McCormick and Hyman 2015: 9-10). Active union involvement in international alliances clearly requires and leads to a broadening of the conception of worker interests (Dufour and Hege, 2010: 361).

5.2.2 The extent to which the regime represses or facilitates collective claim making

The new POS erodes trade unions’ institutional and social legitimacy (Köhler and Calleja Jiménez, 2017: 77). On the one hand, labour market deregulation has a detrimental impact on the capacity of trade unions to negotiate vis-à-vis employer’s organisations. The policy regime brought about by the new rules-based setting advocates labour market deregulation, which decreases trade union’s power resources at collective bargaining. Gumbrell-McCormick and Hyman argue that “almost everywhere there has been a decentralizing trend confronting unions with significant challenges” (Gumbrell-McCormick and Hyman, 2013: 11). The push for competitiveness at the EU leads to decreasing unit labour costs, flexibility, more working hours and precariousness (Gumbrell-McCormick and Hyman, 2013: 11).

On the other hand, social dialogue is “under additional pressure as a result of government actions and external conditionality, especially in countries subject to international rescue programmes offered by the EU, the World Bank and the IMF” (Bernaciak et al. 2014:16). In this sense, Gumbrell-McCormick and Hyman explain that “both conventional collective bargaining and peak-level dialogue have faced a particularly harsh climate after financial and economic crisis hit Europe” (Gumbrell-McCormick and Hyman, 2013: 11). The authors emphasise that “even in countries with a tradition of national pacts, peak-level dialogue was difficult” (Gumbrell-McCormick and Hyman, 2013:136).

5.2.3 The instability of current political alignments

The new POS erodes party-union linkages. The historical links between unions and political parties have lost their “material and ideological foundations” (Gumbrell-McCormick and Hyman 2013: 147). Hyman and Gumbrell-McCormick claim that “little is left of a social-democratic ‘project’ to inspire either parties or unions and to bind them together” (Hyman and Gumbrell-McCormick 2010, 322). This worsened since 2008 when the reinforcement to neoliberalism has created tensions between party-union linkages (Gumbrell-McCormick and Hyman 2013: 147).

5.2.4 Its openness to new actors and the availability of influential allies or supporters for challengers

The new POS creates the possibility of building new alliances with other political groups (Gumbrell-McCormick and Hyman, 2013). There are various reasons why trade unions can be interested in forming new alliances: to seek financial assistance, to access new constituencies, to improve their specialist expertise, to strengthen the legitimacy of their demands and to reinforce their mobilization capacity (Gumbrell-McCormick and Hyman 2013: 154). As some authors point out, when labour rights are severely curtailed, this might lead to a shift towards citizens’ rights-oriented repertoires: grievances will be framed in terms of civil rights; workers will build alliances with social movements, not just unions; and they will resort to civil legal institutions for protection (Vandaele, 2016:278; see also Gentile and Tarrow, 2009). Nevertheless, these alliances are not easy given that they can create tensions due to the reluctance of leaders to engage on extra-legal or radical actions (Gumbrell-McCormick and Hyman 2013: 155).

5.3 Framing processes

Finally, trade unions are not “passive agents who simply adapt to globalization and implement policies laid down from the top” (Lévesque and Murray, 2010: 343). Trade unions decide their strategies after a framing process in which they evaluate their resources, identities and the new elements brought about by the new regime. In so doing, they “devise strategies that enable them to shape regimes within and beyond the workplace” (Lévesque and Murray, 2010: 343). Strategies are seen here as “concrete plans and objectives which arise from the complex interaction between the leadership and the rank and file and lead to specific actions” (Hodder and Edward, 2015: 847). Besides,

strategies are the result of a combination of path-dependency elements and the evaluation of new threats and opportunities:

“Strategy depends on organisational procedures and traditions which link knowledge to action through analysis of circumstances, evaluation of alternative options and planning of objectives and forms of intervention” (Hyman, 2007: 198)

Framing means to “define the grievances and interests of aggrieved constituencies, diagnose causes, assign blame, provide solutions, and enable collective attribution processes to operate” (Snow and Benford, 1992: 150). The reciprocal relationship between framing and political opportunity structures is crucial to understand trade unions’ behaviour. On the one hand, frames are constrained by the political opportunity structure (Benford and Snow, 2000: 628) but, on the other hand, the extent to which opportunity structure constraints or facilitates collective actions depend on the way they are framed (Benford and Snow, 2000: 628- 631). Levensque and Murray argue that “framing refers to the ability to put forward an agenda that can be more or less inclusive and can be part of a broader social project. It involves how the union defines the alter (them) and the ego (us)” (Levensque and Murray, 2010: 343). As Della Porta affirms, “the concept of political opportunities has been particularly criticized as bearing too structuralist and deterministic a vision of reality, without taking into account the importance of the social construction of opportunities” (Della Porta, 2013: 3).

Framing processes are important because they help us to observe how trade unions construct socially the opportunities for action (Della Porta, 2013). Through the framing processes trade unions “seek to make sense of their situations and to fashion lines of action based on their interpretations of reality” (McAdam et al. 2004:46). Trade unions’ strategies depend on “what they know how to do and what society has come to expect them to choose to do from within a culturally sanctioned and empirically limited set of options” (Tilly 1978: 151).

Moreover, framing processes can serve to question the efficacy of past resources and devise new strategies. In this sense, the new regime can be interpreted as a threat or continuity (Lehndorff et al, 2017:8). Benford and Snow argue that “frame transformation refers to changing old understanding and meaning and or generating new ones (Benford and Snow, 2000: 625). For example, some authors point out that the new regime reveals the exhaustion of trade unions’ institutional resources because “apparently intact

institutional legitimacy serves to mask a loss of sociological legitimacy on the part of unions as representative social actors” (Dufour and Hege, 2010: 353). This has forced trade unions to search for new alliances to enhance their legitimacy:

“This gap between institutional stability and transformation of the processes of individual and collective socialization which mark the workforce creates a strategic dilemma for the trade unions” (Dufour and Hege, 2010: 361)

Finally, we can argue that framing processes are not homogeneous because frames are usually contested internally (Snow and Benford, 2000: 626). Disputes about strategies can emerge, for example, between the leadership and rank and file trade unionists that evaluate challenges differently.

6. Summary

This chapter has developed the theoretical framework of this thesis to explain how the new European economic governance that emerged as response to the Eurozone crisis influences governments’ and trade unions’ behaviour in the corporatist sphere. The main argument is that the new European rules-based institutional setting was the result of the emergence of a new EU regime, Ordoliberal Intergovernmentalism, which transforms national political opportunities. Regarding the behaviour of government, I identify three mechanisms through which the new settings influences their political opportunities. First, the isolation of macroeconomic and social policy decisions from national democratic processes. Second, the shift from international policy coordination to discipline and conditionality, which generates different types of pressures over governments to implement austerity and structural reforms. Third, the creation of a policy regime that locks-in ordoliberal policy options regarding welfare and labour market issues.

Furthermore, I argue that the strategies of governments in concertation sphere depend on the type of national responses to those pressures. National responses are the result of international constraints- the need to achieve credibility vis-à-vis external actors- and national political conditions-ideology and the level of fragmentation of political systems- and consensus dynamics. Governments that comply fully with external demands tend to implement reforms unilaterally whereas governments that comply timidly with external demands tend to include trade unions in policymaking processes either to pre-empt mobilisation or to build domestic consensus.

Finally, I argue that the responses of trade unions also depend on the international constraints brought about by the new regime and national conditions such as power resources and identities. I identify three mechanisms through which Ordoliberal intergovernmentalism shapes political opportunity structure: the multiplication of power centres, the erosion of previous institutional resources and political alignments and the emergence of new potential allies. The strategies of trade unions will depend on a framing processes through which they evaluate their power resources and identities as well as the new elements brought about by the new regime. The next chapter explains the case selection and methodology of this thesis.

CHAPTER 4. CASE SELECTION AND METHODOLOGY

1. Introduction

This chapter outlines the epistemological logics that underpin the research design, the case selection and the methodology of this thesis. The main objective is to show how the empirical analysis will explore the theoretical propositions of the analytical framework presented in the previous chapter. This thesis is based on qualitative methodology and combines case studies with comparative research design. I use process tracing methodology for within-cases causal inferences and comparative case studies methodology to explain within and across-cases variations. The chapter proceeds as follows. The next section explains the research strategies chosen to answer the research questions of the dissertation. In the third section, I justify the selection of cases. The fourth section explains the process-tracing methodology used for within-case causal inferences. The fifth section outlines the comparative methods deployed to explain within and across-cases variation.

2. Research strategy

The development of the research strategy of this thesis has involved various steps. First, in chapters one and two, I have defined the research problem and objectives. Second, in chapter two and three, I have defined the variables and the hypothesis of this thesis. Finally, we need to choose the cases and the methodology and to define the data requirements (George and Bennet, 2005). This is the purpose of this chapter, to justify the selection of cases and methodology chosen in order to explore the theoretical expectations in the empirical data. The research design of this thesis is case-oriented because it “focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989: 534). Besides, the research design is a combination of deductive and inductive models. The research process carried out here is the result of a ‘back and forth’ process between the empirical material and the theory. The selection of cases was mostly the result of an inductive process after the exploration of descriptive characteristics that led me to identify the outcome to be explained. However, the research design also involves a deductive process through which I tried to test if previous theories were helpful to explain the outcome of interest (Ashakkori and Teddlie, 2010: 480). Finally, the research design of this thesis is based on a comparative case studies design that rests on the ‘multiple and focused comparison’ method (George and Bennet, 2005: 69).

3. Selection of cases

The selection of cases of this thesis rests on multiple case studies with embedded units (Baxter and Jack, 2008:550). On the one hand, I have selected three paradigmatic country case studies, Portugal, Italy and Spain, to illustrate how the theoretical arguments developed in chapter 3 work in different cases. The selection of country cases is not driven by *national* comparative purposes but by the presence of specific characteristics (European conditionality and social concertation processes). Although one case study would have been enough to test the arguments, multiple case studies allow us to strengthen the causal validity of our arguments.

On the other hand, the three case studies offer us enough variation to compare national responses (full or timid compliance), government's choices (concertation or unilateralism) and trade unions' behaviour (national/transnational, collaborative/adversarial) with the objective to test the theoretical proposals presented in the previous chapter. Therefore, I consider national governments and trade unions as units of analysis embedded in the country-case studies.

Small-N and generalization

Case studies and Small-N research designs are generally criticised because, according to some authors, we cannot generalise within-case causal explanations in larger populations. On the contrary, some authors argue that the objective of social science is not generalization because “predictive theories and universals cannot be found in the study of human affairs. Concrete, context-dependent knowledge is therefore more valuable than the vain search for predictive theories and universals” (Flyvbjerg, 2006:7). This thesis adopts a middle ground approach to this criticism. Although the aim of this dissertation is not to develop predictive theories, we are interested in generate hypothesis that can be tested in a larger population of cases. The aim here is to provide context-related causal explanations of individual and representative cases that can also be tested in alternative empirical studies. As Levy argues, “case study researchers get inside the “black box” of decision making and explore the perceptions and expectations of actors, both to explain individual historical episodes and to suggest more generalizable causal hypotheses” (Levy, 2008:6).

3.1 Country case studies: Portugal, Spain and Italy

The country case studies selected in this thesis are Portugal, Spain and Italy. The strategy to select these cases of this dissertation is based on the collection of “paradigmatic” cases (Flyvbjerg, 2006) or “typical” cases (Gerring, 2006). Typical or representative cases are those that display typical values related to the general knowledge about the phenomenon that we are going to explain. The typical case technique implies that we select the cases because they show a particular outcome and a set of hypothesis, and we are interested to explain the causal relationships between them (Gerring, 2006). Country-case studies have been selected by the presence of European conditionality and social concertation processes.

3.1.1 Conditionality in Southern European countries

This thesis has selected three countries of Southern Europe, Spain, Portugal and Italy, as a result of the empirical and theoretical puzzles presented in the previous chapters. This is because we expect that the impact of the Eurozone crisis on Southern European countries is bigger than in continental or Nordic European countries given that “the EU’s crisis response involved a process of far-reaching displacement of the Eurozone’s peripheral economies’ markets from their nationally organized social and political democratic traditions” (Matthijs 2017: 268). As it was explained in chapter 3, the asymmetry of power between member states led to an unequal impact of the crisis on European countries. For this reason, we select countries that were subject to formal or informal conditionality.

3.1.2 The role of concertation in Southern Europe

One of the research objectives of this thesis is to examine the impact of the new European economic governance on the strategies of governments and trade unions in the concertation sphere. Therefore, the presence of concertation processes is a fundamental precondition to select a case. In all country-case studies selected here, concertation processes play an important role on labour and pension policymaking processes. A system of interest intermediation has never been institutionalized in Southern Europe leading to the emergence of a type of “weak corporatism” (Molina and Rhodes, 2002; Oliet, 2004). Nevertheless, in spite of the lack of corporatist institutions, all countries share similar

processes of policymaking in which trade unions are awarded an important role due to their capacity of veto power through mobilizations (Ebbinghaus, 2010: 199) or their links with political parties. The southern European model of concertation and the political role of trade unions will be explained in more detail in chapter 5. All in all, Portugal, Spain and Italy have been selected for the presence of external pressure and concertation processes during the Eurozone crisis.

Portugal

European pressures over the Portuguese PS started in 2009 with the activation of the Excessive Deficit Procedure and were reinforced in 2011 when Portugal entered a macroeconomic adjustment program. The PSD-CDS government implemented austerity and structural reforms included in the MoU. Both governments negotiated two labour market reforms with social partners in 2011 and 2012, which ended up in the signature of social agreements between the governments and social partners, with the exception of the CGTP. On the other hand, other measures such as pension cuts or further changes in the labour market were implemented unilaterally by both governments.

Spain

Spain was subject to conditionality since 2009 when the EU activated an Excessive Deficit procedure. EU institutions also exercised informal pressure over Spain to implement fiscal consolidation and structural reforms (e.g. letter of BCE asking the PSOE governments for reforms in exchange of financial support). Also, Spain accessed a program of financial assistance in 2012, which increased the monitoring of reforms. From 2009 to 2011, the PSOE government implemented a labour market reform unilaterally and negotiated a social pact on pension reforms with social partners, which was signed by both confederations. On the other hand, the PP implemented both a labour market reform and a pension reform unilaterally.

Italy

Italy was subject to informal conditionality from 2009 to 2013. The EU also activated a EDP for Italy in 2009. Since then, pressures over FP-LN government increased through informal channels (e.g. letter of BCE). These pressures continued over the technocratic government of Mario Monti, which had to implement reforms to get BCE's financial support. The FP-LN negotiated a pension reform with social partners in 2010 (with the

exception of the CGIL) but latter implemented further changes unilaterally. On the other hand, the technocratic government opted for implementing the pension reform unilaterally but later it involved social partners in the processes of the labour market reform in 2012.

Finally, there are other country cases in which there were also external pressures during the Eurozone crisis, Ireland, Greece and Cyprus, which have been excluded from the research design for various reasons. In relation to Ireland, the type of economy and welfare model is different to the Southern European model (Ferrera, 1996). According to the Varieties of Capitalism literature, Ireland belongs to the Liberal Market Economy where labour markets are minimally regulated and levels of welfare protection are low (Hall and Soskice, 2001) whereas in Southern European countries labour market protection and welfare services are based on universality (at least until the crisis). Regarding Greece, this country does not fit as a typical case because although it shares with the countries selected the absence of corporatist institutions, in Greece there was not an emergence of social pacts during the 1990s (Lavdas, 2005). Whereas in Spain, Portugal and Italy trade unions and governments engaged in concertation processes to deal with the external pressures brought about by the EMU, similar processes did not emerge in Greece (Triantafillou, 2003).

3.2 Embedded units of analysis

National governments and trade unions are also units of analysis of this thesis. We can analyse the units of analysis separately, compare them with other units within the same case study and compare them with units in cross-case analysis (Baxter and Jack, 2008: 550). The selection of national governments and trade unions allows us for enough variation to undertake comparative analysis within and across cases.

3.2.1 National governments

This thesis analyses a total of six different national governments, two in each country-case study. There is variation regarding ideological factors and fragmentation of the political system. We analyse two social democratic governments, the Portuguese PS (2008-2011) and the Spanish PSOE, which governed in minority. We analyse two centre-right governments, the Spanish PP (2011-2014) and the Portuguese PSD-CDS, which governed with majority. Finally, we analyse the Italian centre-right Fp-NL that governed in coalition and the Mario Monti technocratic government.

Portugal	Spain	Italy
PS (2009-2011)	PSOE (2009-2011)	PDL-LN-MPA (2009-2011)
PSD-CDS (2011-2013)	PP (2011-2013)	Mario Monti technocratic government (2011-2013)

3.2.2 Trade unions

We have a total of seven trade unions, two Portuguese, two Spanish and three Italian confederations. All trade unions selected are majoritarian confederations with legal representativeness to negotiate in collective bargaining vis-à-vis employers' organisations and in trilateral negotiations with governments. The trade unions selected are the only ones that engage in national concertation processes with governments. A more detailed description about them is provided in the next chapter.

Table 10. Units of analysis: trade unions		
Country	Trade unions' original name	English translation
Spain	Comisiones Obreras (CCOO)	Workers' Commissions (CCOO)
	Unión General Trabajadores (UGT)	General Workers Union (UGT-S) ⁵
Portugal	Confederação Geral dos Trabalhadores Portugueses (CGTP-IN)	General Confederation of Portuguese Workers (CGTP-IN)
	União Geral dos Trabalhadores (UGT)	General Workers Union (UGT-P)
Italy	Confederazione Generale Italiana del Lavoro (CGIL)	Italian General Confederation of Labour (CGIL)
	Confederazione Italiana Sindacati Lavoratori (CISL)	Confederation of Italian Workers' Trade Unions (CSIL)
	Unione Italiana del Lavoro (UIL)	Union of Italian Labour (UIL)

3.4 Policy selection: pension and labour market reforms

The last selection is in relation to the policy reforms that are analysed in this thesis. I have selected pension and labour market reforms. Different policy issues involve “different patterns of domestic political mobilization, opportunities for governments to circumvent domestic opposition and motivation for international co-operation” (Moravcsik, 1993: 488). I have selected labour and pension reforms for two reasons. First, because it is more likely that trade unions mobilise their membership around these policies more than others. As Moravcsik explains, “social groups with an intense interest in a given policy are more likely to mobilize than those with a weak interest” (Moravcsik, 1993:488). Second,

⁵ I introduce an extra E in the acronym to distinguish the Spanish UGT-S from the Portuguese UGT-P.

because the tendency of governments to negotiate wage and welfare policies together has grown over time (Baccaro and Simoni 2008: 1324).

4. Case study methodology: process-tracing

This thesis uses process tracing methods that are based on building causal mechanisms between independent and dependent variables. The objective of process tracing is not to find the independent variable that produces the dependent variable but to unfold the causal processes that are established between them. Causal mechanisms are interested in opening the ‘black box’ that exist between a causal condition and the outcome of interest (Beach, 2013: 13). From an ontological point of view, process-tracing methods are related to the Descarte’s mechanistic view of causality and not on Hume’s ideas of regular associations. Mechanistic views are more complex because they are interested in the process between X and Y (Beach and Pedersen, 2013: 25).

Process tracing methods are suitable for this thesis to explain political actor’s behaviour and decision-making processes (Levy, 2008:11). Besides, process-tracing are suitable for case-oriented designs because it allows us to “make strong within-case inferences (Beach and Pedersen 2013: 2). Secondly, case study research can turn out to be ‘messy’ and process tracing help us to identify complex sequences and systematize causal conditions and their interactions. It is very common that case-oriented approaches provide us with more than one mechanisms leading to “eclectic combination of different mechanisms” (Beach and Pedersen, 2013: 3). Finally, process tracing allows us to present the causal mechanism as a stepwise test of each part of it (Beach, and Pedersen 2013: 5).

There are many definitions of causal mechanisms but they all share one idea: mechanisms are formed of different parts that have causal impact on other parts. They emphasize the causal relationship between the parts of the mechanism and not only between the trigger and the outcome (Beach, 2012: 14). These parts or steps of the causal chain are formed by different entities (political actors) and activities (what political actors do) that influence the behaviour of other entities and their activities (Beach and Pedersen, 2013:6). Causal mechanisms need to identify which specific features of one part influences the next part in each step of the causal mechanism and the “transmission of causal forces through the mechanism” (Beach and Pedersen, 2013:6).

4.1 Process tracing, congruence methods and theory

This thesis combines process-tracing with congruence methods, which are useful when we want to test if the data is congruent with the theory (Beach and Pedersen, 2013:13). We use congruence methods to assess causal explanations that derive from a deductive theory or empirical generalizations (George and Bennet, 2005: 154). Unfolding each mechanism implies testing theories that are already developed as well as developing new hypothesis because the process of inductive research can discover us new hypothesis that we need to test (George and Bennett, 2005). The causal mechanisms proposed in chapter 3 involves both, theory testing and theory generating. Process tracing and congruence methods are useful for both enterprises because there are distinct research situations that require different tools (Beach and Pedersen, 2013). As Beach and Pedersen explain, “theory- building and - testing variants of process- tracing can be combined with other methods in mixed- method designs” (Beach and Pedersen, 2013: 7).

This thesis works with two types of process-tracing: theory-building and theory-testing. Theory-building process tracing is normally used when we know the outcome but we do not know the cause (Y-centric theory building). This implies that we need to trace the process back until we find the trigger of the mechanism. Besides, we are building theory when we know the Y (new European economic governance) and the X (government’s and trade union’s strategies) but we do not have any information of the processes between them. The research design assumes the principle of equifinality, the idea that different causal paths can lead to the same outcome (Mahoney and Goertz, 2006). For example, in the previous chapter I argue that credibility can be challenged by both, the existence of divided governments and/or popular unrest. Theory-building is affected by the assumption of equifinality because “a major redefinition of the task of developing theory is required when a phenomenon is governed by equifinality. The task becomes that of discovering different causal patterns that lead to similar outcomes” (George and Bennet, 2005: 138).

On the other hand, theory-testing is useful when there are mechanisms or parts of the mechanism that have been studied previously. In this case the researcher tests hypothesis that are already developed (Beach and Pedersen, 2013). In this thesis, we use theory-testing when we test previously existing hypothesis on the impact of ideology or fragmentation of the political system on social policies, for example.

5. Structured and focused comparisons

This dissertation also carries through “structured and focused comparisons” (George and Bennet, 2005:69) of different intervening variables of the causal mechanism:

“Process- tracing methods can be used to confirm/ disconfirm the necessity of the individual parts of a causal mechanism. While cross- case comparisons could be utilized if we conceptualized a mechanism as a set of intervening variables that can be compared across cases” (Beach and Pedersen, 2013: 93).

In order to compare variation of intervening variables I follow the “structured and focused comparison” (George and Bennet, 2005:69) method, which is based on following several recommendations on the collection of data and the organization of empirical material (King, Keohane and Verba, 1994:45). This comparative method is ‘structured’ because I ask the same research questions for each unit of analysis and is ‘focused’ because “it deals only with certain aspects of the historical cases examined” (George and Bennet, 2005: 69). Structured and focused comparisons involve systematic collection and organisation of the data. For this reason, the organisation of the empirical chapters has been done following the same pattern. Every chapter is divided in four sections that analyse one part of the causal mechanism: external pressures, national responses, government’s choice and trade unions’ strategies.

6. Causal inference and strategies of data collection

“Qualitative researchers are in some ways analogous to criminal detectives” (Mahoney and Goertz, 2006: 241)

This thesis collects empirical observations from which we can infer evidence to test our hypothesis. The dissertation does not test the existence of the new European regime because we adopt a Grotian perspective, according to which regimes are “data to be described” as opposed to a realist perspective, according to which regimes have to be explained (Krasner, 1982: 194). I claim that the existence of Ordoliberal intergovernmentalism is well supported by the literature as it has been described extensively in the previous chapter. Besides, I claim that the ideas and procedures of the new regime have been institutionalised through the new European economic governance. As Parsons explains, there is a difference between the direct influence of ideas and the

power of ideas once they “get transferred to organizational mechanisms” (Parsons, 2016: 458).

Moreover, we assume that Ordoliberal intergovernmentalism impacts on national political actor’s behaviour because in international regimes, “statesman nearly always perceive themselves as constrained by principles, norms and rules that prescribe and proscribe varieties of behaviour (Krasner, 1982: 192). The question here is to find out *how*. With this purpose we collect data regarding on the impact of the new institutional setting on national political opportunities. First, I collect data on the development of European pressures on national governments during the crisis. Second, I collect data on how national governments responded to those pressures. Third, I collect data on how governments and trade unions decided their strategies in the concertation sphere.

Process tracing methods are based on Bayesian logic of inference. Bayesian logic is very important in case study research because “for in these settings a single case (or, at most, a small number of cases) is required to bear a heavy burden of proof” (Gerring, 2006: 117). We need to make causal inferences about each part of the mechanism. In so doing, we use evidence to increase our confidence in the presence of each part (Beach and Pedersen, 2013: 88). We need to distinguish empirical observations from evidence. Whereas observations are raw data, we should only consider observations as evidence once we have tested the observations against our case-specific knowledge (Beach and Pedersen, 2013:72).

Bayesian logics of inference are based on tests of theoretical certainty and uniqueness. Certainty implies that the evidence needs to be present theoretically and empirically and uniqueness means that we cannot explain ‘that’ piece of evidence with alternative theories. Finally, one of the interesting things about using Bayesian logics is that allow us to test mathematically certainty and uniqueness: “the more unique and unexpected the new evidence, the greater its corroborative power” (George and Bennet, 2005: 188). It is not the purpose of this section to explain Bayesian mathematics but it is important to mention that this thesis applies Bayesian logics to test every part of the mechanism. By using Bayesian logics, “we increase our prior estimate of the likely truth of a theory when we encounter evidence that is likely only if the theory is true and unlikely if alternative explanations are true” (George and Bennet, 2005: 358).

6.1 Data collection and sources

The inference of evidence from empirical observations involves various steps: collect and assess the accuracy the empirical material and evaluate the inferential weight of evidence (Beach and Pedersen, 2013). Process tracing requires multiple types of evidence (Gerring, 2007:216). Collecting multiple and independent observations is useful to solve the problem of unreliable sources (Beach and Pedersen, 2013: 2013: 128). This dissertation uses primary and secondary sources. Primary sources are “eyewitness accounts” (Beach and Pedersen: 2013: 132) and can be interviews of the participants of events, memoirs written by those participants and minutes of the events. On the other hand, secondary sources include scientific literature, and journalistic accounts as well as interviews of people that were not participant of events but “have information of other participants” (Beach and Pedersen: 2013: 133).

This thesis triangulates different types of sources and types of evidence. First, I have analysed different European documents and reports (Excessive Deficit procedures, Country-specific recommendations, Macroeconomic adjustment programs and Memorandum of Understanding). Second, I have analysed national official documents such as National Reform Programs and Stability Programs. Third, I have analysed various journalistic accounts published as books about the Eurozone crisis such as *Regatados* (David Dinis e Hugo Filipe Coelho) and I have analysed systematically media sources such as El País for Spain, El Publico and Expresso for Portugal and Il Sole 24 ore and La Repubblica for Italy, between others. Thirdly, this thesis has examined the accounts written by protagonists of events such as *El Dilema* (José Luis Rodríguez Zapatero), *La Paura e la Speranza* and *Bugie e verita* (Giulio Tremonti) and *Reformar Sem medo* (Alvaro Santos Pereira).

Finally, I have conducted three expert interviews and 25 elite interviews between 2015 and 2017 (full list provided in the reference section), and I have had accessed to 35 interviews to politicians, trade unionists and public officials conducted by Prof. Catherine Moury (NOVA University of Lisbon) in Portugal within the project ‘Democracy in times of crisis: Power, interests and discourse at three level game’. These interviews are neither referenced in the text nor listed because anonymity was guaranteed. The number of interviews depends on the types of events and processes that we are going to analyse. Process tracing does not require large number of interview because:

“Processes of interest are very specific episodes of decision-making at the elite level, where a limited set of actors are involved in deliberations, decisions, and actions regarding a particular political outcome. In some cases, the number of actors will be so small that sampling of any kind will not be necessary, and it may be possible to interview the total population of relevant elites) (Tansey 2007: 768)

Interviews are used “to obtain the testimony of individuals who were most closely involved in the process of interest” (Tansey 2007: 769). For this reason, my objective was to talk with the protagonists of events, mostly trade union’s leaders, Ministers of Labour and Social Policy and public officials involved in the bargaining processes with trade unions or the drafting of reforms. The selection of people was made following the recommendations of elite interviewing in process tracing, which must serve us “to obtain information about well-defined and specific events and processes, and the most appropriate sampling procedures are thus those that identify the key political actors those who have had the most involvement with the processes of interest” (Tansey 2007: 765).

7. Summary

This chapter has explained the case selection and methodology of this thesis. Regarding the selection of cases, this dissertation has chosen three country-case studies, Portugal, Spain and Italy to test how the arguments posed by the theoretical framework work in each case. These countries have been selected following the typical case technique according to which we need to select cases due to the presence of specific characteristics. In our case, we need cases where both, conditionality and concertation processes, were present during the Eurozone crisis. Besides, we need cases in which there is variation of government’s choice and trade union’s strategy in the concertation sphere. This is the case of Portugal, Italy and Spain where governments opted for concertation sometimes whereas they opted for concertation in other occasions. Also, in these countries some trade unions opted for collaborating with governments whereas others adopted a more adversarial approach. Moreover, this thesis uses process tracing methods to find out the causal mechanisms through which the new European economic governance shaped national political actor’s behaviour, congruence methods to test theoretical expectations of intervening variables, and structured and focused comparisons to assess differences and similarities between the parts of the causal mechanisms.

CHAPTER 5. CORPORATISM IN SOUTHERN EUROPE BEFORE THE EUROZONE CRISIS

1. Introduction

This chapter provides a historical analysis about the role of corporatism on public policymaking in the three countries selected: Portugal, Spain and Italy. First, it examines the type of corporatism that has been developed in these countries. Second, it analyses the impact of the European Union and, most concretely, the creation of the EMU on corporatist practices during the 1990s and the 2000s. Finally, the chapter offers a brief account on the characteristics of corporatism in the years previous of the Eurozone crisis. The last section summarizes and introduces the empirical chapters.

2. Corporatism and concertation

The term corporatism has been one of the most controversial concepts in the social science literature. Trade unions lived a great momentum in Europe after the World War II during what is known as the post-war consensus between labour and capital when they participated in the regulation of economic life (Ebbinghaus 2010: 196). The hegemonic paradigm of the political economy of the *golden years* of capitalism was based on the relationship between the institutionalization of political conflict with a good economic performance (Hamann: 2012: 3). In some European countries, mostly in the North and Continental Europe, trade unions became part of the decision-making processes and they acquired full democratic rights in exchange for political stability.

It was during these thirty years after the Second World War that Corporatism emerged in most European countries as a “system of interest intermediation” (Schmitter, 1974). The corporatist literature has often associated the emergence of interest intermediation systems with Keynesianism as both of them were understood as a “part of an implicit ‘social pact’ between organized capital and labour” (Ebbinghaus, 2010: 198). However, the post-war consensus started to crumble in the 1970s when the economic recession made politicians and economists question the viability of Welfare politics (Ebbinghaus 2010: 198). The emergence of Neoliberalism, which advocated measures that were at odds with corporatism such as the de-regulation of labour market or welfare cuts, led to think that corporatism was dead. On the contrary, it was during the 1970s and 1980s when

corporatist practices emerged in Southern Europe. This was surprising because countries such as Portugal, Spain or Italy did not have the institutional preconditions (Baccaro, 2003: 683).

After the Second World War, when corporatism spread in Europe, Portugal and Spain were still dictatorships, and Italy was living the *Anni di Piombo*, a period of terrorism and political turmoil. The historical processes of trade unions' institutionalisation evolved differently in Southern Europe than in other European countries. In Portugal and Spain, free trade unionism was legalised in both countries in the late 70s with the arrival of democracy and when the oil crisis was already changing the corporatist dynamics in other European countries. The fact that corporatist processes emerged in those countries at the same time of the crisis had several consequences for the definition of the Southern European model. Similar structures and processes emerged but in a less institutionalized manner (Molina, 2002: 309).

Although in Portugal and Spain the Standing Committee for Social Concertation (CPCS) and the Economic and Social Council of Spain (ESC) were established respectively, tripartite concertation remained voluntary. Some authors talk about "weak corporatism" to define the corporatist practices that emerged in peripheral countries (Oliet, 2004; Molina, 2005). This type of concertation process was distinguished by the crucial role of the state in shaping the decision making process (Oliet 2004; Molina 2011; Glassner and Keune, 2010; Costa, 2012), the lack of centralised trade unions (Oliet 2004:15). Besides, concertation in these countries is mostly dependent on 'contingency' and government's strategies (Hamann, 2012; Molina, 2011).

In Portugal, social concertation started in 1987, later than in Spain or Italy (Royo, 2001: 97) due to the revolutionary transition to democracy in the late 1970s, which shaped the relationship between trade unions and the political system. The transition was characterised by the political division and confrontation between the CGTP and the UGT (Leitão Marques and Casimiro Ferreira, 1991). The state promoted this division (Santos 1987:39). The entrance in the EMU stressed the need of social concertation (Leitão Marques and Casimiro Ferreira, 1991: 25). The CGTP entered the CPCS in 1987 due to changes in the position of the union related to the entrance of Portugal in the EMU (Leitão marques and Casimiro Ferreira 1991: 30).

In Spain, trade unions were legalised in April 1977 (Watson, 2015: 76) during the transition to democracy, which shaped some of their characteristics. Both confederations were poorly institutionalised due to low membership, the lack of union leaders and their dependency of state funding (Encarnación, 2003: 53). Nevertheless, CCOO and UGT played an important role during the transition to democracy by giving their support to the ‘Moncloa accords’. Although they did not participate in the negotiations, they were considered the “most important representatives of civil society” (Encarnación, 2003:95). Besides, the Moncloa accords laid the foundations of following accords “making social concertation an important feature of the political economy of democratic consolidation in Spain” (Encarnación, 2003:68).

In Italy, social concertation emerged in early 1980s with the signature of the so-called anti-inflation pacts but declined later due to political paralysis and adversarialism (Regini 1997: 262). From 1976 to 1984 trade unions and governments engaged in processes of *intercambio politico* (political exchange) that were based on wage restraint in exchange for expansionary fiscal and social policies (Pizzorno, 1977). The first major social pact was the changes in the *scala mobile* in 1983 which “reduced coverage provided by wage indexation by 15%, and banned plant-level bargaining for 18 months” (Locke and Baccaro, 1998:30). In exchange, trade unions achieved an extension to benefits (Regalia and Regini, 1997). On the contrary, the late 1980s witnessed a period of confrontation between trade unions which hindered the possibilities of social concertation in Italy (Regalia and Regini, 2000). Since then, concertation has been characterised by “lack of institutionalisation and instability” but in the 1990s, “political bargaining was resumed with vigour” (Regini, 1997: 262).

3. The political role of Southern European trade unions

As we have seen in chapter 3, trade unions cultivate different power resources depending on the opportunity structure. In Southern Europe, trade unions have traditionally cultivated political power resources in the absence of high numbers of membership (Baccaro et al., 2003: 119-120). In addition, the political role of trade unions emerged as a response to the systematic repression that trade unions suffered in their formative period. The late legalisation of trade union activity and the opposition of employers to collective bargaining turned trade union’s action towards the “state as an effective option to resolve their grievances” (Bernaciak et al 2014: 48). One of the main features of the

political role of Portuguese, Spanish and Italian trade unions is their links with political parties.

3.1 Party-union linkages in Portugal

The particular form of the revolutionary transition from dictatorship to democracy had enduring effects in the relationship between trade unions and political parties in Portugal. The revolutionary process influenced the configuration of trade unionism leading to a strong division between trade unionists about the role that they should have in society (Stoleroff, 1988). The General Confederation of the Portuguese Workers (CGTP) is the heir of the *Intersindical* that was originally linked with the Communist Party (PC). On the other hand, the General Union of Workers (UGT) was created by the PS and the PSD with the objective to weaken the strong communist block created by the PC and the CGTP (Afonso *et al* 2015: 323; Watson, 2015).

The differences between the confederations diminished after the entrance of the CGTP in the Permanent Council of Social Concertation in 1986 and after they admitted the exhaustion of class mobilization as their main strategy after the entrance of Portugal in the EU during their 5th Congress (Stoleroff, 1988). Nevertheless, the divisions between the confederations emerged again in the 1990s when they showed different positions towards the EU (Costa, 2012). These divisions and their links with the political parties has survived until today. At present, the UGT maintains moderate connections with the PS and weak connections with the PSD (Afonso *et al* 2015: 321) and the CGTP still maintain close links with the PC and with the Bloco de Esquerda. This has led to the adoption by the CGTP of a type of radical and anti-capitalist class trade unionism (Stoleroff, 1988:148), whereas the UGT has developed a social partnership identity.

3.2 Party-union linkages in Spain

The transition to democracy consolidated in Spain the links between the two main confederations and their historic political allies: the socialist party (PSOE) with the General Union of Workers (UGT) and the Communist Party (PC) with the Workers' Commissions (CCOO). The original links "materialized in the overlapping composition of their leaderships and the presence of union leaders among public representatives" (Verge, 2012: 50). During the Franco dictatorship, the PC had already penetrated the CCOO, which were illegally formed in the early 1960s (Encarnación, 2003: 51). The PC

used the CCOO as a tool to fight against the fascist regime (Encarnación, 2003: 92). On the other hand, the UGT was created by the PSOE in 1888 but was dismantled during Francoism.

The transition to democracy led to the re-emergence of the UGT as a way to neutralise the communist bloc. As Watson explains, “the conservative forces who governed Spain’s transition promoted union pluralism as part of an effort to undermine the power of the communist left” (Watson, 2015: 76). The links between political parties and trade unions are crucial to understand the *Transición pactada* (Pacted Transition) that led to the Spanish democracy. Although both confederations had a critical approach of the Moncloa Pacts, they did not opt for social mobilisation because they did not want “to contradict or even challenge the political decision made by the Socialist and Communist parties to support the Moncloa accords and the larger policy of social concertation” (Encarnación, 2003:68). Likewise, Palá argues that trade unions opted for not mobilising against the accords to cooperate with the democratic consolidation (Palá, 2000: 453).

Spanish party-union links weakened from the 1980s. On the one hand, the penetration of the PCE in CCOO diminished (Verge, 2012: 52). On the other hand, the UGT increased its criticism towards the PSOE due to the implementation of fiscal adjustment policies and the industrial restructuring of public enterprises to enter the EMU. This led to the emergence of tensions between the PSOE and the UGT that ended with the breakup of the official link in the middle of the 1980s (Hamann, 2012b: 219). The UGT called for a general strike, jointly with CCOO, against the PSOE and did not support the PSOE in the elections (Verge, 2012: 51). The weakening of party-union links has favoured the unity of action between the two confederations since the 1990s (Richards, 2008:8; Beneyto, 2008). This process was also helped by the shift of the PC towards pragmatism and ‘Eurocommunism’ that detached the party from its revolutionary goals (Encarnación, 2003:96; Watson, 2015:73). Watson argues that the “moderation on the part of the PCE and the Commissions would have important effects on the subsequent evolution of the left” (Watson, 2015: 73). Both unions have always opted for collaborative relationships with the PSOE, but their pragmatic position has also led them to call for strikes against socialist governments and to sign social pacts with the centre-right party when the latter was in the government. In this sense, trade unions have renounced their past ideological differences in order to raise their voices (Hamann, 2012b).

3.3 Party-union linkages in Italy

Italian trade unions represented different political orientations in their formative period. The CGIL has been traditionally linked with the former communist and socialist parties and, from the changes in the Italian political system in the 1990s, has been linked with other leftist parties. The links between the CGIL and the Italian communist party (PCI) were strong during the Second World War but they weakened after the dissolution of the PCI on the PD (Mattina and Carrieri, 2017: 170). The breakdown of the relationship between the PCI and the CGIL led to the adoption of a social partnership identity by the CGIL rather than class unionism (Hyman, 2001). The CISL was formally linked with the Christian Democratic Party since its formation after a split of a Catholic group from CGIL in 1948 (Mattina and Carrieri, 2017: 172) but also gathers sympathizers of other parties of the centre-left.

Regarding the UIL, it also emerged from a split of the CGIL and, since then, has been associated with the reformist and not communist left such as the Republican Party or the Socialist Party. Mattina and Carrieri argue that there are not inter-organizational links between the PD and trade unions nowadays (Mattina and Carrieri, 2017: 173). There are not union representatives in the national secretariat but the PD and the CGIL “have established numerous one-way and occasional links” (Mattina and Carrieri, 2017: 175). Besides, CGIL members usually run in elections with the PD. In 2013, the PD had five parliamentarians from CGIL and two from CISL (Mattina and Carrieri, 2017: 176).

Moreover, despite of the blurring of original political affiliations, cultural references are still important for Italian trade unions, which explain why in Italy unions are divided not by trade or occupation but by ideological cleavages (Regalia, 2012:388). Regarding with the relationship between trade unions, this one has had many up and downs. The longest period of unity of action lasted from the Hot Autumn of 1969 until 1984 when they created a Unitary Federation. However, the industrial adjustment processes of the 1980s flourished the past ideological tensions that survive until today. Mattina and Carrieri argue that the rivalry between Italian trade unions is the result of “inter-organizational competition” rather than ideology (Mattina and Carrieri, 2017: 172).

4. Industrial relations in Southern Europe

Trade unions' activity also depends on the dynamics of industrial relations. Similar to what happened to corporatism, industrial relations in Southern European were democratically consolidated when the Fordist model started to erode in other countries (Molina, 2014:33). The historical conjuncture in which Mediterranean industrial relations were born shaped their institutions and dynamics that consist “of a comparatively high degree of state intervention in regulating working conditions, adversarial collective bargaining delivering high strike rates, politically fragmented social partners and weak implementation capacities” (Molina, 2014:25). The model of industrial relations of each country shapes the model of unionism according to three factors: the structure of collective negotiations, the legal processes of decision-making and the framework of participation of labour (Heery and Adler 2004: 58). In this sense, the degree of institutionalisation can determine the type of strategic election that trade unions make (Baccaro, Hamann y Turner 2003: 128).

4.1 Labour market institutions in Portugal

Industrial relations in Portugal were legally regulated in 1979 when “a very interventionist model” was created (Molina, 2014: 25). The system of industrial relations has the following characteristics: high role of the justice in the regulation of industrial relations, a competitive relationship between social partners, the influence of political cleavages in collective bargaining negotiations and the central role of the state (Costa, 2012: 10). The lack of clear rules of representativeness and the pervasiveness of politics in the labour market influenced the Portuguese model, and has hindered the possibility to achieve agreements in the labour market (Stoleroff, 2013).

Portuguese law permits all unions to participate on collective bargaining negotiations leading to a fragmented system (Watson, 2015: 88). Besides, the general politicisation of unions and the militant approach of CGTP have led to the lack of implantation of unions at the workplace level (Stoleroff, 2013). On the other hand, the absence of a clear criteria of representativeness with only few requirements that are not enforced and the lack of legal recognition procedures have meant that all unions are considered to have the same rights (Barreto and Naumann, 1998). This has reinforced the competition between CGTP and UGT because the latter has been benefited due to the willingness of employers'

organisations to privilege the UGT and independent unions (Barreto and Naumann, 1998) to the detriment of CGTP.

4.2 Labour market institutions in Spain

The transition to democracy also shaped in Spain the industrial relations model. Since the late 1970s, workplace elections became the central piece to elect the representative committees at the workplace (Palá, 2000: 443). The clear rules of representativeness in workplace elections and similar membership numbers between CCOO and UGT also helped the unity of action and the development of a pragmatic identity of both confederations. Spanish law permits only representative trade unions to negotiate collective bargaining with employers (Watson, 2015: 88). Another important feature of Spanish industrial relations are the rules of coverage of collective bargaining agreement that are regulated by “automatic *erga omnes* mechanism: workers within the functional scope of a collective agreement are automatically covered by its terms, whether or not they are members of the signatory parties” (Molina, 2014: 30).

These characteristics made Spanish trade unions stronger than the Portuguese ones to negotiate with employers (Watson, 2015: 89). Besides, workplace elections have given unions a higher mobilization capacity than if they had to rely only on their levels of militancy and membership (Richards, 2008:11). In addition, the centralization of the collective bargaining in Spain led to think that it was moving towards a coordinated economy. In fact, much of the efforts of the Spanish unions have been focused on the consolidation of collective bargaining and their main strategy to increase membership has been their participation in work councils’ elections (Baccaro, Hamann and Turner, 2003). In this sense, workplace elections have legitimised unions to negotiate in areas different than the workplace (Hamann, 2012).

4.3 Labour market institutions in Italy

In Italy, the lack of clear rules of representativeness and the dual character of the industrial relations system have reinforced the existence of competitive relationships between unions. The industrial relations system has been characterised by two main factors: voluntarism and low institutionalisation. According to Regalia, due to their original divisions along ideological lines and the context of voluntarism and low institutionalisation, trade unions "tend to oscillate between behaving either organizations

or social movements according to convenience and to pressures applied by the rank and file" (Regalia 2012: 386). In spite of low membership and lack of formal recognition Italian unions have been able to influence governments and employer's decisions. This paradox has made difficult the attempts of classifying Italian model of trade unionism that is based on the existence of a persistent tension between the logic of organization and the logic of the movement (Regalia, 2012). In the same line, Hyman argues that the specific characteristics of the industrial relations system and the search for new ways of raising a political voice as a civil society actor have led to CGIL to configure its identity as a social movement and to remain perhaps as the most radical majority union in Western Europe (Hyman, 2001).

The low level of institutionalisation has had some consequences for the definition of trade unions' identities. The lack of clear representativeness rules led to the emergence of smaller and militant trade unions that challenged larger unions and that made difficult the development of cooperative relationships between them. Besides, the absence of clear procedures established relationships based in power and conflict. The complex structure of collective bargaining that combines national and regional levels with vertical and horizontal levels and the continued revisions of the workplace representation structures have reinforced the existence of "an informal context of ideologically based competitive unionism" allowing the existence of different strategies in the centre and the peripheral levels (Regalia, 2012: 390).

To sum up, in Spain, the specific dynamics of the industrial relations system with clear rules of representativeness and a relatively high centralization of collective bargaining has facilitated the unity of action of unions. CCOO and UGT have not been forced to define distinct identities and both have developed a pragmatic character that prioritises social partnership and concertation. On the other hand, in countries like Portugal and Italy, where the specific dynamics of their industrial relations systems have reinforced the existence of competitive relationships between unions, labour organisations have been forced to define distinct identities in order to attract new members and to justify their competition.

5. The impact of the EMU on corporatism

“Economic integration has reduced the capacity of member states to influence the course of their own economies and to realise self-defined socio-political goals” (Scharpf, 2002:648)

It seems indisputable nowadays to affirm that European integration has reduced to some degree national economic sovereignty. Some authors argue that the adoption of shared macroeconomic objectives restrains government’s room of manoeuvre limiting thus the possibility to engage in corporatist processes with trade unions (Hassel, 2006; Streeck and Schmitter, 1991). This argument regained more popularity after the creation of the EMU due to the strengthening of common fiscal and monetary objectives. Besides, the creation of the common currency removed from governments the main tool to face external economic challenges, the capacity to modify exchange rates (Hassel, 2006; Scharpf, 2002; Bieler and Morton, 2001). Since then, governments can only resort to one policy option in case of economic crisis, internal devaluation, based on cuts of social policies and the deregulation of labour markets. As Hassel explains,

“One of the major consequences of monetary integration and economic integration of the European Union for member states has been that it has shifted the burden of adjustment of economic imbalances and economic shocks increasingly and unilaterally onto the labour market” (Hassel, 2006: 16).

From a Political economy perspective, there was a correspondence between the existence of sovereign economic policy under Keynesianism and the existence of corporatism. Under this view, only under a Keynesian economy, governments are able to offer concessions to trade unions such as full employment. Therefore, when neoliberalism started to rise in the 1980s, the literature of corporatism began to question the viability of corporatist arrangements under deregulated markets and “restrictive monetary policies” (Hassel, 2006: 25). The loss of monetary and fiscal sovereignty striped the state of policy tools to promise full employment thus governments “cannot possibly hope to gain concessions from unions” (Streeck and Schmitter, 1991:145). Hassel argues that “exchanges between the government and trade unions were less likely to come about and more likely to decline due to the lack of compensation and sovereignty” (Hassel, 2006:25).

The negative impact of European integration on national corporatism was not only due to material constraints but also to the neoliberal ideas that underpinned the design of the monetary union. From that perspective, EMU was seen as the “Trojan horse of neoliberal policy” (Featherstone, 2001: 1; Hemerijck and Ferrera, 2004: 249). The neoliberal ideas that were underlying the European common market led to raising concerns about the viability of national welfare state systems that aimed at achieving high social standards (Bieler and Morton, 2001). Pressures for deregulation and deindustrialization had started before the EMU, during the economic crisis of the 1980s. However, governments could expand other social policies such as early retirement to deal with the rise of unemployment (Ebbinghaus 2000). The problem emerged when during the run-up to EMU, the EU established a limit to government debt. The convergence criteria of the EMU, based on the reduction of fiscal deficits and public debt, led to question the “the potential incompatibility between national welfare states and increasingly integrated European markets” (Ferrera and Rhodes, 2000: 258).

Besides, the reinforcement of market-making ideas, inspired in neoliberalism, had important implications for trade unions. The objectives of wage and price flexibility established Maastricht Treaty involved ending with the power of trade unions (Busch, 1995). All things considered, it seemed that the neoliberal agenda of European economic integration (Bieler and Schulten, 2008:232) had removed the capacity of national governments to economic restructuring (Hassel, 2006:15). On the contrary, many studies point out that EMU did not bring about neither neoliberal convergence in economic and social policies nor the end of corporatism (but quite the opposite):

“Arguments that the welfare state has retreated in the shadow of EMU do not stand up under available evidence. Instead, ongoing reforms remain deeply seated in normative notions of equity and solidarity and institutional preferences for negotiated policy change” (Hemerijck and Ferrera, 2004: 251)

In fact, corporatist practices consolidated in Portugal, Spain and Italy during the 1990s when most Southern European governments used social pacts to legitimise the politics of adjustment to the common currency (Molina and Rhodes, 2002) developing what is being called the model of ‘competitive corporatism’ (Rhodes, 1997). The preparation to the EMU meant a significant increase of external constraints over national governments to implement reforms. The objective of those reforms was to meet the convergence criteria,

a group of fiscal and monetary requirements to prepare national economies for the adoption of a common currency. External pressures revolved around the need to decrease inflation and to cut public expenditure to reduce public debts. Moreover, the EU exercised pressures to reform Mediterranean labour markets which have traditionally been associated with “more employment protection and less social protection than the Continental European model (Amable, 2003:30). However, although “EMU encouraged a reform direction: it did not determine choice and content” (Featherstone, 2001). Likewise, Hemerijck and Ferrera explain that:

“The Maastricht convergence criteria clearly operated as a trigger helping to overcome political resistance to welfare reforms...the need to qualify strengthened the relative position of finance ministers and central bankers at the expense of other national actors, but has not provided windows of opportunity to launch labour market deregulation and welfare retrenchment” (Hemerijck and Ferrera, 2004: 260)

One of the main national institutional features that mediated the external pressures of the EMU was the processes of political exchange that were established between governments and social partners (employer’s organisations and trade unions). During the 90s, external adjustment pressures were shaped by national political dynamics and, more specifically, by the interaction between political actor’s, governments and trade unions, and their interests (Ferrera and Gualmini, 2004; Molina, 2005). Those agreements were different than neo-corporatist deals of the Keynesian times because of the specific context in which they evolved, their content, their objectives and the strengthened role of the government (Avdagic et al., 2005, 2011). First, they emerged in the run-up to EMU when the pressures for liberalisation and deregulation of industrial relations was high. Second, they did not have a redistributive character. On the contrary, their purpose was to increase economic competitiveness (Avdagic et al., 2005, 2011).

From a political economy perspective, this type of “competitive corporatism” (Rhodes 1998; 2001) emerged because governments needed the consensus of trade unions to achieve wage moderation with the objective to meet inflation targets. In other words, governments needed the collaboration of trade unions to make national economies more competitive. In exchange, governments achieved the consensus of trade unions thanks to the establishment of trade-offs between different policies such as collective bargaining and social security (Rhodes 1998; 2001). Likewise, Ebbinghaus and Hassel argue that the

combination of different policy areas, wage and income, was key to understand why governments got the support of labour organisations (Ebbinghaus and Hassel, 2000).

On the other hand, the literature of social pacts points out that the emergence of social pacts was a more complex phenomenon than a simple trade-off between different policies. Avdagic et al. argue that social pacts did not only emerge to give a functional response to an economic problem load. Other variables shape the bargaining processes such actor's interests, preferences and strategies, which, jointly with power relationships, are important to explain why political actors engage in processes of political exchange (Avdagic et al., 2011). Likewise, other authors have resorted to game theoretic explanations based on political actor's strategies to explain the emergence of social pacts in places where there are not institutions (Baccaro, 2003; Molina and Rhodes, 2002). Avdagic et al. conclude that social pacts were in most cases the result of three variables:

“a) high economic problem loads, (b) generally weak governments which needed social partner support to adopt reforms or enhance their legitimacy, and (c) moderately centralized unions that were neither too strong to be directly concerned about the potential costs of their resistance to reforms, nor too weak to be credible negotiating partners” (Avdagic et al. 2011: 259)

5.1 Social pacts in Portugal under the EMU

Social concertation emerged during the economic crisis of the mid-80s in Portugal to deal with problems of inflation created by the revolutionary transition to democracy and since then it has had a sustained role (Royo, 2001). The Portuguese governments resorted to national bargaining with social partners to deal with the problems generated by the economic crisis of 1983-85 (Royo, 2001: 15). According to Royo, these processes allowed Portuguese governments to create an institutional framework to include social partners in policymaking processes under the Standing Committee for Social Concertation (CPCS) Royo, 2001: 18). In 1986, the PSD minority government and the UGT-P signed the 'Agreement on Incomes and Prices' to tackle the problem of inflation (Campos Lima and Naumann, 2011).

Later, the Maastricht criteria triggered the social pacts of the 90s between the UGT-P and the governments of the PSD (1985-1995) and the PS (1995-2002) (Dornelas, 2010). The PSD government, this time with parliamentary majority, signed various agreements with

social partners: wage moderation and flexibility (1990), vocational training and health and safety (1991) and incomes policy (1992). Also in 1996, the minority government of the PS signed with social partners a broad social pact that included issues as income policy, regulations of working time and collective bargaining (Campos Lima and Naumann, 2011). In addition, the Agreement of Strategic Concertation served to establish macroeconomic, employment and competitiveness objectives from 1997 to 1999 (Royo, 2001: 100). Royo argues that “the combination of all these factors allowed Portugal, which as late as 1997 was considered an outside candidate for joining the euro-zone, to comply comfortably with the Maastricht criteria in a relatively painless way” (Royo, 2001: 19).

5.2 Social pacts in Spain under the EMU

The Moncloa pacts during the transition laid the foundations in Spain for a policy process based on negotiations with the social partners to control inflation and fight unemployment (Encarnación, 2003: 68-69). This lasted until 1986 when a period of conflict between the PSOE government and trade unions started. The early 1990s was characterised “by a lack of consensus and conflict between the government and the social partners, leading to the unilateral regulation of the labour market and collective bargaining and two general strikes in 1992 and 1994” (Molina and Miguélez, 2013: 11). The parliamentary strength of the governments of the PSOE and the economic crisis of the 1980s, which led to the implementation of harsh adjustment measures, had worsened the relationship between both trade unions and the socialist party (González, 2010: 114). Other factors that led to the breakdown of relationship between the PSOE and the trade unions were the unity of action between the confederations by calling a joint general strike in 1988 (González, 2010: 114).

On the contrary, from 1994, the Spanish CCOO and UGT signed several social pacts with the centre-right government of the People’s Party (PP), which showed a “competitive rationale” with the objective to comply with the EMU requirements (Rhodes, 1998; Gonzalez Begega and Luque Balbona, 2015). Encarnación argues that the role of Economic and Social Council (CES) “was critical in restarting the process of social pacts in 1996 after the departure of the Socialist government for the purpose of preparing the nation for the exigencies of European monetary policy” (Encarnación, 2003: 68-69).

Besides, the PP wanted to avoid an anti-labour and anti-welfare image that could penalise them in the elections (Del Pino, 2013). In 1995, a path-breaking document concerning pensions was approved in the Congress after the initiative of the Catalan regionalist party, CIU. The document, named the Toledo Pact, which achieved the consensus of political parties and both trade unions, turned the pension policies into a “multipartisan veto player system” (Chuliá, 2006: 545). Besides, in 1997, trade unions and employer’s organisations signed the Inter-confederal agreement for Stability and Employment that meant the re-centralization of wage bargaining (Featherstone, 2001).

5.3 Social pacts in Italy under the EMU

In Italy, the economic crisis of the late 1970s and 1980s led to a high increase of inflation. When the country faced the EMU requirements in the 1990s, inflation and unemployment were the main economic problems and external pressures revolved around the need to reduce inflation as well as public deficit and debt. A context of economic emergency shaped the political dynamics from 1992 to 1998, when the European Commission announced that Italy met the conditions to join the common currency. During those years, different technocratic governments without parliamentary base governed the country and they resorted to various agreements with social partners to achieve political legitimacy (Avdagic et al., 2011: 121).

The Amato and Dini technocratic governments signed two pension reforms with trade unions in 1992 and 1993, respectively. The 1992 Amato reform was the first attempt to reform the Italian pension system. The Amato technocratic government faced a very difficult economic situation due to the financial speculative attacks that pulled the Lira out of the EMU. The pension reform became a central piece of the process of *Risanamento* and included both, structural changes and short-term measures such as the suspension of the indexation system for one year. The Amato government showed a real will to negotiate the reform with the trade unions that opposed to short-term measures while remained open to negotiate a broad long-term reform (Ferrera and Jessoula, 2007). Despite the organization of protests and strikes by trade unions, an informal political bargaining between the latter and the government continued. Although no trilateral agreement was signed, the final reform included some important unions’ demands such as the protection of seniority pensions (Baccaro and Simoni, 2008). In addition, social

partners also signed a reform of wage indexation that abolished the *Scala mobile* in 1992 and a reform of collective bargaining in 1993.

On the contrary, the 1994 centre-right government of Berlusconi decided to implement another pension reform unilaterally. All trade unions called for a general strike the 14 October 1994 and millions of people demonstrated against the reform on 12 November. Finally, and before a new general strike that was organized for December 1994, the Berlusconi government, which also faced division within the government due to a heterogeneous parliamentary majority, resigned. According to Ferrera and Jessoula, the failed 1994 Berlusconi reform showed that consensus between political and social actors had become a “fundamental prerequisite for successful pension reform” (Ferrera and Jessoula, 2007: 435).

In 1995, the Dini technocratic government started a new process of political exchange with trade unions. The policymaking style of the Dini government, which clearly opted for tripartite concertation, and the financial pressures on the *Lira*, helped to achieve a more cooperative attitude by trade unions that ended up getting important concessions concerning phasing-in periods (Ferrera and Jessoula, 2007). The Dini pension reform was a *quid pro quo* between a government that needed the legitimation of the trade unions and the latter, which insisted in the need to maintaining acquired rights (Natali and Pritoni, 2014). Later, following governments and trade unions also signed the Employment Pact (*Accordo per il Lavoro*) in 1996 and Social Pact for Growth and Employment in 1998 (Ebbinghaus and Hassel, 2000).

In conclusion, the emergence of social pacts in Southern Europe cushioned external demands for deregulation and welfare retrenchment. Although exogenous constraints triggered the processes of labour market and welfare reforms, the interaction between national actors and their political dynamics led to different policy outputs than neoliberal convergence. Regarding welfare states, “competitive corporatism” led to welfare recalibration rather than welfare dismantling (Ferrera and Gualmini, 2004; Ferrera, et al., 2000). The main characteristic of recalibration was the adaptation of social and labour market policies to new social risks. Governments implemented cuts in pension expenditures but in exchange, trade unions achieved long-phase in periods and new rights for disadvantaged groups. In the case of labour market reforms, trade unions also played an important role in mediating external pressures of deregulation in the mid-90s (Molina,

2005). Pressures to deregulate labour markets did not lead to the dismantling of labour rights. On the contrary, processes of labour market reforms in countries like Spain and Italy were based on the “flexibilisation at the margins”. Trade unions managed to protect a core of workers’ rights and in return accepted temporary contracts. In addition, one of the most surprising outcomes of negotiated labour market reforms was recentralisation of collective bargaining in some countries (Molina, 2005). National collective agreements were strengthened in opposition to external demands of decentralisation.

6. Setting the stage: social concertation before the Eurozone crisis

External fiscal and economic pressures did not disappear in Southern Europe after the entrance in the EMU. In Portugal, the PS had to deal with very poor economic growth from 2005 to the arrival of the crisis (Lisi 2010:382). However, this did not hinder the possibilities to reach agreements with social partners. Just before the sovereign debt crisis, in June 2008, the PS and the social partners (with the exception of the CGTP) signed a comprehensive pension reform, which introduced a sustainability factor to calculate pensions according to life expectancy (Murteira, 2008). Also, in 2009, the socialist government and social partners (again with the exception of the CGTP) agreed on a reform of the labour code that had been negotiated before the effects of the crisis to increase protection of temporary contracts (Cardoso and Branco, 2017).

In Spain, from 2004 to 2008, the social partners and the PSOE signed around 20 social pacts. This was possible thanks not only to the good economic situation that Spain lived those years due to the property bubble but also to the existence of a ministerial team in the Minister of Labour with links with trade unions and a friendly attitude towards concertation processes (Antonio González, personal interview, 2016). The first term of Rodríguez Zapatero had revived a close relationship mostly with the UGT but also with trade unionists from CCOO⁶

In Italy, the political division between the confederations had led to a more unstable pattern of political exchanges. The CISL and UIL usually devise a collaborative strategy regardless the ideology of the political party in government. This made possible, for

⁶ In order to represent this symbolic relationship, Rodríguez Zapatero used to launch the political semester accompanied by trade unions’ leaders in the village of Rodiezmo, which is known for the miner’s struggle and a long trade unionist tradition.

example, the signature of the Pact for Italy in 2002 with the centre-right government. This is also the consequence of the strategy developed by centre-right governments to isolate the CGIL. On the contrary, the CGIL has had a more adversarial approach *via-á-vis* centre-right governments and it has been more open to negotiate with centre-left governments. One of the major social pacts before the crisis was the protocol on Welfare signed by all social partners and the Prodi government (Jessoula and Locatelli 2009: 217).

7. Summary

This chapter has provided a historical account on the role of concertation in Portugal, Spain and Italy. It has offered a brief analysis on the type of corporatism that emerged in these countries in the 1970s and 1980s. Besides, it has explained the importance of party-union linkages to understand political exchanges and it has described the main characteristics of industrial relations' institutions and dynamics. Finally, it has examined the impact of EMU on concertation practices and has provided a brief account on the main developments of the years previous to the Eurozone crisis. The next three chapters form the empirical analysis of this thesis that corresponds to each country-case study: Portugal, Spain and Italy. Each chapter is divided in four sections. First, I analyse the mechanisms through which the new European setting had an impact on national social policies and processes. Second, I analyse national responses to external pressures. Third, I examine the two-level political interactions between external actors and national governments, and between the latter and trade unions. This section also focuses on analysing government's choices in light of external pressures. Finally, I analyse trade unions' strategies.

CHAPTER 6. PORTUGAL

1. Introduction

This chapter analyses the impact of the new European rules-based setting brought about by Ordoliberal Intergovernmentalism on Portuguese national political actor's strategies and interactions. In so doing, it traces the political events and dynamics that took place during the Eurozone crisis in Portugal from September 2009 to May 2014. This chapter is divided in two main sections that correspond with the different governments of the period analysed, which allows us to account for differences of political party strategies. The first section covers the period of the Socialist Party (*Partido Socialista*) government that won the elections to the Republic Assembly in September 2009. The PS formed a minority government and needed the support of opposition parties to approve laws in the parliament. One and a half years later, in March 2011, the socialist prime minister, José Sócrates, resigned after the main opposition party, the PSD, rejected the fourth program of austerity reforms in the Parliament.

The socialist prime minister, José Sócrates, asked then for financial help to the Troika. Portugal entered the Economic Adjustment Programme in May 2011 that lasted three years, until May 2014. The legislative elections were celebrated one month after entering the adjustment programme, on 5 June 2011, which led to the formation of a coalition government formed by the centre-right Social Democratic Party (PSD) and the centre-right Popular Party (CDS-PP). The second section covers the period of the centre-right PDS-CDS government until May 2014, the date in which Portugal exited the bailout. Each section consists of four parts: external pressures, national responses, two-level political interactions and trade unions' strategies. The chapter finishes with a section devoted to summarize the main events and discuss the central findings.

2. PS Government (2009-2011)

The Portuguese Socialist Party (*Partido Socialista*) won the elections to the Republic Assembly on 27 September 2009. The PS won 36.55 per cent of the votes whereas the main opposition party, the Social Democratic Party (*Partido Social Democrata*) won 29.11 per cent of the votes. José Sócrates, the leader of the PS, became prime minister for second time as the PS had governed the country also in the previous legislature (2005-2009). When the PS won in September 2009, the Portuguese economy was in recession.

Negative economic growth started at the end of 2008 and, in 2009, the GDP fell by 2.6 per cent. The contraction of Portuguese economy was smaller than in other countries and the financial sector was better placed when the crisis started, partly due to the absence of a construction bubble. However, two small banks reported problems of liquidity since 2008, the Banco Português de Negócios (BPN) that was nationalised to avoid further contagion, and Banco Privado Português (BPP), which after some ineffective measures was liquidated (OECD, 2010). In addition, although Portugal did not face problems with increasing expenses in pensions due to the reform of the pension system that was carried out in 2007, the crisis brought to the light other long-term problems of the Portuguese economy. Portugal has occupied for many years one the last positions of the EU15 ranks of competitiveness (OECD, 2010⁷). The formation of a new PS government coincided with the worsening of the country's economic situation. The recession affected employment figures and in two years, from January 2009 to January 2011, unemployment increased from 7.9 to 11.1 per cent. One of the biggest problems in Portugal was long-term unemployment that reached 67.8 per cent in 2010 (OECD, 2010)

Figure 1. Portuguese Unemployment rate (2008-2011)



Source. <http://es.tradingeconomics.com/portugal/unemployment-rate>

Furthermore, all budgetary indicators worsened. From 2008 to 2009, the fiscal deficit rose from -3.8 per cent to -9.8 per cent of the GDP. This led to the activation of an Excessive

⁷ OECD Economic Surveys: Portugal 2010

Deficit Procedure in Portugal at the end of 2009. Since then, external actors exercised pressures over the Sócrates government to implement fiscal consolidation strategies and structural reforms.

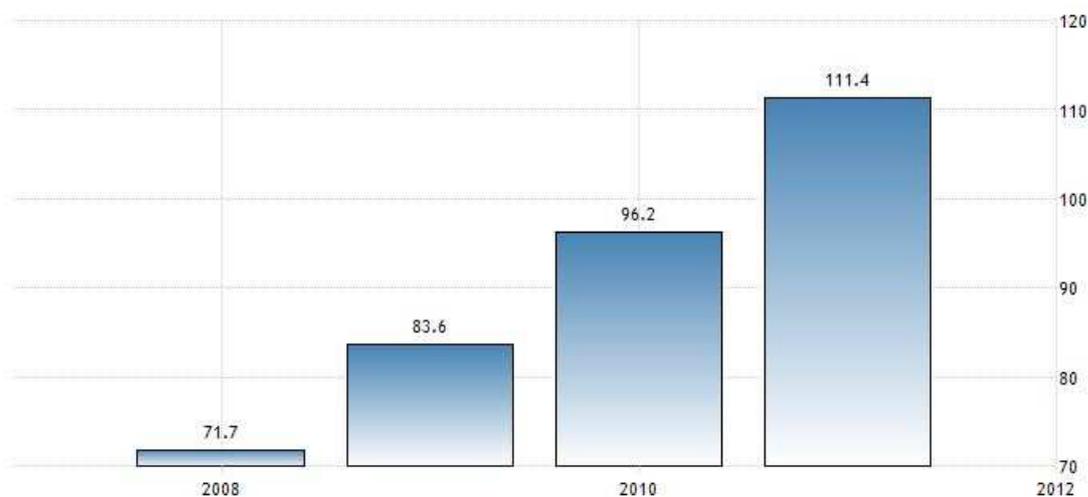
2.1 External pressures

This section assesses the impact of the three mechanisms through which the new rules-based setting transformed the political opportunities and policies of the Portuguese socialist government. It evaluates the influence of conditionality and discipline through formal, informal and financial pressures. In so doing, it examines the extent to which the EU imposed a policy regime based on austerity, labour market deregulation and pension cuts on Portugal from 2009 to 2011.

2.1.1 Formal pressures

The instruments created or reinforced by the new institutions of the European economic governance exercised formal pressures to implement structural reforms and fiscal consolidation measures in Portugal. On the one hand, the country was put in 2009 under an Excessive Deficit Procedure (EDP). On 2nd December 2009, the European Council decided that an excessive deficit existed in Portugal and ratified its decision to start an EDP on 19 January 2010. The projection of gross national debt for 2009 was at 74.5 per cent of GDP, well above the limit of 60 per cent. Besides, public deficit was projected at 5.9 per cent of GDP in 2009, also above the 3 per cent target. After the evaluation of actions taken, the Council considered on 15th June 2010 that the Portuguese government had taken effective action to correct the excessive deficit and put an end to the procedure.

Figure 2. Government Gross Debt in Portugal (2008-2011)



Source: www.tradingeconomics.com/Banco de Portugal

On the other hand, in June 2011, Portugal entered an Economic Adjustment Programme with the Troika and had to implement the specific reforms contained in the Memorandum of Understanding (a full description of the negotiations of the MoU and its content will be offered in the next section). Also, the implementation of the European Semester since 2011 increased surveillance over national and economic policies through the evaluation of national stability and reform programmes and the issuing of Country-specific recommendations. On 12 July 2011, the European Council published the 2011 Country-specific recommendations (CSRs) that included the assessment of the Stability programme 2011-2014. In the case of Portugal, CSRs served to put pressure on the socialist government to implement the reforms contained in the MoU. In July 2011, for example, the Council urged the government to follow the recommendations of the Council Decision 2011/344/EU, which contained the conditions of the bailout. Apart from fiscal consolidation measures, the Decision 2011/344/EU included specific guidelines on labour market policies: “Portugal shall adopt the first batch of measures aimed at strengthening labour market functioning by limiting severance payments and making working time arrangements more flexible”.

2.1.2 Informal pressures

Since the first bailout of Greece in May 2010, doubts about the financial capacity of Portugal to pay the debt started. During the Euro group meeting celebrated on 7th May 2010, European leaders put pressure on Portuguese and Spanish prime ministers to change the direction of their respective economic policies:

“Consolidation of public finances is a priority for all of us and we will take all measures needed to meet our fiscal targets this year and in the years ahead in line with excessive deficit procedures. Each one of us is ready, depending on the situation of his country, to take the necessary measures to accelerate consolidation and to ensure the sustainability of public finances” (Statement Heads of State, 1 May 2010)

Since then, and until the request of the bailout in May 2011, the Portuguese government faced informal pressures either to implement fiscal consolidation measures and structural reforms, or to ask for financial help. Informal constraints came from different sources: representatives of European institutions, other European heads of government and the press. They used to display two forms. First, the spreading of rumours about the possibility of Portugal entering an adjustment programme which could raise financial speculation. In January 2011, the German magazine, *Der Spiegel*, published that France and Germany were exercising pressure on Portugal to ask for financial support (*Spiegel*, 2011). As a consequence, Sócrates asked the Portuguese Secretary of state responsible of European Affairs, Pedro Lourtie, to discover the origin of the rumours. Besides, Sócrates called the German chancellor to ask for a statement to refute the rumours and promised her to implement all necessary reforms to avoid the bailout (Dinis and Coelho, 2012). On the other hand, informal constraints could come in the form of declarations about the amount of money that Portugal needed to stabilise its public finances, which could also raise financial speculation over the country. On 24 March 2011, the Euro group made public an estimation of the money that Portugal needed, 75 million euros, but Sócrates still refuted to ask for a bailout (Reuters, 2011).

2.1.3 Financial pressures

The same month, in March 2011, the interest rates of Portuguese bonds in the markets reached a peak of 8 per cent and three rating agencies downgraded the liquidity capacity

of Portugal to “junk bond”, the high-yield bond (Paula, 2011). Financial markets penalised political instability when Sócrates resigned. The uncertainty about whether the caretaker government would request the bailout or not led to financial speculation (Fontevicchia, 2011). On 27 April 2011, Standard and Poor’s downgraded two levels the Portuguese credit rating from A+ to A-. The same day, the Portuguese stock market decreased 5.36 per cent. Although finally the Sócrates government asked for the adjustment programme during the electoral campaign, the latter did not remove completely the burden of financial speculation over Portugal. In fact, a few months after entering the bailout, on 24th September 2011, the spread raised again abruptly and reached the maximum since the creation of the euro.

Table 11. Financial pressures over Portugal the weeks before the bailout

25 March 2011	Two rating agencies, Fitch and Standard and Poor’s, downgraded the Portuguese bond to the category of “junk bonds”
28 March 2011	Standard and Poor’s downgraded five Portuguese banks ⁸
29 March 2011	Interest’ rates to fund the Portuguese bonds reached 8 per cent
30 March 2011	Interest’ rates to fund the Portuguese bonds reached 9 per cent

2.2 National responses: timid compliance

This section focuses on analysing the responses of the Portuguese socialist government to external pressures. We can distinguish two phases. In a first phase, the government complied timidly with external demands. The section shows that, in spite of the reforms launched by the PS in 2010, the government did not achieve full credibility from external actors due to three factors. First, the contradictions on economic projections that were reminiscent of the Greek situation and raised scepticisms about the real numbers of Portuguese economy (Inman, 2011). Second, the division within the socialist government about the adequacy of implementing fully the ordo-liberal programme rested credibility to the government. There were disagreements between the Minister of Employment, Helena André, and the Minister of Finance, Teixeira do Santos, and between the latter with the prime minister, José Sócrates, on both, the type of reforms and the adequacy of

⁸ Santander Totta, Banco Português de Inversões (BPI), Banco Comercial Português (BCP), Banco Espírito Santo (BES) and Caixa Geral de Depósitos (CGD).

asking for external assistance (Martins, 2015). Whereas some sectors of the government were in favour of implementing fully the ordo-liberal programme and asking for the bailout, Sócrates maintained an obstinate position against the bailout until the end of his mandate (Tvi24, 2013). Third, credibility was compromised due to the political instability created by left political parties in opposition, the Communist Party and Left Bloc, which presented various votes of no confidence. In a second phase, during the spring 2011, the socialist government achieved credibility by external actors, which were convinced about the will of the Sócrates government to implement drastic cuts and structural reforms (although he still resisted to the bailout) but the lack of parliamentary support of the main party in the opposition, the PSD, led to the resignation of Sócrates and the demand of financial assistance (Diario de Noticias, 2011).

The three Stability and Growth Programmes (PECs). The socialist government presented the Budget for 2010 in January 2010. In line with the requirements of Excessive Deficit Procedure, the Budget contained fiscal consolidation measures such as changes in the pension regime of the *Caixa Geral de Aposentações*, with the objective to intensify the convergence of the social security regimes. Although, as it has been noted before, Portugal did not have problems of long-term sustainability of pensions, external actors insisted in accelerating some of the measures introduced by the previous pension reform. Some of the measures included in the Budget of 2010 were:

- The anticipation of the new penalisation rule of early retirement from 2015 to 2010.
- The clarification of the interpretation of the Law 52/2007, 31 august 2007 in relation with the calculation of the first component of pensions of people admitted until the 31 august 1993.
- The acceleration of implementation in 2011 of updating rule of pensions to link them with inflation depending on verified economic growth and the value of the pension to be update.

In spite of the cuts in pensions and public employee's salaries, the budget was not considered an orthodox austerity plan because it contained investment plans in infrastructure (Moury and Standring, 2015). The PS government also approved the Employment Initiative (*Iniciativa para o Emprego 2010*), which had the objective to face

the increase of unemployment rates. At the same time, the socialist government prepared the first PEC, the Stability and Growth Programme (*Programa de Estabilidade e Crescimento*) to respond to the EDP. On 25 March 2010, the Parliament approved the PEC I, which contained the budgetary plans and reforms with the support of the main political party in opposition, the PSD, that abstained in the voting. The PEC I contained an austerity plan that included two types of measures: budgetary consolidation measures and measures to boost sustainable competitiveness and growth. One of the main aims of the PEC I, which was drafted as a response to the obligations under the EDP, was to reduce the fiscal deficit. Some of the measures designed with this purpose meant significant cuts of social policies and public employment:

- Freezing of public employment salaries and tightening hiring rules.
- Freezing of non-contributory pensions.
- Decrease of social assistance allowances.
- Changes in unemployment allowances and tightening of access conditions.
- Containment of health expenses.
- Acceleration of rules that penalise early retirement.

Socialist ministers justified the turn to full austerity in only two months due the need to satisfy the demands of the Commission since a bad evaluation from the European institutions could raise financial speculation (Moury and Standing, 2015). In the evaluation of the Portuguese Stability Programme, the European Council considered that the PEC I contained enough measures to stop the EDP but the fiscal consolidation efforts of the socialist government did not remove informal and financial pressures over Portugal. The Minister of Finance received new pressures during the meeting of the ECFIN on May 2010, and the socialist government decided then to introduce a new austerity package (Dinis and Coelho, 2012:31). The Parliament approved the second PEC II (Decreto-Lei n. ° 72/2010), which updated the Stability and growth Programme 2010-2013, on 9 June 2010, again with the support of the main party of the opposition, the PSD. The PEC II increased the income tax and the value added tax and included other measures of fiscal consolidation (Decreto-Lei n. ° 72/2010).

This led to a raise of criticisms from the opposition parties on the left of the PS (Diário de Notícias, 2010). The Portuguese Communist Party (PCP) presented a vote of no confidence on 21st May 2010 against the government that was also supported by the Left Block (*Bloco de Esquerda*) and the Greens (*Verdes*) but the parliament rejected it thanks to the abstention of the centre-right parties of PSD and the CDS-PP. Once more, the measures contained in the PEC II did not achieve enough credibility from European institutions and the financial markets, which kept putting pressure over the Sócrates government to ask for the bailout (Govan, 2010). Constraints on the socialist government also came from domestic sources such as the Bank of Portugal that warned about the risk of financial default if the government did not implement measures to stabilise public finances in a credible way (Rowley, 2010). As a response, the socialist government presented a third austerity programme. On 26 November 2010, the Portuguese Parliament approved the Budget for 2011 that included the PEC III. The new Stability and Growth programme incorporated new austerity measures such as cuts from 3.5 to 10 per cent of public employees' salaries, cuts in pensions and a new increase of the VAT from 21 to 23 per cent.

2.2.1 The shadow program

Shortly after the approval of the third PEC, the socialist government had to face a major setback. Budgetary predictions were refuted by the Commission. The deficit was bigger than reported by the Portuguese government (Graner and Nakagawa, 2011). Since then, an atmosphere of distrust emerged between the Sócrates government and European institutions. In addition, the Portuguese bond yield reached the seven per cent, the same level reached previously by Greece and Ireland before their bailout (Currencies direct, 2011). The risk of default accelerated political events (Dinis and Coelho, 2012:17). The socialist prime minister resisted once more to the pressures that urged him to ask for the bailout but he accepted to take all the necessary measures to correct the deviation of budgetary projections in exchange for the purchase of the BCE of Portuguese bonds in the secondary market (Dinis and Coelho, 2012). This meant the acceptance of a 'shadow programme' negotiated with external actors in order to guarantee that the program of reforms complied with external demands and, in so doing, to avoid the bailout, which had become the only objective of Sócrates (Moury and Standring, 2015). The new austerity package was known as the 'shadow programme' given the secrecy of the negotiations (Dinis and Coelho, 2012).

This programme in the shadow needed the support not only from other member states but also from the BCE: “Barroso had achieved an agreement with Sócrates to create a shadow program to convince the BCE” (Dinis and Coelho, 2012: 78). The European representatives, with the support of the German chancellor, Angela Merkel, and the participation of the BCE started negotiating the fourth Stability and Growth Programme with the government (Ferreira, 2011). The political context became complicated when the pressures to ask for external financial assistance started emerging also from home. Some representatives of the Portuguese banking sector asked some members of the socialist government and to the President of the Portuguese Republic, Anibal Cavaco Silva, to make public announcements in favour of external assistance (Dinis and Coelho, 2012:23). The banking sector agreed with the bailout not only to recapitalize the sector but also for ideological reasons. They thought that the expansion of welfare state had gone too far in the previous years of the crisis (Carvalho da Silva, personal interview, 2016). Besides, in the middle of the negotiations between the external actors and the government, in January 2011, the administrator of Bank of Portugal, Teodora Cardoso, said that Portugal needed short-term help from either the European Fund or the IMF (Dinis and Coelho, 2012).

On 28 January 2011, a team of the BCE arrived in Lisbon, jointly with representatives of the European Commission to negotiate with the governments measures to correct the deviation in the budget (Ferreira, 2011). The negotiations were not easy. The government showed some discrepancies with the measures proposed by the external actors. As Sócrates had declared in several occasions, he did not agree with the liberal agenda of the programmes imposed by external actors (Diario de Noticias, 13 march 2011). Besides, there were discrepancies between some ministers about which reforms were necessary and Sócrates wanted to get the support of all ministers and to avoid drastic cuts in pensions (Dinis and Coelho, 2012).

After a few meetings, the government sent a proposal but the latter did not get the support of the BCE, which asked for further measures like the freezing of public salaries and pensions (Dinis and Coelho, 2012). Finally, the government achieved a consensual shadow programme with the representatives of the Commission and the BCE. The BCE accepted to buy Portuguese bonds in the secondary market (Publico, 2011). At that moment, the interest rates to fund the Portuguese debt were at a critical peak of seven per cent and the intervention of the BCE managed to decrease it under the seven points (Dinis

and Coelho, 2012: 25). However, political instability continued as the PS had to face another vote of no confidence of the left political parties in the parliament on 10 March 2011. The vote of no confidence was again rejected due to the abstention of the conservative parties.

Box 1. The divisions of the Portuguese Socialist Party

During the last two years of the PS government, the divergent positions of the Portuguese prime minister, Sócrates, and the Finance minister, Teixeira do Santos, became clear. Teixeira Do Santos was in favour of a drastic austerity plan (Dinis and Coelho, 2012: 33) whereas Sócrates was more favourable to Keynesian policies. The Minister of Finance considered that expansion of welfare state made in the decade before the crisis had gone “too far”, which opened tensions with other Ministers like the Minister of Health, and the Minister of Employment and Socialist Security, Helena André, who showed divergent positions to those of Teixeira Do Santos (Dinis and Coelho, 2012: 33; Carvalho da Silva, persona interview, 2016). The Minister of Foreign Affairs, Luis Amado, also defended some reforms like the introduction of the *golden rule* in the Constitution in opposition to the views of the prime minister (Dinis and Coelho, 2012). During the drafting of the PEC II and III, the Minister of Finance insisted in implementing a labour market reform and a budgetary law but he met the opposition of Sócrates and other ministers. At the end, the Minister of Finance won the argument (Carvalho da Silva, personal interview, 2016).

2.2.2 The Portuguese bailout

After getting the consensus of the BCE and the Commission, the socialist government presented the ‘shadow programme’, the PEC IV, to the parliament but the political parties in the opposition, this time including the PSD, voted against it on 23rd March 2011⁹. The President Cavaco da Silva did not intervene to avoid the parliamentary rejection of the programme (De Giorgi et al. 2015). As a consequence, Sócrates resigned and called for elections. On 31 March 2011, the President Cavaco Silva announced the day for

⁹ The PSD voted against the PEC IV because of electoral reasons. Voting polls were giving the conservative party a clear advantage. By voting against the PEC IV, the PSD forces the resignation of Sócrates.

anticipated elections for the 5th June 2011. On 6th April 2011, the Minister of Finance affirmed to the press that the bailout was necessary (Journal de Negocios, 6 April 2011). The same day, Sócrates corroborated the intention of Portugal to ask for the bailout to the president of the European Commission, José Manuel Durão Barroso. The government finally asked for entering a Macroeconomic Adjustment Programme formally on 7th April 2011 (Telegraph, 7 April 2011). One day later, the ECFIN announced that the financial help to Portugal required the implementation of a policy programme based on strict conditionality around three pillars: fiscal adjustment measures, structural reforms to enhance competitiveness and measures to ensure the liquidity of financial sector. Regarding structural reforms, the ECFIN made an explicit reference to remove “rigidities in the product and labour markets” (Euro group, 8 April 2011).

Table 12. Chronology of the Portuguese bailout (2011)

7 April 2011	Portuguese government asks formally for the bailout
8 April 2011	The ECFIN discusses the Portuguese economic adjustment programme
12 April 2011	The EC, BCE and IMF (the Troika) undertook an evaluation of Portuguese economy
18 April 2011	Representatives of the Troika met with political parties to negotiate the conditions of the bailout
3 May 2011	Sócrates announced the agreement
4 May 2011	The Troika met centre-right parties to get their support on the programme
5 May 2011	The Troika presents the Portuguese economic adjustment programme
10 May 2011	The European Commission approves the bailout
16 May 2011	The ECFIN and the Euro group approve the bailout

The Portuguese adjustment programme was regulated by the European Financial Stabilisation Mechanism (EFSM). The Council had approved the EFSM on 11th May 2010 with the objective to provide with financial assistance to Member States (Council Regulation 407/2010). A few days later, on 17th of May 2011, the Council approved the programme for Portugal. The total loan amounted to 78 billion euros, out of which the EU provided 52 billion euros and the IMF provided 26 billion euros. The negotiations of

the MoU developed in an exceptional political moment with a caretaker government. In addition, although the caretaker government was the main interlocutor of the Troika, the latter also hold meetings with the opposition political parties (Freire et al, 2017). Only the centre-right parties of PSD and CDS attended the meetings whereas the left political parties decided not to participate. The Memorandum of Understanding (MoU) on specific economic policy conditionality was published the same day that the Council approved the Portuguese request, the 17th May 2011. Some of the measures contained in the memorandum were the freezing of public employees' salaries and pensions until 2013, and cuts in health expenses and unemployment allowances (see table below for a description of the main measures).

Table 13. Memorandum of Understanding for Portugal (17 May 2011)		
Type of policy	Objective	Measures
Fiscal policy	Reduce the Government deficit to below EUR 10,068 million (equivalent to 5.9% of GDP based on current projections)	Cut public expenditure in public administration, education, health, pensions, unemployment Increase corporate tax, income tax and VAT
Financial sector regulation	Preserve financial sector stability; maintain liquidity and support a balanced and orderly deleveraging in the banking sector; strengthen banking regulation and supervision;	facilitate the issuance of government guaranteed bank bonds, The state-owned CGD group will be streamlined to increase the capital base of its core banking arm as needed, The authorities will amend legislation concerning credit institutions, etc.
Labour market	Reforms in the employment protection system aimed at tackling labour market segmentation fostering job creation, and easing adjustment in the labour market	Measures included in the Tripartite Agreement of Competitiveness and Employment signed in March 2011

2.3 Two-level political interactions: acquiescence in the shadow

This section analyses policy-making processes characterised by the two-level interactions between external actors and the socialist government and the latter with the trade unions, CGTP and UGT-P during 2010 and 2011. Most of the pressures by European representatives revolved around fiscal consolidation and labour market reforms. The section shows that *timid compliance* led to the inclusion of trade unions in the policymaking processes of the labour market reform to generate domestic consensus and deactivate the mobilisation process that could rest credibility of the government during their negotiations with the European representatives¹⁰.

In 2010, the first intention of the PS was to negotiate the reform with the social partners but the polarisation between trade union's positions and the demands of external actors hindered the possibilities of agreement. Only in a second stage, when external pressures increased in December 2010, the PS government and social partners managed to achieve an agreement. The section demonstrates that the party-union links between the PS and the UGT-P, and the fiscal emergency scenario created by the risk of financial default, were fundamental to get the latter's acquiescence to the reform.

Table 14. Reform episodes during the PS government (2010-2011)

Reform	Government' strategy	Trade unions' response
Reform episode 1: PEC I	Unilateral	CGTP and UGT-P: Public sector strike on 4 March 2010
Reform episode 2: PEC II and III	Unilateral	CGTP and UGT-P: General strike 24 November 2010
Reform episode 3: Declaration of acquiescence on the reform	Signalling	UGT-P: signed the declaration CGTP: opposed

¹⁰ There were not pressures to implement a structural reform of the pension system because Portugal had approved a comprehensive reform in 2007 that introduced the main changes advocated by the EU such as the introduction of the sustainability factor. However, the EU advocated for pension cuts as a strategy of fiscal consolidation.

Tripartite Agreement of Competitiveness and Employment	Concertation	UGT-P: signed the agreement
--	--------------	-----------------------------

2.3.1 Reform episode 1

The first Stability and Growth Programme of the Sócrates government, PEC I, submitted in March 2010 unilaterally, led to the first response of Portuguese trade unions, which called for a strike of the public sector on 4 March 2010¹¹. The strike was organised by two federations of the UGT-P, the *Sindicato dos Quadros Técnicos do Estado* and the FESAP, and the *Frente Comum de Sindicatos da Administração Pública* of CGTP. The federations protested against the freezing of public salaries, a measure that the government included in the PEC I, and that had decided to maintain until the achievement of the 3 per cent of deficit as required by the EDP.

2.3.2 Reform episode 2

Sócrates had promised during the electoral campaign in the summer of 2009 an Employment Pact (*Pacto para o Emprego*) negotiated with the social partners and the negotiations started in May 2010. The first meeting of the Permanent Commission of Social Concertation (CPCS) was celebrated on 26th May 2010. Different groups were created and the government also presented some working documents. However, it was difficult to articulate the employment strategy with the demands of the European institutions, which led to an impasse of the negotiations (Almeida et al., 2016:27). At the end, there was a total rupture between the social partners and the government. The talks around the 2010 Employment Pact ended when the Government presented the State budget for 2011. The rupture between the socialist party and the UGT-P was relevant given the historical links between both organisations. However, the UGT-P complained about the broken promises of the government that in previous negotiations had committed itself to increase the pensions (Público, 14 October 2010). The Minister of Finance had proposed cuts on public employees' salaries and pensions. In the beginning Sócrates resisted but finally he gave in in September 2010 (Dinis and Coelho, 2012: 32). On 14th

¹¹ The last strike of the public sector was in 2007.

October 2010, the former leader of the UGT, Joao Proença, explained to the press why the Pact for Employment was broken:

“The Pact dies here today. There are no conditions for an agreement to the extent that the Government did not respect the agreement (in relation with the updating formula of the pensions) given that it has decided to freeze all pensions for the next year” (Público, 2010)

The end of the negotiations between the government and the socialist partners on the Employment Pact happened after the approval of the PEC II and PEC III in the parliament. The second and third Stability and Growth Programmes of June and November 2010, respectively, provoked the reaction of the Portuguese confederations, UGT-P and CGTP, which called together for a general strike on 24 November 2010 (Jornal de Negócios, 7 October 2010). The general strike, the first one that UGT-P and CGTP organised jointly since 1988, had the objective to protest against the austerity policies of the socialist government. This evidenced the conflict between the PS and the UGT-P (Joao Proença, UGT-P, personal interview, 2016) that had traditionally formed an alliance opposed to the communist trade unions, CGTP. Some of the most controversial measures introduced by the PECs, due to their impact on trade unions' constituencies, had been the freezing of pensions or the cuts in public employee's salaries. The joint 2010 general strike did not lead to a government's retreat but it helped to open again the negotiations on the labour market reform. In fact, this was the objective of the UGT-P that protested against the unilateral action of the government. The UGT-P justified the general strike as a way to pressure the government to restart social dialogue, which had not given any results during 2010:

“Governments do not like general strikes and it is true that there were some tensions between the UGT and the PS... but we do not open a conflict just to confront the government. If we call for a general strike is to pressure the government to restart social dialogue” (Joao Proença, UG, personal interview, 2016)

2.3.3 Reform episode 3

The general strike organised by the two confederations in November 2010 put much pressure on the Sócrates government. It was the first general strike that both confederations organised together in 20 years, which created important tensions within

the socialist government and with the “reference” trade union, the UGT-P (Reuters, 24 November 2010; Joao Proença, UG, personal interview, 2016). Second, there was also a change of Sócrates’ policy preferences. The prime minister started first to accept the demands of external actors but in a later stage he refused to accept all the requests. Dinis and Coelho explain that when talking to its own ministers, Sócrates repeated in several times: “it is possible and we are going to resist, because this is a socialist government” (Dinis e Coelho, 2012: 69). As the former leader of the CGTP, Carvalho da Silva, explains:

“In the beginning Sócrates gave in vis-à-vis the external actors but at the end of the legislature he got convinced that the policies advocated by the UE were against those that he defended” (Carvalho da Silva, former leader CGTP, personal interview 2016)

Moreover, Sócrates government was concerned about the effect of political conflict on the external actors. The Portuguese prime minister was convinced that an agreement with the social partners around the labour market reform was needed to satisfy the external actors and avoid the bailout (Dinis and Coelho, 2012: 80). As a consequence, in December 2010, the prime minister decided to activate a bargaining process to implement a reform of the labour market (Rattner, 2010) The Euro group had welcomed the new austerity measures included in the PEC III but asked the socialist government for changes in the labour law (Euro group statement, 2010). Pressures from European representatives to implement a labour market reform had increased in the last months. The Euro group made public declarations in a couple of occasions urging the Portuguese government to take effective action. On 30 September 2010, the Euro group issued a statement in which they urged Portuguese government to:

“Back the budgetary measures by reforming the budgetary framework and by adopting further comprehensive and ambitious structural reforms that would enhance potential growth, focusing on removing rigidities in the labour market and in wage formation and improving productivity. This would allow Portugal to improve competitiveness” (Euro group statement, 2010)

In addition, the European Commissioner for Monetary and Economy Affairs and the Euro, Olli Rehn, said publically that Portugal needed to flexibilise labour laws (ASJP, 11 June 2010). In fact, jointly with the deviation of budgetary projections, the labour market

reform became the most controversial point of the ‘shadow programme’ (Dinis and Coelho, 2012:71). On 27th December 2010, the Council of Portuguese ministers approved (resolution number 101-B/2010), the start of negotiations in the CPCS but the divisions of opinions between the external actors and the government, and within the government itself, delayed the reaching of an agreement on the labour market reform. After the declarations of Olli Rehn, the minister of Employment and Socialist Security, Helena André, and the Minister of Economy, José Antonio Vieira da Silva, criticised the external intromission of the Commissioner (ASJP, 11 June 2010). The divisions of the Sócrates government affected the negotiations with the European representatives. There is evidence about the impact of the two-level game on decision making processes as Sócrates had to get the approval of the BCE and respect at the same time the negotiations with social partners (Dinis and Coelho, 2012: 75). Also, this shows that the socialist government used the labour reform to signal external actors with credibility (Afonso, 2016: 18).

The increase of the spread and the risk of default made the labour market reform inevitable if the government wanted to achieve financial help from the BCE and to avoid further pressures to ask for the bailout. The Prime Minister and the Minister of Employment discussed the terms of the reform, which was going to touch one issue that was especially controversial and that could make difficult to get the consensus of trade unions: the reduction of dismissal compensations (Dinis and Coelho, 2012:45). Helena André, a member of UGT-P herself, was the responsible to explain the situation to the leader of the socialist trade union, Joao Proença (Dinis and Coelho, 2012:45). On 4th March 2011, in the middle of the negotiations with the external actors on the ‘shadow programme’, Helena André met privately with the leader of UGT-P, Joao Proença, to ask him for a joint declaration on their acquiescence on a labour market reform that they could present during the Euro summit on 11th March 2011 (Dinis and Coelho, 2012).

However, the slow rhythm of negotiations in the CPCS was not compatible with the urgency required by the external actors. The negotiations in the CPCS were restarted on 9th March 2011. The Prime Minister was himself interested in achieving an agreement with the social partners because he thought that concertation could avoid the bailout (Dinis and Coelho, 2012:80). During the meeting, the government asked all social partners for a declaration of their acquiescence with the reform that they could take to the Euro Summit. All social partners, with the exception of the CIP (Confederação

Empresarial de Portugal) and the CGTP signed the declaration, a pre-agreement on the labour market reform based on 50 measures to improve competitiveness (Jornal de Notícias, 9 March 2011a). The minister of Employment explained the connection of the declaration and the needs to send a signal of credibility in the next meeting of the Euro Summit: “The adoption of responsibilities of the social partners is very positive to give external and internal signs of commitment” (Jornal de Notícias, 9 March 2011a).

On its side, the CGTP abandoned the meeting of the CPCS due to their disagreement with the declaration. His leader, Carvalho da Silva, declared that the agreement was “unacceptable” and “detrimental” for workers. Besides, the communist confederation disagreed with the idea of using concertation to get credibility from the external actors (Jornal de Notícias, 9 March 2011b). The negotiation between the government and the rest of social partners started right after the Euro Summit and took three days (11, 16, 17 March). Finally, the Tripartite Agreement of Competitiveness and Employment (*Acordo Tripartito para a Competitividade e Emprego*) was signed by the government and all social partners (this time also the CIP), with the exception of the CGTP, on 22nd March 2011. The agreement addresses specifically the two demands made by external actors about the reduction of dismissal compensations and the flexibilisation of working hours.

Table 15. Tripartite Agreement of Competitiveness and Employment¹²

Employment protection legislation	protection	Severance payments	Total severance payments for new open-ended contracts reduced from 30 to 10 days per year of tenure
			Total severance payments for fixed-term contracts will be reduced from 36 to 10 days per year of tenure for contracts shorter than 6 months and from 24 to 10 days for longer contracts
			Fund agreed in the March Tripartite Agreement to partly finance the cost of dismissals for new hires

¹² Elaborated with information contained in the memorandum and the labour market agreement.

	Definition of dismissal	<p>Individual dismissals linked to unsuitability of the worker should become possible even without the introduction of new technologies or other changes to the workplace</p> <p>Individual dismissals linked to the extinction of work positions should not necessarily follow a pre-defined seniority order if more than one worker is assigned to identical functions (art. 368 Labour Code). The predefined seniority order is not necessary</p>
Working time arrangements	Contain employment fluctuations over the cycle, better accommodate differences in work patterns across sectors and firms, and enhance firms' competitiveness.	Action plan to promote the use of flexible working time arrangements, including on modalities for permitting the adoption of "bank of hours"
	Revision of the minimum additional pay for overtime established in the Labour Code:	Reduction to maximum 50% (from current 50% for the first overtime hour worked, 75% for additional hours, 100% for overtime during holydays); (ii) elimination of the compensatory time off equal to 25% of overtime hours worked.
Wage setting and competitiveness	The Government will promote wage adjustments in line with productivity at the firm level.	No specific measures

2.4 Trade unions' strategies: political identities and meetings with the Troika

This section analyses Portuguese trade unions' behaviour. It shows that the responses of Portuguese trade unions were the result of a different framing process shaped by their political identity and the evaluation that they made about external constraints. Regarding political identity, ideological links with political parties are crucial to understand the responses of Portuguese confederations. The former leader of the CGTP explains the great influence that the Communist Party still has on some sectors of the confederation:

“The CGTP is always in favour of mobilisation and against compromises with right wing political parties. We have arrived to punctual agreements with the left. The communist party has a strong influence over the leaders of the CGTP and this is reflected in how the confederation works” (Carvalho da Silva, personal interview, 2016)

Regarding the UGT-P, in a first period it opted for mobilising against the PS against the austerity measures included in the PECs. The objective of this strategy was to reopen social dialogue with the government. Once the government resorted to social dialogue again to implement the labour market reform, the UGT-P opted for a collaborative strategy based on supporting the government vis-à-vis the external actors. Two-level political interactions between the socialist government, the external actors and the social partners altered the role of the concertation practices of the CPCS, which became an instrument to send credibility signals to the external actors. Both trade unions perceived the risk of bailout as a threat but they adopted different strategies depending on their identities. The UGT-P perceived the bailout as a bigger threat than a deregulatory labour market reform. As the leader of the UGT explains, the 2011 agreement had the objective to avoid the bailout: “We signed the agreement to avoid the entrance of the Troika, something that at the end did not happen in practice (João Proença, UGT personal interview, 2016).

On its side, for the CGTP, the consequences of the labour market reform were as bad as the bailout. The communist confederation opted for mobilising against austerity packages and when the government activated the concertation process, it refused to sign the declaration in support of the labour market reform and the final agreement because it meant a decrease of workers' rights and did not respect the role of negotiations:

“We did not sign the 2011 agreement because it was the precursor of the memorandum. The government wanted an agreement to show that they had negotiated with the social partners but it was a total scam” (Carvalho da Silva, personal interview, 2016).

The intervention of the Troika in Portugal also have an effect on trade unions’ strategies. They had to decide if they wanted to participate in the meetings than the Troika had organised with social partners to talk about the reforms contained in the memorandum. The meetings between the Troika and the trade unions had no precedent in Portuguese politics. Although the IMF had intervened the Portuguese economy in 1997 and 1983, the CGTP had refused in both occasions to talk with the IMF because it was not an organ of national sovereignty (Quirós, 1 May 2011). The arrival of the Troika opened once more a debate within the CGTP about the role that they wanted to play vis-à-vis the external actors during the implementation of the memorandum.

Although the meetings were consultative and did not involve any type of bargaining with trade unions, they gave them the possibility to voice their opinions. However, some sectors of the CGTP thought that the participation in the meetings was a form of legitimisation of the Troika. The CGTP went through a difficult internal debate to decide whether to participate in the meetings with external actors or to show a more confrontational approach:

“It was a controversial decision because a big part of the CGTP was against it. Other opposition parties also rejected to talk with the Troika. We finally accepted to go to the meetings because we wanted to present our position in a direct way. The evaluation of those meetings is neither good nor bad; the bureaucracy is just that, the bureaucracy” (Carvalho da Silva, personal interview, 2016).

At the end, the communist confederation accepted to talk with the external actors. On 19th April 2011, representatives of the Troika met with Portuguese trade unions, UGT-P and CGTP. Regarding the UGT-P, the confederation asked the Troika representatives to respect the tripartite agreement signed in March 2011 on the labour market. On the contrary, the CGTP, which had not signed the agreement, presented to the Troika alternative policies to achieve fiscal consolidation and economic growth.

2.4.1 *Transnational actions*

The different political identities and links with political parties of Portuguese trade unions shaped their exploration of transnational actions. Whereas the CGTP was against of talking with other European representatives or other Heads of governments because of questions related to national sovereignty, they were in favour of organising transnational mobilisation actions to show their opposition to austerity:

“We never met with other presidents or prime ministers. Our logic is that we are a sovereign country. It is the responsibility of our political representatives and political parties to talk to them. National interests need to be defended at all costs” (Carvalho da Silva, personal interview, 2016)

“I talked to the leaders of the Spanish CCOO and UGT in the previous moments of an Executive meeting of the ETUC celebrated in Madrid and we agreed that we were going to make pressure inside the ETUC to make it more offensive. Nevertheless, it was difficult. The ETUC is very institutional and bureaucratic” (Carvalho da Silva, personal interview, 2016)

On the contrary, the UGT-P was more reluctant to push inside the ETUC to develop an offensive position and showed more willingness to exercise pressure through meetings with European representatives:

“We met in various occasions with the German ambassador in Portugal. We knew that they had a wrong vision of Southern Europe in Germany because they had made declarations to the press saying that here we work less. We also had meetings with representatives of Nordic countries” (João Proença, UGT-P, personal interview, 2016).

2.4.2 *Anti-austerity protest dynamics*

Finally, trade unions' strategies were also shaped by the protests dynamics of anti-austerity social movements but once more their interaction with them was also shaped by their political identities. Only the CGTP was involved in the organisation of anti-austerity coalition and its involvement was shaped by the divisions within the Portuguese political left. Since March 2010, Portugal witnessed an increase of social mobilisation against austerity with the emergence of new anti-austerity social movements such as *Geração à Rasca* (Desperate Generation). On 12 March 2010, they organised a demonstration of

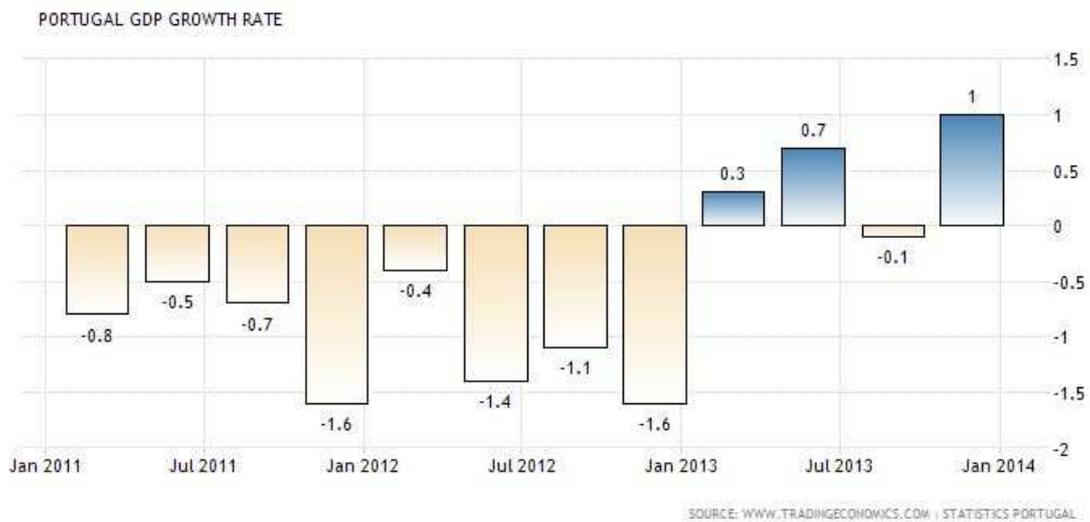
around 200.000 people that became the largest street protest since the Revolutionary period between 1974 and 1975 (Baumgarten, 2013).

The organisers of the demonstration created later the 12M Movement M12M, *Movimento 12 de Março* (Accornero and Ramos Pinto, 2014). The relationship between anti-austerity social movements and trade unions was influenced by ideological differences within the Portuguese left and mirrored the divisions between the Communist Party (PCP) and the Left Bloc (*Bloco Esquerda*). The CGTP criticised the M12M and only identified itself with another anti-austerity social movement, the “Association to fight against precariousness”, *Precarios inflexiveis*. The collaboration between the latter and the communist confederation accelerated at the end of 2010. On 11th November 2010, the “Association to fight against precariousness”, *Precarios inflexiveis*, carried out some actions in call centres to mobilise workers for the 14th November 2010 general strike.

3. PSD-CDS Government (2011-2014)

This section analyses the impact of the new European rule-based setting on the politics and policymaking processes during the PSD-CDS government from 2011 to 2014. It examines national responses of the centre right government to external pressures, and it shows that although the preferences of the government were ideologically aligned with those of the Troika, external credibility was compromised by several reasons. The general elections celebrated on 5th June 2011 led to the victory of the Social Democratic Party (PSD) that obtained the 38.7 per cent of votes and increased the representation in the Parliament in 27 deputies. On its side, the Socialist Party, led again by José Sócrates, won the 28.06 per cent of the votes and lost 23 deputies. The PSD won with relative majority and needed the support of other parties to form a government. Finally, the PSD signed a government agreement with the CDS-Popular Party, led by Paulo Portas. The PSD-CDS government was formed on 16th June 2011. Although Portugal had entered the adjustment programme a few weeks before, the economic situation had not improved. To the contrary, the first years of the adjustment programme worsened all economic indicators. When the country requested the bailout in 2011, economic growth was -0.8 and it increased up to -1.6 per cent by January 2013. The Portuguese economy only starting growing a few months later.

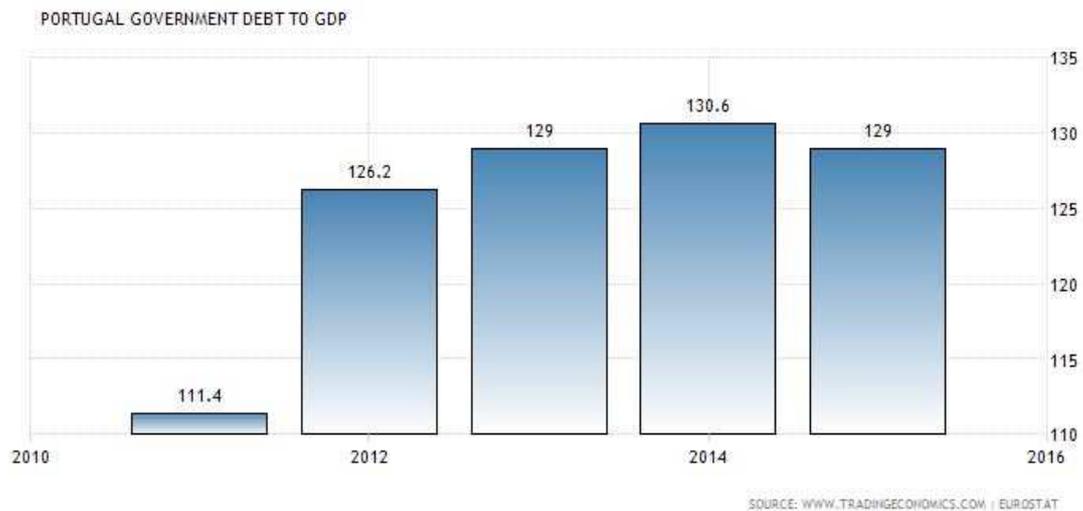
Figure 3. Portuguese GDP Growth Rate (2011-2014)



Source: www.tradingeconomic.com

Likewise, all budgetary indicators worsened after the bailout. From 2011 to 2014, government debt to GDP rose from 111.4 to 130.6 per cent, and only started to decrease once Portugal exited the bailout.

Figure 4. Portuguese government debt to GDP (2010-2015)



Source: www.tradingeconomics.com

3.1 External pressures

During the PSD-CDS government, the new rules-based setting influenced national political dynamics mainly through the implementation of the Macroeconomic Adjustment Programme. Both, economic and political processes and policies, were put under surveillance of external actors. However, neither the existence of formal conditionality attached to the bailout nor the ideological alignment of the new centre-right government with the ordo-liberal programme helped to relax external constraints. In addition to the MoU, the European institutions activated once more an Excessive Deficit Procedure and used the Country-specific recommendations to monitor the reforms included in the memorandum. On the other hand, although the adjustment programme relaxed informal constraints, financial speculation over Portuguese economy continued until the end of 2012.

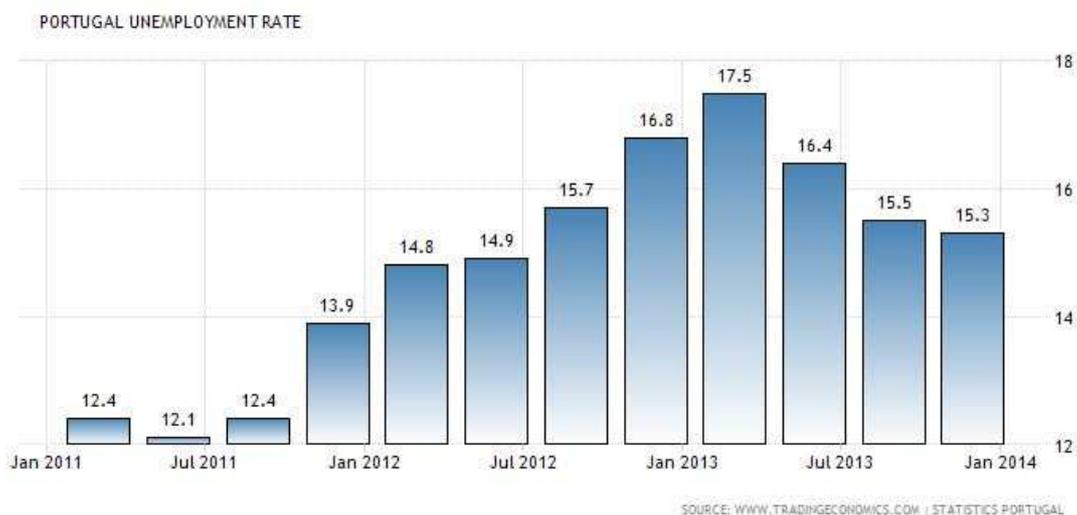
3.1.1 Formal pressures

European representatives and the IMF exercised pressure over the centre-right government to implement further reforms in every review mission of the adjustment programme in which they evaluated the implementation of the MoU. Right after the elections, during the first review of the programme, the Troika acknowledged the difficulty to implement some measures due to the existence of vested interests and concluded:

“Progress has been made in preparing for a so called fiscal devaluation...This reform should be focussed on improving competitiveness, and should be kept simple and broad based. While the reforms are generally off to a promising early start, most of the difficult changes still lie ahead and the authorities’ resolve in this regard will undoubtedly be fiercely tested by opposition from vested interests” (First evaluation, 2011).

The representatives of the Troika considered insufficient the labour market reform approved by the previous socialist government and insisted in the need to implement further measures to facilitate adjustment of the labour market. The emphasis on these measures was also a result of the increase of unemployment rates. From 2011 to 2013, unemployment rose from 12.4 per cent to the peak of 17.5 per cent in January 2013, and started decreasing slowly in the summer of 2013.

Figure 5. Portugal Unemployment Rate (2011-2014)



Source: www.tradingeconomics.com

On 16th November 2011, the second evaluation was published and the Troika once more referred to the difficultness of implementation of changes in this policy area. The external actors insisted in measures such as further reduction of dismissal costs and wage reduction:

“Overall, the program is off to a good start. However, its success crucially depends on continued implementation of a wide range of structural reforms that will remove the rigidities and bottlenecks behind Portugal’s decade-long growth stagnation. In order to improve labour, cost competitiveness, wages in the private sector should follow the lead taken by the public sector in implementing sustained pay cuts. The program envisages measures to reduce dismissal costs and increase wage flexibility at the firm-level” (Second revaluation, 2011)

As a consequence, the Passos Coelho government and social partners (with the exception of the CGTP) agreed on a new labour market reform in the beginning of 2012 that was evaluated positively by the Troika. The review mission carried out on 28th February 2012 welcomed the new labour market reform and highlighted the capacity of the government to reach agreements with the social partners on “bold” reforms: “The recent tri-partite agreement on labour market reforms underscores Portugal’s ability to take bold reform steps in the context of social dialogue”. However, good reviews on the labour market did

not last for long and in the next mission, celebrated on June 2012, the Troika asked once more for further reforms on the labour market, this time in relation to the link of wages with productivity:

“This includes institutional reforms that give firms more flexibility in matching labour costs and productivity. The exceptionally high unemployment, particularly among the young, also calls for more immediate measures, including active labour market policies. We also welcome the government’s initiative to consider, in the context of the budget 2013, ways to reduce social security contributions targeting specific segments of the labour force” (Third evaluation, June 2012).

Moreover, the PSD-CDS government also received pressures from external actors to reform the labour market through the Country-specific recommendations (CSRs). On 6th July 2012, the European Council published the evaluation of the Portuguese Stability Programme (2012-2016) and concluded that previous efforts to achieve fiscal devaluation were in an impasse. Therefore, the Council urged the Portuguese government to “adopt rapidly additional structural reforms in the labour and product markets with a view to reducing unit labour costs, increasing flexibility and lowering entry barriers” (CSRs, 2012). The European Council, in accordance with the review missions, also put emphasis on the difficultness of implementing these reforms due to the existence of ‘vested interests’, and asked the government to overcome these obstacles: “Perseverance and resolve on the part of the Government will be required to overcome strong vested interests that stand in the way of reforms” (CSRs, 2012).

Although the European institutions decided not to publish Country-specific recommendations in 2013 to avoid duplications with the Economic Adjustment Programme, the monitoring of reforms was reinforced through the activation of a new Excessive Deficit Procedure in Portugal on 27th September 2012. The projection of government deficit was at 5.3 per cent for 2012. Besides, public debt increased from 93.3% in 2010 to 107.8% of GDP in 2011. The monitoring of the EDP took place every three months in a parallel process to the regular reviews of the Economic Adjustment Programme. According to the Commission, the projected deficit was at 5.3 per cent in 2012, which meant a deviation from the objective of 4.5 per cent included by the government in the 2012 Stability Programme.

Public debt projections were also quite deviated from the 60 per cent target given that Commission projected an increase from 119.1 of GDP in 2012 to 123.7% of GDP in 2013. On 21 June 2013, the Council decided to put an end to the Portuguese EDP. In the communiqué, the Council affirmed that the fiscal consolidation measures adopted by the government had gone beyond that those contemplated in the country-specific recommendations of October 2012. The project deficit was 4 per cent, still one point above the 3 per cent target but the government had adopted consolidation measures that amounted to 6 per cent of GDP. Consequently, the Council decided to give one year more to the Portuguese government to achieve the deficit target of 3 per cent.

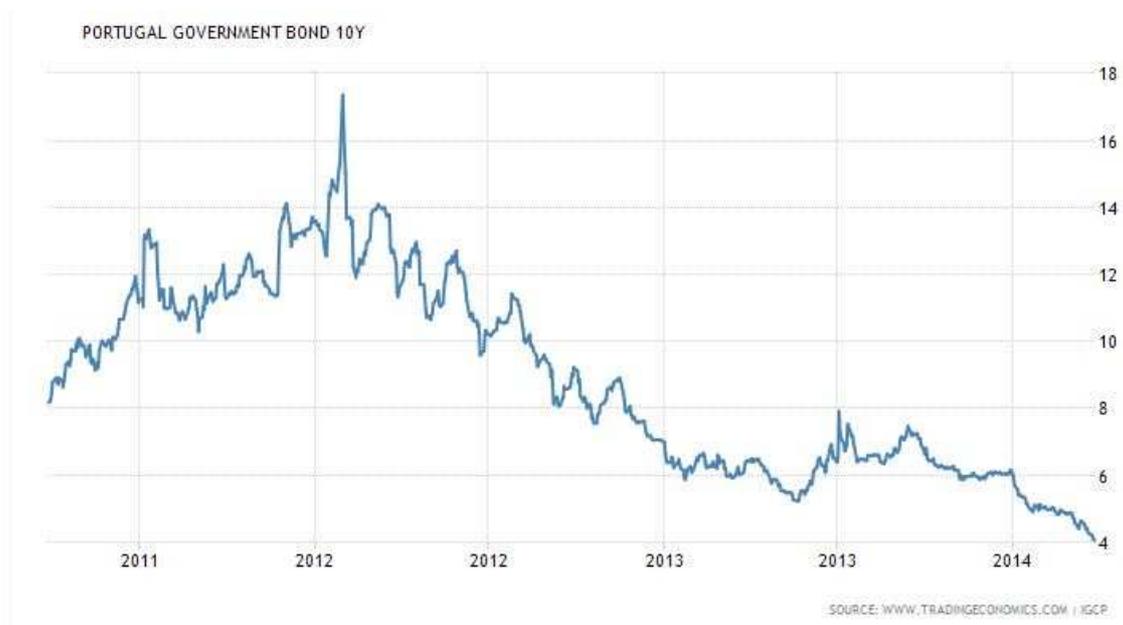
3.1.2 Informal pressures

During the implementation of the MoU informal pressures from EU representatives and other heads of Governments weakened. To the contrary, on 12th November 2012, the German chancellor visited Lisbon to give support to the Passos Coelho government, which was in the midst of increasing criticism from Portuguese society due to austerity.

3.1.3 Financial pressures

On the contrary, the macroeconomic adjustment programme did not relax financial speculation over Portugal. Right after the general elections in June 2011, financial markets indicators did not improve. On 8 June 2011, the interest rate of Portuguese bonds was still 10 per cent in secondary markets. The pressure of financial markets increased during the summer 2011 when Moody's downgraded four steps Portuguese bonds, up to Ba2 on 5th July 2011. The Portuguese spread only starting decreasing in the first semester of 2012 and kept this tendency for the next years.

Figure 6. Portuguese Government Bond 10Y



3.2 National responses: from ‘good pupil’ to timid compliance

This section examines the responses of the PSD-CDS government to the pressures exercised by the new European setting. It demonstrates that in spite of the ideological alignment of the centre-right government with the adjustment programme, the PSD-CDS could not comply fully with external demands due to several factors. First, there were continuous discrepancies about the real deficit numbers that generated distrust between the government and the Troika. Second, there was an increase of popular mobilisations that rested credibility to the government about their ability to implement the reforms. And, third, the Portuguese Constitutional Court became a veto player of some austerity measures forcing the government to negotiate new measures again with external representatives. Although in the beginning Portugal was considered a ‘good pupil of the Troika (Magone, 2014), these factors hindered the credibility of the government in various occasions.

3.2.1 Good pupil and ideological agreement

In June 2011, the newly elected prime minister declared his intention to go beyond the memorandum signed with the Troika (Público, 6 June 2011). From 2011 until the exit of the bailout, the programme of the government focused on the implementation of the

measures contained in the memorandum and the launching of new reforms to respond of the demands of the review missions of the Troika. All these measures were included in the Stability and National Reform programmes of 2012 and 2013. The Stability programme of 2012 contained the national budgetary plan for the period 2012-2016 as required by European Semester. The programme included a reform of the budgetary process, the rationalization of public administration resources and a fiscal reform. The cuts of public expenditure amounted to 0.9 per cent of the GDP for 2013. The government projected cuts in various policy areas like health, education and public services as well as a reduction of costs of public employment.

Regarding the administrative reforms, the government strengthened the role of the Ministry of Finance by giving it the competence to be in charge of the budgetary process and created a Conselho das Finanças Públicas (CFP), an independent organ to analyse the evolution of public finances. In addition to the measures of fiscal consolidation, the National Reform Programme-2012 included structural reforms inspired by the Integrated Guidelines of the Europe 2020 strategy. The government created an inter-ministerial group to elaborate the reform programmes with the objective to guarantee that the reforms complied with the Europe 2020 objectives. The programme distinguished between those reforms that were being implemented in the framework of the memorandum and those that were *beyond* the memorandum. The PSD-CDS coalition explained that the adjustment programme helped the government to implement their own agenda:

“The reformist energy of the actual government has been benefitted by the existence of this detailed and scheduled programme and by the technical assistance of the European Union and the International Monetary Fund” (NRP 2012)

Moreover, the National Reform programme of 2012 included the commitments made by the Portuguese government in the Euro Plus Pact, which revolved around two main objectives. The first was one was to change wage setting arrangements. With this objective, the government committed to change the minimum salary only if it was justified by labour market developments and to implement wage adjustments in line with productivity at the firm level. Besides, other measures included were the implementation of the 2011 labour market reform, specifically those in relation to the decentralisation of collective bargaining. The second commitment was to open and reduce the rent of sheltered sectors such as energy markets, telecoms and postal, transport and professional

qualifications. The centre-right government consolidated the reformatory path in the National Reform programme of 2013, which included mostly the implementation of the reforms described above.

Table 16. Measures to reform the labour market included in the NRP 2012	
Policy area	Some measures
Unemployment subsidy system	Reduction of the maximum length of subsidy to 18 months; capping unemployment benefit at 2.5 times the social support index
Employment protection schemes	Revising individual dismissal; Aligning severance payment entitlements with European average
Changing working-time arrangements	Implement “bank-of-hours” working arrangements; reducing overtime compensation; increasing daily working period to 8 1/2hours; reducing the number of bank-holidays by 4 per year

3.2.2 Timid compliance and veto players

Spite of the ideological alignment of the PDS-CDS coalition with the adjustment program, several factors hindered the credibility of the Passos Coelho government from 2011 to 2014. On the one hand, the government admitted in several occasions the existence of discrepancies between economic projection and final real numbers, which generated distrust from the Troika. Neither the Troika representatives nor the financial markets trusted that the Passos Coelho government could meet its commitment to achieve the 3 per cent of fiscal deficit (The Guardian, 6 July 2011). When the government was formed, the executive found out that the deficit was bigger than the one reported by the previous government during the negotiations of the bailout. This forced the government to take further measures than the ones included in the MoU such as the elimination of Christmas bonuses (Reis Pires, 2015:27). Discrepancies also occurred during the implementation of the MoU when, for example, the government discover at the ned of 2012 that the deficit of the Madeira region was going to compromise the commitments with the Troika to achieve deficit objectives (Reis Pires, 2015: 43).

On the other hand, the coalition government did not always hold coherent preferences. When the government decided to launch of the *Taxa Social Única* (TSU) as a measure of fiscal devaluation, which meant the decrease of firm's social security contributions from 23.5 to 18 per cent, and an increase of worker's contribution to social security from 11 to 80 per cent, some voices within the government raised their scepticism about the impact that this measure could have on Portuguese competitiveness (Reis Pires, 2015). The delay of implementing this measure, for example, generated doubts about the capacity of the government to implement structural reforms and overcome vested interests (Peres Jorge 12 August 2011). The leader of the CDS, Paulo Portas, admitted that he disagreed with the measure but he did not oppose it to avoid a political crisis within the government and with the Troika (Expresso, 24 January 2017).

This is in relation with the third factor that questioned the full compliance of the government with external demands: popular mobilisations. On the one hand, there was a joint general strike called by CGTP and UGT-P on 24 November 2011 that questioned the capacity of the government to overcome vested interests to reform the labour market (Santos Pereira, 2014: 71-89). On the other hand, the increase of mobilisations organised by trade unions but also by anti-austerity social movements in 2012 delayed (and in some occasions prompted the withdrawn) of some measures. The government finally presented the TSU on 7 September 2012 but a big demonstration organised by civil society organisations on 15 September 2012 made the government to eliminate the measure (Reis Pires, 2015: 59; Expresso, 24 January 2017).

Finally, the Portuguese Constitutional court played an important role as a veto player of austerity measures. In so doing, the capacity of the government to implement drastic cuts was also questioned. In 2013, the Portuguese Constitutional Court ruled against cuts of sickness and unemployment benefits and cuts of holiday bonuses of pensioners and public employees (Khalip and Goncalves, 5 April 2013). This forced new negotiations between the government and the Troika to find alternative austerity measures to meet deficit commitments. During negotiations, the government argued against some measures by explaining that the Court would never accept them, and the Troika started to think that the government was using the Constitutional Court to avoid measures that could create conflict with social partners such as labour market and pensions (Reis Pires, 2015: 210).

3.3 Two-level political interactions: overcoming “vested interests”

This section focuses on the impact of the two-level games on government’s strategies in the concertation sphere. The section shows that in a first stage popular mobilisations led to the inclusion of social partners because the government considered that political unrest could compromise the implementation of the adjustment programme. On the contrary, once social mobilisation was pre-empted with the signature of a labour market agreement by the UGT-P, the government decided to implement further measures unilaterally.

Table 17. Reform episodes during the PSD-CDS government (2011-2013)

Reform	Government strategy	Trade unions’ response
Reform episode 1: Compromise for Growth, competitiveness and employment	Concertation	UGT-P: signed the agreement CGTP: general strike March 2012
Reform episode 2: broken promises and TSU	Unilateral	CGTP and UGT-P (only some federations) general strike 14 th November 2012

3.3.1 Reform episode 1

The Prime Minister, Passos Coelho, announced his intention of implementing a new labour market reform right after the formation of the new government in June 2011. The new reform was part of his commitment to go beyond the memorandum that already included the labour market reform agreed between the previous socialist government and the social partners (with the exception of the CGTP), and that the new government considered insufficient to meet the demands of the Troika. In July 2011, when Passos Coelho made public his commitment to go beyond the Troika, he also announced that he wanted to correct the social agreement of the previous government. The first meeting with social partners was in July 2011 (Santos Pereira, 2014: 73). As a result, on 12th September 2011, the Passos Coelho government launched a new Commitment for Growth and Employment (*Compromisso para o Crescimento e o Emprego*) to be discussed within the Permanent Commission of Social Concertation. In addition, the government received the approval by the Troika on the new wave of reforms. The second review mission on 16th November 2011 affirmed: “The mission agrees with the authorities that a fresh and

determined effort is required to re-invigorate the structural reform agenda in scope, focus, and specificity” (Second review mission, November 2011).

On the contrary, the trade unions disagreed on some measures about the labour legislation (Santos Pereira, 2014:74). The possibilities of an agreement were also hindered after the presentation of the budget for 2012 and the publication of the intention of the government to increase half an hour working hours (Santos Pereira, 2014:74). The two confederations called for another joint general strike the 24th November 2011. This, jointly with the increase of mobilisations organised by the anti-austerity social movements in the autumn of 2011, exercised pressure over the Passos Coelho government to restart negotiations again in the CPCS and avoid political conflict in the streets, which could compromise financial assistance. As the Minister of Economy and Employment, Alvaro Santos Pereira, explains:

“The social agreement was determinant for the country, without it, we would have had much more social conflict and even social turmoil. I am equally convinced that the adjustment program would have failed if we had not reached that agreement, because social instability would have been unbearable” (Santos Pereira, 2014: 72-73)

However, as it already happened during the Sócrates government, the political exchange between governments and social partners on the labour market reform developed under an atmosphere of fear, this time fear of a second bailout. In the beginning of the process, the positions of the government were at odds of the trade unions’ preferences. The government had announced its intention to change work time arrangements as required by the Troika, which in reality meant an increase of working hours. On 12th January 2012, the UGT-P established the red lines for negotiations and said that they would never accept the increase of half an hour (Jornal de Noticias, 12 December 2011). The discrepancies increased the tension between the government and the trade unions and a few days before the signature, the Minister of Economy, Santos Pereira, threatened the leader of the UGT-P, Joao Proença: “if you don’t accept in half an hour, there is not agreement and the government will go on...with a harder legislation” (Expresso, 2012).

The minister of Economy met in several occasions with the general secretary of the UGT-P to see if they could reach an agreement and finally the government accepted to eliminate the increase of working hours (Santos Pereira, 2014: 76). This was not an easy decision

given that the government had already committed with the Troika to include this measure (Santos Pereira, 2014: 76). The Minister of Economy started a round of talks to try to convince other members of the government such as the president of the republic that the measure was not efficient to improve competitiveness. Finally, the Minister convinced Passos Coelho to drop the measure with the objective to achieve an agreement with trade unions (Santos Pereira, 2014: 80).

On 18th January 2012, the government and the social partners, with the exception of the CGTP, signed the Compromise for Growth, competitiveness and employment (*Compromisso para o Crescimento, competitividade e o emprego*). The Compromise was later transformed into the Law 23/2012 de 25/6 and included measures like the decrease of dismissal compensation, increases of dismissal causes, cuts in payments of extraordinary work and cuts of holidays and bank holidays, between others. The agreement was a result of a trade-off between the UGT-P, which had accepted the decrease of dismissal compensations, in exchange for the government promise of expansive measures to boost economic growth and employment. The relationship between the social agreement and external credibility was evident. As the Minister of Economy explains: “I do not have any doubt that the social concertation agreement was one of the three central pillars to re-establish external credibility” (Santos Pereira, 2014:89).

On its side, the UGT-P considered the *Compromisso* a “defensive agreement” in the words of the leader of the UGT-P (Joao Proença, UGT, personal interview, 2016). On the contrary, the CGTP had abandoned the meetings of the CPCS on 22nd December 2011 (TVI24, 22 December 2011). The CGTP did not participate in the talks because they considered that the agreement was the confirmation of the memorandum:

“We did not sign the agreement because there was not any negotiation. It was an integral implementation of the Memorandum. Everything that was on the table was favourable for the employers; there was not any proposal good for workers. The UGT-P signed it because considered that the country was in a difficult moment and gave in...now some members of the UGT-P are against what they signed” (Armenio Carlos, CGTP, personal interview, 2016)

As a response to the agreement, the CGTP called for a general strike on 22 March 2012, which put an end to the cooperation between the two confederations. The Troika

welcomed the agreement and the lack of support of all trade unions to the agreement (the CGTP was very critical with it) affected the participation of trade unions in the meetings with the Troika. Both Portuguese confederations and the Troika met in 12 occasions, during the negotiations of the memorandum and later during the review missions. In the beginning, the meetings between the Troika with the confederations were bilateral but this dynamic changed in February 2012 when the new Employment Pact was being negotiated between the Passos Coelho government and the UGT-P. During the meeting between the Troika and the CGTP in February 2012, the communist confederation criticised the policies contained in the memorandum and in the agreement.

As a consequence, the CGTP was not invited in the next meeting celebrated during the review mission in July 2012. The Vice President of the European Commission, Olli Rehn, excluded the CGTP because they had decided to consult only trade unions that had signed the labour code agreement. The Troika rectified their position later after the complaints of the CGTP: “We talked with the President of the Republic and told him that we were surprised that the Troika had not called us” (Armenio Carlos, CGTP, personal interview 2016). The CGTP was invited again to the meetings but the Troika, jointly with the government, decided to change the format of the talks, from bilateral to collective meetings with all social partners within the framework of the CPCS. Asked about how those meetings evolved, the leader of the CGTP affirms:

“The Troika never showed any will to negotiate to find solutions. Everything was predetermined, they just asked questions to specify a few issues...the objective of the meetings was to give an image of dialogue but this was fake. They did not talk, they imposed” (Armenio Carlos, CGTP, personal interview 2016)

3.3.2 Reform episode 2

Once the government pre-empted further mobilisation with the social agreement with the UGT-P, it continued implementing reforms unilaterally. First, the government broke its promises regarding the measures included in the trade-off. On 23rd April 2012, the former leader of the UGT-P, Joao Proença, met with the prime minister to complain about the lack of implementation of the agreement. Proença declared to the press that although he did not regret the signature of the agreement, he wanted to denounce that some measures, especially those related to investment and economic growth, were not implemented after three months of the signature (Expresso, 23 April 2011). On the contrary, the changes of

the labour code had been rapidly implemented and were included in the National Reform Program of 2012. The latter contained the mechanisms to adapt working time through an extension of bank of hours, the reduction of the complementary salary for extra hours and the modification of regime that regulates the reduction of suspension of work during economic crisis. The programme also foresaw reforms of the mechanisms to alter wage determination and collective bargaining (National Reform program, 2012)

Table 18. Labour market measures included in the NRP 2013	
Changes employment protection	Reduction of compensation dismissals, 20 days/year and 12 days years for indefinite contract
Labour regimes	Implementation of bank of hours, reduction of compensation for extra hours, bank holidays reduction (from 4 to 3)

The Minister of Finance, Vitor Gaspar, affirmed after a meeting of the CPCS that it was “very difficult to guarantee that the procedures of internal and external consensus proceed simultaneously in the long term” (Ramos de Almeida et al. 2016:37). Second, on 7th September 2012, the government announced changes in the *Taxa Social Única* (TSU), which led again to tensions with social partners. On 24th September 2012, the prime minister abandoned the CPCS meeting during the discussions of the changes of the TSU. Since then, the Minister of Economy and Employment attended the meetings at the CPCS. This represented a turning point in Portuguese policymaking style given that the prime minister had traditionally attended the first meetings of the CPCS to set up an agreement. In September 2012, there was also an increase of mobilisations in Portugal and anti-austerity social movements merged with trade unions in big street protests. Besides, the two confederations, CGTP and UGT, called for a general strike on 14th November 2012. Finally, the centre-right government decided to withdraw the TSU.

Box 2. The Portuguese Constitutional Court as a veto player

The collaboration between trade unions and the political parties in opposition to stop austerity measures through the Constitutional Court gave important results. As the former leader of the CGTP explains, this strategy accelerated during the crisis: “The CGTP decided in 1977 to use all sovereign institutions to put forward our demands. In

this sense, the use of the Constitutional Court during the crisis was not something new but somehow it was accelerated” (Carvalho da Silva, personal interview, 2016). In the case of the UGT, it was the Federation of Public Administration used this resource. The alliance between left political parties and trade unions turned the Constitutional Court a veto player against austerity, above all, against changes regarding public employee salaries and pensions. In several occasions, the Court ruled out some measures forcing the government to replace them with new ones to comply with the external actors’ demands. The Budget Law for 2013 included the suppression of the 90% of the Christmas allowance for pensions over 600 euros however the Constitutional Court ruled out again the unconstitutionality of the measures and ask to eliminate it.

3.4 Trade unions’ strategies

This section analyses the strategies developed by Portuguese trade unions to respond to austerity and to the labour market changes introduced by the centre-right government. The section shows that alterations of the previous opportunity structure had consequences for both confederations. On the one hand, anti-austerity protest dynamics led to a closer collaboration between the CGTP and social movements, and the adoption by the communist confederation of strategies related to citizen and social movement repertoires. On the other hand, the breaking of promises by the Passos Coelho government and the increase of anti-austerity protests rose criticisms within the rank and file members of the UGT-P towards the social partnership and collaborative approach of the organisation, which pushed the leadership for a more confrontational approach against austerity.

3.4.1 Social movements and citizen’s repertoires

The relationship between Portuguese trade unions and anti-austerity social movements was twofold (Accornero and Ramos Pinto, 2015). On the one hand, trade unions helped to sustain the mobilisations. On the other hand, they gained access to new constituencies through their participation in protests (Accornero and Ramos Pinto, 2015). The need to mobilise sectors of society that were not trade unions’ constituencies led to new synergies between leaders of the CGTP¹³ and other activists of anti-austerity social movements at

¹³ The role of the UGT in mobilising new constituencies during the crisis was minimal.

the end of 2011, when they created the ‘Citizen Audit on Sovereign Debt (*Auditoria Cidadã à Dívida Pública*). On 16th and 17th December 2011, an ‘Initiative for a public auditory of public debt’ (IAC) was presented. It had two objectives. First, to inform citizens about their democratic rights and, second, to ask the public administration for real information about public finances. The relationship between trade unions and anti-austerity social movements intensified in spring 2012, when a new social movement against austerity, *Que se lixe a Troika* (Screw the Troika), emerged, in which wider sectors of civil society merged with trade union activists. On 15th September 2012, the movement organised demonstrations in various Portuguese cities supported by the CGTP, which became one of the biggest protests since the Portuguese Revolution in 1974. The cooperation between anti-austerity activists and the CGTP went further in October 2012, when the leaders of the M12M, trade unionists from the CGTP and the left-party *Bloco de Esquerda* organised in October 2012 a Democratic Congress for Alternatives (Congreso Democrático Das Alternativas).

In the beginning, the majoritarian confederation, CGTP, approached the anti-austerity movements with mistrust. But, in March 2011 the former leader of the CGTP, Manuel Carvalho da Silva, started showing public support of anti-austerity demonstrations (Estanque et al, 2013:36). This process led to the realisation on 15 of September 2012 of the biggest demonstration in the Portuguese democracy since the transitional period. In this sense the new cycle of contention served also in Portugal as a critical conjecture for the exploration of new synergies between the new anti-austerity social movements and the old political actors (Campos Lima and Martin Artiles, 2014:167).

Despite of initial mistrust, leaders of the M12M and of the communist confederation, jointly with the left political party *Bloco de Esquerda*, founded together the CDA with the objective to discuss alternatives to austerity. Besides, these synergies were facilitated by the change of strategy of the Portuguese Communist Party in 2012. The communist party, which retained important influence over some CGTP leaders, decided to start collaborating with the new anti- austerity social movements (Accornero and Ramos Pinto, 2014). On 2nd March 2013, the anti-austerity movement *Que se lixe a Troika* organised a large demonstration supported by the CGTP. As the former leader of CGTP, Carvalho

da Silva, argues: “During the crisis there has been a better articulation between the CGTP and the social movements in general” (Carvalho da Silva, personal interview, 2016).

3.4.2 Transnational actions

The participation on transnational mobilisations of Portuguese confederations mirrored their political divisions. The UGT-P showed a more reluctant position to participate in mobilisations and its decisions were shaped by its political compromises with governments. On 29th September 2010, matching with the first European Day of Action organised by the ETUC, the CGTP was the only confederation that organised stoppages and demonstrations. Besides, the calendar of mobilisations of Portuguese confederation was determined more by national political dynamics than by the ETUC’s calendar. Although the ETUC decided to organise a Day of Action on 29 February 2012, the Portuguese CGTP decided to call for a general strike on 22 March 2012 to protest against the agreement of the labour market. This changed at the end of 2012 thanks to the good relationships between the Portuguese CGTP and the Spanish trade unions. In November 2012, the CGTP had already decided to call for a general strike on the 14th of that month when the leader of the Spanish CCOO, Fernández Toxo, phoned the leader of the CGTP, Armenio Carlos, to agree on a common date:

“Toxo called me the Sunday after the big mobilisations that we had celebrated in Portugal to congratulate me. We had a strong process of mobilisation and in Spain they were facing the same problems. He asked me if it was possible to match our calendar of mobilisations and I told him that we had decided on 29 September to call for a general strike for the 14th November” (Armenio Carlos, CGTP, personal interview, 2016)

Finally, they decided to propose the 14 November within the ETUC to organise a common day of action. This faced the opposition of the leader of the Portuguese UGT-P, Joao Proença, who voted against the establishment of that date during the Executive meeting of the ETUC. Proença accused the CGTP of sectarianism: “The 14 November 2012 was planned as a strike against the UGT...the CGTP picked up a date without consulting us” (Joao Proença, UGT, personal interview, 2016). However, the leader of the UGT-P faced strong internal division within the confederation. Although the national leadership had decided not to call for the general strike due to the compromises adopted with the government, some federations (including the one in which Joao Proença is a member)

decided to call for the strike: “There was some division within the UGT and finally some federations decided to call for the general strike” (Joao Proença, UGT, personal interview, 2016). The turn from social partnership to mobilisation of the UGT-P membership was the result of two factors. First, the process of mobilisation that Portuguese society was living those days pushed the leadership of the UGT-P to take more radical actions against austerity. Second, the Passos Coelho government had not respected the 2012 agreement and implemented more drastic reforms than those included in the memorandum. Some sectors of the UGT-P started thus questioning the adequacy of institutional social partnership as an effective way to influence national policymaking.

4. Summary

This chapter has traced the political events and processes in Portugal from 2009 to 2014. It has shown how the new European setting influenced national political opportunities. The EU exercised different types of pressures over both, the socialist and the centre-right Portuguese governments to implement austerity and structural reforms either to avoid the bailout -in the case of the PS- or to receive the financial assistance- in the case of the PDS-CDS. The chapter demonstrates that the new rules-based setting imposed a policy regime based on fiscal consolidation, labour market deregulation and pension cuts, between others, through mechanisms of discipline. In addition, the new European setting surpassed national democratic process through the negotiation of shadow programs during the PS government and the implementation of the MoU during the PSD-CDS.

However, Portuguese governments responded differently. The PS government complied timidly with external demands due to ideological differences, the opposition to the bailout by the prime minister and divisions within the government (government-led timid compliance). On the contrary, the PSD-CDS was aligned ideologically with the program of the Troika. Nevertheless, the credibility of the centre-right government was also questioned due to other factors such as the increase of popular mobilisations (trade unions-led timid compliance) or the role played by the Constitutional Court as veto player. This led to both governments to include trade unions in policymaking to generate domestic consensus and pre-empt mobilisation. This chapter shows that the intention of both governments was to resort to concertation to restore credibility vis-à-vis external actors. Finally, the evidence indicates that Portuguese trade unions played a different role during the Eurozone crisis due to their different political identities and the evaluation that

they made of the role of the external intervention. The UGT-P opted for collaborating with governments and signed both social agreements whereas the CGTP opted for mobilisation. Political identities also determined the exploration of Portuguese trade unions of alternative strategies such as transnational actions or alliances with social movements. The CGTP explored these strategies as a tool to increase pressure over governments whereas the UGT-P was more reluctant to use them.

CHAPTER 7. SPAIN

1. Introduction

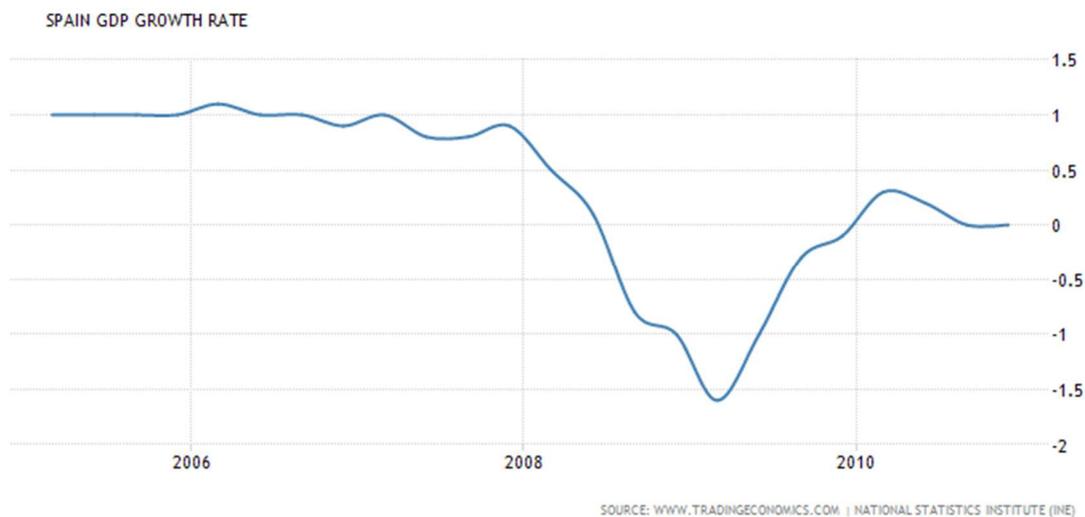
This chapter traces the political events and dynamics that happened in Spain from March 2008 to November 2013. The election of those dates is not arbitrary. In March 2008, the PSOE won the general elections coinciding with the first effects of the US subprime crisis on Spanish economy. However, the socialist government denied the existence of the crisis until July 2008 when the Prime Minister, José Luis Rodríguez Zapatero (Pérez and Bolaños, 24 June 2008), said publically for the first time the word “crisis”. On the other hand, November 2013 marks the exit of Spain from the European financial assistance programme, which started in July 2012. The chapter is divided in two main sections that correspond with the two different governments of the period analysed: the government of the PSOE from March 2008 to November 2011 and the government of the PP from November 2011 to November 2013. Each section consists of four parts: external pressures, national responses, two-level political interactions and trade unions’ strategies. The chapter finishes with a section devoted to summarize the main events and discuss the findings.

2. PSOE government (2008-2011)

The PSOE won the elections on the 9th of March 2008 but without the sufficient majority to form a government. The socialist party, under the leadership of José Luis Rodríguez Zapatero, had governed Spain in the previous legislature (2004-2008) with the support of all political parties except for the PP. In the 2008 elections, the socialist party won the 43.87 per cent of the votes but, once again, the number of seats (169) were not sufficient to form a majoritarian government. For its part, the PP won the 39.94 per cent of the votes and 154 seats. Finally, the PSOE got the simple sufficient support of other political parties (all except for the PP, UPD and *Esquerra Republicana*) in the second investiture on 11th April 2008 (El País, 11 Abril 2008). The formation of the new PSOE government in 2008 coincided with the beginning of the economic crisis in Europe. The crisis of the subprime mortgage in USA in 2007 had direct consequences for the Spanish economy, particularly in the banking sector, through the explosion of the construction bubble. Since the mid-1990s, Spanish economic growth was due to a great extent to the existence of a construction bubble based on the existence of financial speculation on property prices that increased over the consumer price index. The US subprime crisis reduced Spanish bank

liquidity and falls of internal demand worsened the situation. The third trimester of 2008 the Spanish economy entered a recession that lasted until the first trimester of 2010 (El País, 28 January 2009). The Great Recession stopped abruptly the previous trend of economic growth that decreased from 1.1 in 2008 to -3.6 in 2009¹⁴

Figure 7. Spain GDP Growth Rate (2006-2011)



Source: www.tradingeconomic.com National Statistics Institute (INE)

Plan E. After a period of public denial, the Spanish Prime Minister, Zapatero, finally accepted the existence of the economic crisis in June 2008 and launched a series of Keynesian-inspired measures in line with the European recovery programme. The prime minister wanted to respond to the crisis with social democratic strategies, which meant a commitment with social dialogue (Molina Álvarez, 2012:62). In November 2008, Zapatero presented a stimulus plan, known as the Plan E, the Spanish Plan for the Stimulus of Economy and Employment (*Plan Español para el Estímulo de la Economía y el Empleo*), whose main objective was the creation of employment, and that meant the investment of around 12 million euros (El Economista 12 January 2009). Back then, most European governments supported Keynesian stimulus policies as the best tool to face the crisis.

The Plan E consisted of a Fund for local investment of 8 million euros and a Special State fund to boost the economy and create jobs of 3 million euros. It was approved in May

¹⁴ Annual real GDP growth % (OECD) <https://data.oecd.org/spain.htm>.

2009 and included different types of measures to support families and firms, measures to promote employment, financial and budgetary measures and the modernization of economy. In spite of the Plan E, the Spanish economy worsened rapidly throughout 2009, and the consensus around the adequacy of a Keynesian way out of the crisis started to crumble when Greece announced the real numbers of public debt and deficit (Strupczewski, 22 April 2010). This precipitated the Eurozone crisis and the problems of the banking sector in Europe emerged.

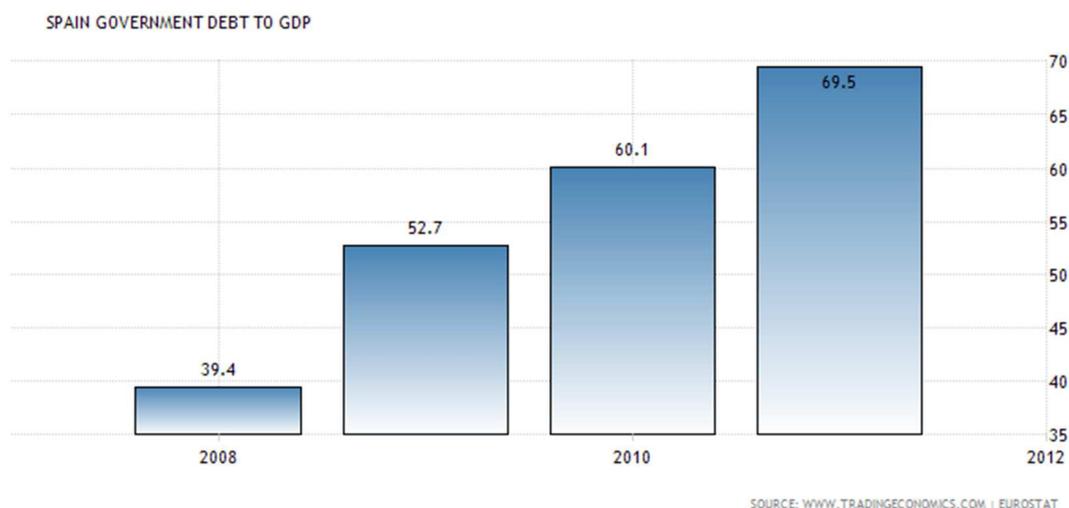
2.1 External pressures

Since then, the European institutions and the IMF started asking the socialist government to opt exclusively for orthodox fiscal consolidation solutions. This section shows how the new European setting penetrated in Spain during the Zapatero government through the activation of discipline mechanisms and the imposition of the ordo-liberal policy regime based on austerity, deregulation and welfare cuts. Surveillance over Spanish reforms increased due to the activation of the Excessive Deficit Procedure. Besides, discipline mechanisms were based on exercising informal pressures over Spanish governments to do their “homework” in order to avoid the bailout. On the other hand, this section shows how new procedures such as the letter of the BCE sent to Zapatero in August 2011 moved policy decisions away from national political processes.

2.1.1 Formal pressures

European institutions reacted vis-à-vis Spanish macroeconomic imbalances in 2009. On 18th February 2009, the European Commission started an Excessive Deficit Procedure (EDP) for Spain. The report issued by the Commission forecasted a contraction of Spanish GDP by 2 per cent and 0.2 per cent in 2009 and 2010, respectively. The Great Recession affected all macroeconomic indicators. The government deficit increased more than six points in only one year, from -4.4 in 2008 to -11.0 in 2009. The same happened with the government debt to GDP that increased from 39.4 in 2008 to 69.6 in 2011.

Figure 8. Spain government debt to GDP (2008-2012)



Source: www.tradingeconomic.com Eurostat

Besides, the report highlighted that, in spite of the previous decades of economic growth, the Spanish economy suffered from structural problems that had to be addressed. It made explicit references to the low productivity per hour rates in comparison to other European countries. In addition, the report warned about the risks of pensions' unsustainability:

“Spain appears to be at medium risk with regard to the sustainability of public finances. The long-term budgetary impact of ageing is well above the EU average, mainly as a result of a relatively high increase in pension expenditure as a share of GDP over the coming decades” (European Commission, 2009).

Since the activation of the EDP, European surveillance over the implementation of fiscal consolidation measures increased. The tenth point of the Council Recommendations published in March 2009 stated clearly that:

“Enhanced surveillance under the EDP, which seems necessary in view also of the deadline for the correction of the excessive deficit, will require regular and timely monitoring of the progress made in the implementation of the fiscal consolidation strategy. In this context, a separate chapter in the updates of the Spanish stability programme, which will be prepared between 2009 and 2012, could usefully be devoted to this issue” (European Council, 2009)

The European Council announced formally the decision to put Spain under the EDP on 27th April 2009 when the Spanish deficit had reached -11.0 points. At the same time, the

Council started including the demands of structural reforms in the Country-specific recommendations. The public debate on reforming the Spanish pension system started in 2009. Spanish pension expenditure has always been lower than the European average. In 2010, pension expenditure in Spain was 10.1 per cent whereas European average was 11.3 per cent (Suárez, 2014).

However, Spain has a problem of demographic ageing considering that the number of people aged over 65 doubled in less than 30 years¹⁵. Besides, the deterioration of Spanish economy had an impact on pensions due to mainly two factors. First, the sharp increase of unemployment reduced the amount of social contributions that are destined to fund the pension system. Unemployment rates in Spain have traditionally been higher than the European average. Even in times of economic growth when unemployment rates achieved the lowest peak (in 2001 unemployment was 10.29 per cent) they were among the highest in Europe. The Great Recession affected abruptly Spanish employment and unemployment rates worsened rapidly because of the combination of negative economic growth and the crack of the construction sector. They rose from 13.9 to 17.4 in the last quarter of 2008. In July 2009, the Spanish unemployment rate was 18.5 per cent, the highest in the OECD area.

Besides, the second factor that had an impact on the sustainability of pensions was the increase of pension expenditure brought about by the retirement of people that were born in the period of the ‘baby boom’ (Suárez, 2014). The European Commission warned about the risks of demographic ageing in Spain in the recommendations published in November 2009. The report affirmed that the long-term cost of ageing would result in a high increase in pension expenditure that would risk the long-term sustainability of public finances. In relation to this, the Commission stated that “Spain should implement the necessary reforms to its old-age pension and health care systems to contain and reduce the budgetary costs of ageing populations” (European Council recommendations, November 2009). The IMF also urged the Spanish government to reform the pension system in the “Article IV consultations” of July 2010 when affirmed that, “A bold pension reform, along the lines originally proposed by the government, should be quickly adopted” (IMF, 2010)¹⁶.

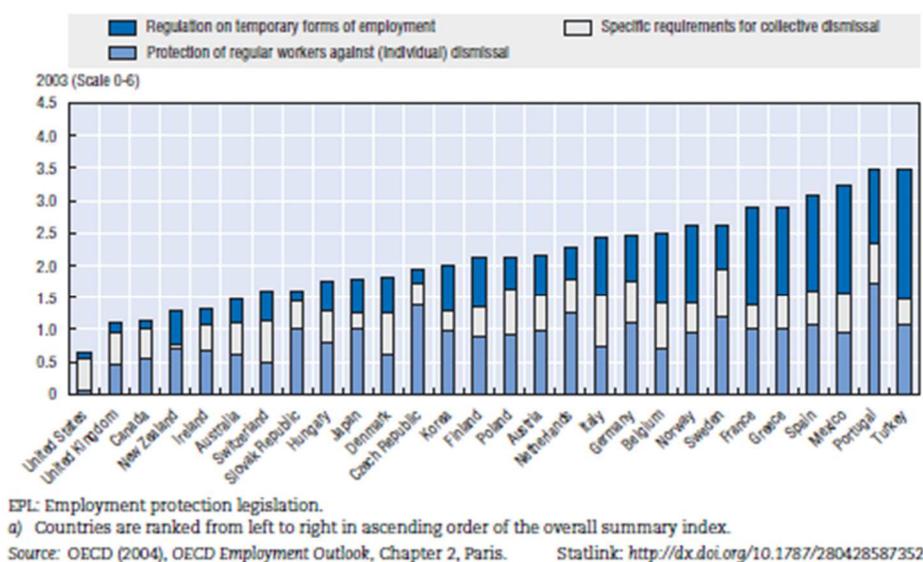
¹⁵ Life expectancy will increase from 76 to 84, 5 men and from 82, 1 to 89 for women from 2008 to 2060 according to 128) National Statistics Institute (Suárez, 2014).

¹⁶ IMF Country Report No. 10/254.

On 15th June 2010, the Commission undertook an assessment of the actions taken to reduce the deficit and considered that Spain did not need to take further steps in the excessive deficit procedure (European Commission, 2010). The European institutions did not issue any communication regarding the Spanish EDP during the last phase of the PSOE government.

On the other hand, since 2011, Country-specific recommendations became part of the European Semester. On March 2011, the European Council confirmed that one of the priorities of member states should be reducing unemployment through labour market reforms. External pressures over Spain to adjust the labour market to economic cycles had started before the crisis. The OECD had warned Spain of risks of labour market “rigidities”, which were considered an obstacle for internal flexibility (OECD, 2003). In 2003, Spain had the fourth highest index of Employment Protection Legislation (EPL) within OECD countries:

Figure 9. Spanish Employment Protection legislation index in 2003



The 2011 Country-specific recommendations for Spain that assessed the National Reform programme included specific policy guidelines about the labour market reform:

“The ongoing labour market reform in Spain needs to be complemented by an overhaul of the current unwieldy collective bargaining system. The predominance of provincial and industry agreements leaves little room for negotiations at firm level. The automatic extension of collective agreements, the validity of non-renewed contracts and the use of ex post inflation indexation clauses contribute to

wage-inertia, preventing the wage flexibility needed to speed up economic adjustment and restore competitiveness” (European Council, 12 July 2011).¹⁷

2.1.2 Informal pressures

In addition to formal pressures, external demands increased in May 2010 through informal channels. On the 2nd of May 2010, the Euro group agreed to provide with financial help to Greece in a joint package with the IMF that amounted to 110 billion euros (CNN, 2 May 2010). The German chancellor, Angela Merkel, and the ECB had approved the creation of European financial assistance instruments in exchange for a system of sanctions and structural reforms (Traynor, 26 March 2010). As a consequence, in the Statement of the Heads of government posted on 7th May 2010, all countries committed to “take the necessary measures to accelerate consolidation and to ensure the sustainability of public finances” (Heads of State Statement, 7 May 2010). The meeting of the European Economic and Financial Affairs Council (ECFIN) celebrated on 9th May 2010 marked a turning point in the political economy of the PSOE government. During that meeting, finance ministers decided the exact amount of money that countries in financial difficulties had to cut in exchange for the creation of the European financial stabilisation mechanism. The Spanish Finance Minister, Elena Salgado, was asked by her colleagues to cut drastically the budget in 30.000 million in one year (Romero, 16 May 2010).

Informal pressures over the Spanish government adopted different forms. They happened during corridor conversations during the Euro group, the Council and ECOFIN meetings in which external actors asked directly or implicitly the Spanish Prime Minister and the Finance Minister to implement structural reforms in exchange for not having to request a bailout (Rodríguez Zapatero, 2013). Also, informal pressures came in the form of media declarations from European leaders evaluating the Spanish “homework” (Reuters, 3 February 2011). Since May 2010, the visits to Spain of the Angela Merkel increased to assess the implementation of the structural reforms. In February 2011, for example, Merkel welcomed the pension reform but asked for further measures such as the de-linking of salaries from inflation or the introduction of a constitutional ban to increase the

¹⁷ Council Recommendation of 12 July 2011 on the National Reform Programme 2011 of Spain and delivering a Council opinion on the updated Stability Programme of Spain, 2011-2014 (2011/C 212/01)

deficit over the maximum of three per cent (El País, 2011). The European Commissioner for Economic and Monetary Affairs and the Euro, Olli Rehn, also made several declarations to the press urging the Spanish government to implement reforms (Europa press, 5 August 2011). Besides, there were three times in which different European representatives demanded the Spanish prime minister to ask for the bailout. First, on 18th June 2010, the former director of the IMF, Dominique Strauss-Kahn, visited Madrid after a request from the Zapatero who wanted to explain to him the reforms that the socialist government was undertaking. The meeting was organised after the IMF posted its Article IV consultation¹⁸ on Spain, a critical report on the reforms. During his visit to Madrid, Strauss-Kahn told the Spanish prime minister that it was convenient for Spain to ask for financial support but Zapatero rejected it (Rodríguez Zapatero, 2013).

The second time that Zapatero was asked to demand the bailout happened during a phone conversation with the former president of the ECB, Jean Claude Trichet, on 4th August 2011 (Pop, 6 December 2013). The prime minister had called Trichet on 3rd August 2011 worried because of the sharp increase of the spread and the decision of the BCE to buy only Irish and Portuguese bonds. The pressure of financial speculation over the Spanish bond increased sharply, and doubts about the capacity of Spain to fund its debt became widespread. On 5th August, Zapatero maintained a phone conversation with Trichet. The former president of the BCE suggested again the convenience to ask for financial help and the Spanish prime minister refused that possibility. Finally, Angela Merkel also asked the prime minister to demand financial help during the G-20m Summit celebrated in Cannes on 3 and 4 November 2011 (Rodríguez Zapatero, 2013).

2.1.3 Financial pressures

Finally, formal and informal pressures intertwined with financial speculation. In the beginning of 2010, Spain had a relatively low level of debt comparing to other European countries, but the first Economic Adjustment Programme for Greece signed on 3rd May 2010 led to a contagion of financial speculation over other countries of Southern Europe, with Spain heading that list. In April 2010, Standard and Poor's had already downgraded

¹⁸ Countries that are part of the IMF agree to put its economic and financial policies under surveillance. It consists of a regular process that ends in the annual publication of the "Article IV consultations". The objective is to assess the country's economic and financial policies after meetings with the government and central bank officials. The Article IV consultations were published in the IMF Country Report No. 10/254

Spanish crediting rating from AA+ to AA. Regarding the financial spread, the latter started rising slowly in 2008 when it went from 10 to 40 points but it was on 17th June 2010 when the spread reached 211 points, its maximum after the creation of the euro. The monitoring of the spread became an ‘obsessive’ daily task for the government (Rodríguez Zapatero, 2013). The fact that the first countries that had asked for financial help, such as Portugal and Ireland, had the highest bond yields increased the pressure over other countries that headed the list. The spread continued to increase in Spain throughout all the socialist government and on 1st August 2011 reached another maximum, 374 points (Market watch, 2 august 2011).

2.2 National responses: timid compliance

This section examines the responses of the PSOE government to external pressures which were characterised by timid compliance with the demands of international agreements. Timid compliance was the result of ideological discrepancies of the PSOE with external demands (e.g. reluctance of the prime minister to ask for the bailout), the divisions within the PSOE and the political instability generated by the minority government¹⁹. The socialist government implemented austerity and structural reforms to signal external actors and to avoid the bailout but evaded the harshest measures that could create tensions within the PSOE or vis-á-vis trade unions. As a consequence, the PSOE government did not manage to get full credibility from external actors. Regarding structural reforms on welfare policies, until mid-2010 there were no important changes in the welfare system and the reforms introduced some elements of recalibration such as the increase of unemployment expenses (Guillén and León, 2011; Del Pino, 2013; León et al. 2015). From mid-2010, there were cuts and institutional changes in pensions and labour markets (León et al, 2015) but the reforms avoided the introduction of radical changes such as the introduction of automatic formulas to calculate pensions according to life expectancy or the prioritisation of firm level in collective bargaining²⁰.

Regarding divisions within the government, there were tensions between the Prime Minister, José Luis Rodríguez Zapatero, and the Minister of Economy and Finance, Pedro

¹⁹ For the ideological divisions with PSOE see Meyenberg and Hernández Corrochano, 2015:175

²⁰ These reforms were introduced later by the PP.

Solbes (Yárnoz, 17 November 2011) first, and Elena Salgado later²¹. The Ministers of Finance were more open to implement drastic cuts because of ideological preferences and also because they were more vulnerable to the pressures of the external actors. The Ministry of Finance has traditionally enjoyed in Spain of great autonomy to implement reforms according to their preferences, which were more in line with neoliberal policies (Molina Álvarez, 2012: 69). On the contrary, the Prime Minister was reluctant to implement drastic cuts, which led to important tensions between Rodríguez Zapatero and Pedro Solbes who resigned in October 2009.²² One of the reasons why the Prime Minister opposed to drastic measures was his awareness about the negative reaction that this could cause on trade unions. Pedro Solbes explained in an interview to *El País* that Rodríguez Zapatero did not want to go further with austerity because he did not want to confront trade unions (Yárnoz, 17 November 2011). On the other hand, the crisis exercised pressure over the Minister of Economy and Finance making them more willing to implement orthodox reforms:

“The people responsible of the Ministries of Economy and Finance came from the banking sector and they were predisposed to make changes in a direction that converged with the demands that came from the EU” (general-secretary of CCOO, Fernández Toxo, personal interview, 2015).

On the other hand, the Ministers of Employment and Social Security, Celestino Corbacho (from 2008 to October 2010) and Valeriano Gómez (from October 2010 to November 2011) also resisted to drastic cuts and radical deregulatory reforms. They both agreed with implementing reforms to solve problems of long-term sustainability of pensions and introduce flexibility in the labour market but without challenging the adequacy of pensions and without reducing collective labour power. The socialist government was known as the government ‘in coalition’- or with ‘two souls’ -due to the different ideological traditions that existed within it (Former parliamentary advisor, PSOE, personal interview, 2016).

²¹ Pedro Solbes left the Ministry of Economy in April 2009 because disagreed with the Plan E and was replaced by Elena Salgado (Martín and Urquizu-Sancho, 2012:350)

²² Pedro Solbes was European Commissioner of Economic Affairs from 1999 to 2004 and was an advocate of austerity policies before the arrival of the Eurozone crisis. In this interview, he explains the difference of positions between him and the prime minister: http://elpais.com/elpais/2013/11/17/eps/1384700269_969725.html

The first signal of the hesitancy of the PSOE government on implementing an adjustment programme was on December 2009, when Spain was under the Excessive Deficit Procedure. The government drafted the Stability programme and addressed the recommendations made by the Council on 2nd December 2009 to decrease the fiscal deficit. The Stability programme contained reforms of the public finance and the public sector. The socialist government included in the programme a comprehensive economic plan to promote competitiveness, the Sustainable Economy Strategy (SES). The draft bill that was finally converted into the Law 2/2011 of Sustainable Economy on 5 March 2011, included measures to improve the economic context, to improve competitiveness and to achieve environment sustainability. The government included cuts of public expenses in the National Budget for 2010 and in the General State Administration. Besides, the PSOE government drafted three plans in order to achieve those objectives: Immediate Action Plan (*Plan de Acción Inmediata*), the Austerity Plan 2011-2013 (*Plan de Austeridad*) and the Macro Agreement about Sustainability of Public finances with the Autonomous Communities and Local corporations (*Acuerdos Marco sobre la Sostenibilidad de las Finanzas Públicas con Comunidades Autónomas y Corporaciones Locales*). However, in spite of the impressive reformist path launched by the government, the budgetary plans for 2010 were not exclusively based on fiscal consolidation measures but it also contained Keynesian-inspired measures such as a Central Government Fund for Jobs and Local Sustainability with a budget of five billion euros.

The turn to austerity of the PSOE government happened after the ECOFOFIN meeting in May 2010 when the prime minister announced the Immediate Action and the Austerity plan (regulated by the Royal Decree-Law 8/2010, 20 May) to adopt extraordinary measures to reduce public deficit. They included the freezing of pensions, cuts in old-age care plans, elimination of tax benefits and measures to control public expenses, between others.

Table 19. Budget consolidation measures announced on 12 May 2010

	Impact (% of GDP) (compared with plans of SP of February 2010)	
	2010	2011
Revenue-increasing measures (a)	–	–
Expenditure-decreasing measures (b)	0.5	1.5
- Cut in public wages (5% on average, up to 15% to higher wages)	0.2	0.4
- Non indexation of pensions (excluding minimum pensions) from January 2011	–	0.1
- Abrogation of temporary rules for partial retirement (law 40/2007)
- Elimination of birth allowance (EUR 2500 per birth)	–	0.1
- Reduction in medical expenditure	...	0.1
- Reduction in other social benefits (dependency law)
- Reduction in investment	0.2	0.4
- Reduction in transfers to regional and local governments	...	0.1
- Reduction in official development aid	...	0.1
Grand total (a+b)	0.5	1.5
<i>Notes:</i>		
-: nil		
...: negligible		

Source: European Commission (2010)

However, by May 2010 the government had not implemented any of the major structural reforms demanded by the external actors regarding the pension and the labour market style. The socialist government wanted to achieve more consensus from the trade unions around them (Ecodiario, 12 may 2010). One of the reasons was the increase of divisions within the PSOE regarding the adequacy of austerity and structural reforms. The former secretary general of Employment of the PSOE, and member of the UGT-E, Valeriano Gómez (who later became Minister of Labour in 2011) criticised the labour market reform (El Economista, 17 October 2013).

The ambivalence of the PSOE government was evident in the summer 2011 when, in spite of ideological disagreements, the government decided to introduce one of the most appreciated measures by external actors: the insertion of the golden rule in the Constitution. In so doing, the socialist party attempted to tackle the sharp rise of the spread and the pressures exercised by letter of Trichet, which put Spain at the edge of the bailout. The golden rule, which was approved by the Senate on 7th September 2011, with the support of the PP, meant an amendment of the Article 135 of the Constitution (Cruz and Remírez de Ganuza, 2 September 2011). The latter establishes that the Spanish debt cannot exceed the 60 per cent of GDP and that the deficit cannot exceed three per cent of GDP according to European rules. Spanish trade unions organised a demonstration on 6 September 2011 against the Constitutional reform and they criticised the absence of a

public debate and a referendum. The insertion of the *golden rule* raised criticisms of some members of the PSOE (Europa Press, 23 August 2011). Various members of the PSOE admitted that the Constitutional reform to introduce the golden rule was a mistake (Caro, 25 November 2014; Europa Press, 17 November 2014).

Finally, another factor that hindered external credibility was the political instability generated by the minority government (Meyenberg and Hernández Corrochano, 2015: 180) The PSOE needed the votes of parties in opposition to approve reforms in the parliament. The government managed to pass austerity measures and structural reforms during 2010 and 2011 with the support of the PP and regional parties. Nevertheless, the government needed a great deal of dialogue and consensus, which was at odds with the urgency required by external actors to implement reforms. Besides, there were doubts about the ability to generate consensus on the budget plans for 2012 (El Confidencial, 10 August 2011). This led to a political crisis within the government that suffered internal pressures to call for early elections due to inability of the political programme of the PSOE to provide credibility (Garea, 29 July 2011).

Table 20. Spanish commitments in the Euro Plus Pact	
Competitiveness	Collective bargaining reform Professional services sector reform Creation of a commission to evaluate competitiveness
Employment	Active employment policies reform Professional formation reform Plan for the regulation of undeclared employment
Public finance sustainability	Reform of the rules of budgetary stability
Financial stability	End the process to adapt the financial system to the requirements of enforced capitalization

2.3 Two-level political interactions: ‘having your cake and eating it, too’

“The more critics I received in my country, the more I was supported by my European colleagues. It was a great paradox. Something did not work well from a democratic point of view” (Rodriguez Zapatero, 2013)

This section shows how timid compliance led to the inclusion of trade unions in policymaking reforms of the labour market and the pension system to generate domestic consensus about structural reforms in the labour market and the pension system. The first intention of the PSOE government was always to try to find an agreement with social partners but this was not possible in all cases due to the polarisation of social partners’ positions. In a first stage, the socialist government negotiated the labour market reform with social partners but the polarisation between employers’ organisation and trade unions hindered the possibilities of an agreement. The socialist executive decided to implement the reform unilaterally but opted for a mild compliance with the requirements of the EU. In a second stage, the PSOE reached an agreement on the reform of the pension system with social partners but again the reform fell short from European requirements. The Prime Minister tried not to confront trade unions by watering down the content of the reforms. As the former Minister of Economy, Pedro Solbes, explained in an interview, when he presented the measures to face the crisis, the prime minister replied to him: “This document (and its proposals) is unacceptable, what you propose will lead to two general strikes (Yárnoz, 17 November 2011).

Table 21. Reform episodes during the PSOE government (2010-2011)

Date	External demands	Reform	Some measures	Government strategy
May 2010	Euro group meeting and ECFIN: austerity in exchange of financial assistance mechanisms	Immediate Action Plan	Freezing pensions, 5% cuts public salaries	Unilateral
June 2010	Corridor conversations, declarations to the press and country-specific recommendations	Law 35/2010 of 17 September 2010: labour market reform	Reduction of dismissal compensation, sanctions for unemployed, possibility for firms of opting out some aspects collective agreements	Unilateral
February 2011	Corridor conversations, declarations to the press and country-specific recommendations	Social and Economic Agreement on Growth, Employment, and Guaranteed Pensions	Delay retirement age, increase number of contributions to access pensions	Social pact
June 2011	Letter of the BCE	Royal Decree Law 07/2011, June 2011, with urgent measures to reform collective bargaining	Priority of firm agreements over sectorial or regional agreements	Unilateral
August 2011	Letter of the BCE	Royal Decree Law 10/2011, 26 August, with measures to promote employment among youth	Creation of the “Learning and training contract”	Unilateral

2.3.1 Reform episode 1

The first reaction of Spanish trade unions vis-à-vis PSOE's fiscal consolidation measures happened in June 2010. After the ECOFIN meeting celebrated on 9th May 2010, Rodríguez Zapatero presented in the Congress on 12th May 2010 an austerity package, the Immediate Action Plan and the Austerity plans, to cut 15.000 million euros in one and a half year. The government had already planned an austerity plan for the budget of 2011 but decided to accelerate it due to the increased pressure that European institutions exercised (El País, 2010). Two measures included in the austerity package had special consequences for trade unions: the cut of public employees' salaries and the labour market reform. The cuts of public salaries were in line with the austerity measures aimed at cutting the public expenses, while the labour market reform was proposed by European institutions to solve the unemployment problem and increase productivity. Finally, the cut of public employees' salaries was approved by Decree-Law and without negotiation with the confederations. In turn, CCOO and UGT called for a strike of the public sector on 8th June 2008.

2.3.2 Reform episode 2

The strike of the public sector did not stop negotiations on the labour market reform between the government and trade unions. In fact, labour organisations and the Spanish Confederation of Business Organizations (CEOE) had been negotiating a reform of the labour market since 2009, and as a continuation of the prolific social dialogue of the previous legislature. On the contrary, the emergence of external pressures, the polarised positions of employers' organisations and trade unions and a change in the Ministerial team of the Employment department made difficult the concertation process of the labour market reform in 2010 (Chief of staff Minister of Labour, personal interview, 2016).

Regarding external pressures, the discussions about the high Spanish unemployment figures was a recurrent topic of conversation among European leaders during the European Council and Euro group meetings (Rodríguez Zapatero, 2013). Before the meetings celebrated in May 2010, the Spanish Prime Minister had already spoken with German Chancellor, Angela Merkel, about the possibility of implementing a reform of the labour market (Rodríguez Zapatero, 2013).

In relation to the changes in the ministerial team, in the cabinet reshuffle after the 2008 elections, the prime minister (still in denial of the economic crisis) opted for appointing a Minister of Labour and Immigration, Celestino Carbacho, more expert in immigration issues than in the ‘ins and outs’ of social dialogue (Chief of staff Minister of Labour, personal interview 2015). The changes in the staff of Minister of Labour, jointly with the polarised positions of trade unions and employer organisation, hindered the possibilities of an agreement about the labour market reform (Chief of staff Minister of Labour, personal interview 2015). Although social partners had issued a joint declaration of principles in 2009, the possibilities for an agreement were specially undermined by the extreme positions of the CEOE and the lack of a government team within the Ministry of Labour to facilitate negotiations (former chief of staff, Ministry of Labour, personal interview, 2016). The CEOE was demanding pro-business measures such as a drastic reduction of dismissal compensation and total flexibility for hiring that were unacceptable by trade unions:

“In July 2009 there was an informal dinner between the government, trade unions and employers’ organisations and the latter show a maximalist position that we could not assume so negotiations broke down” (UGT representative, personal interview 2015)

To this we need to add that there were critical voices within the PSOE against the labour market reform. Antonio Gutierrez, former secretary-general of CCOO and a PSOE deputy abstained in the final vote of the parliament (Rtve, 22 June 2010). The troublesome negotiation process had many up and downs and required in several occasions the intervention of the Prime Minister who decided to create an *ad hoc* Secretary of Social Dialogue to negotiate the reform (García, 22 may 2009). In January 2010, the government began a new round of negotiations and, in February, the prime minister sent a document with some proposals. In this new round, the polarised positions taken by the employers and trade unions were confirmed and finally frustrated the agreement:

“Trade unions would have ended up singing the reform, but the maximalist position of the CEOE made difficult the equilibrium in the negotiations” (Chief of staff Minister of Labour, personal interview 2015)

As a result, the labour market reform was finally approved unilaterally by the government in June 2010. After negotiations broke down –and now that the trade unions were no

longer acting as an obstacle to the changes requested by Brussels– the most liberal wing of the PSOE tried to implement a radical neoliberal reform (Former adviser of PSOE, personal interview, 2016). During the period in which the socialist government was designing the labour market reform, the Prime Minister was counselled by economic experts who suggested him a radical reform in line with deregulatory demands:

“The Minister of Economy exercised pressure over the Prime Minister to design a deregulatory reform and the Minister of Labour had a residual role in the design of the reform” (former chief of staff Minister of Labour, personal interview 2016)

This event is confirmed by UGT representatives who explained to me in the interview that: “Our feeling was that the Ministry of Economy was taking all decisions while the Ministry of Labour was bump on a log” (UGT representative, personal interview, 2015). However, a last minute intervention of the Minister of Employment, Celestino Corbacho, who opposed to a radical deregulatory proposal, led to more moderate result (Former parliamentary advisor, PSOE, personal interview, 2016). The *Royal Decree 10/2010*, transformed later into the law 35/2010, allowed for changes of collective bargaining agreements at the firm level but still prioritised high-level agreements over. Besides, the 2010 reform reduced severance pay of fair dismissal from 45 to 20 days per year of employment but maintained the severance pay of unfair dismissal. In the end, the reform fell far short of what the EU had requested. IMF criticised the reform in the Article IV consultation of July 2010 and asked for further changes in collective bargaining:

“Notably, severance pay remains above EU average levels and it is not clear whether the easing of criteria for fair dismissal and procedures for opt-outs is sufficient to have a substantial impact – much depends on how the courts interpret the new provisions. More generally, effective decentralization of wage setting to firms will likely require a change in the collective bargaining process, which is currently under review by the social partners” (IMF, 2010).

For their part, the CCOO and UGT responded to the unilateral passage of this deregulatory reform, but several factors led to a feeble response. First, they called for a general strike on 29th September 2010, and once the reform was already converted into

law²³. Second, the Minister of Employment, Celestino Corbacho, resigned before the general strike took place. Third, the general strike coincided with the European Day of action organised by the ETUC, which diverted the attention from the Spanish government to Europe as the responsible for austerity reforms. Therefore, CCOO and UGT organised a general strike when it was impossible to reverse the bill and vis-à-vis an outgoing minister. Both confederations justified the election of the 29 of September according to the need of giving a European response against austerity. The 29 September did not have any veto power because the European institutions and the leaders of other countries such as Germany started dominating Spanish agenda-setting (Molina, 2012: 71).

2.3.3 Reform episode 3

The third episode of political exchange between the government, the external interlocutors and the trade unions influenced by the two-level game was the pension reform. After the resignation of Celestino Corbacho in August 2010, Zapatero appointed Valeriano Gómez as a Minister of Employment who started his mandate on 21 October 2010. The latter, a member of the UGT himself, had been part of the Ministry of Employment in the previous legislature²⁴ and was known by his expertise on pensions and his pro-trade union approach. With this gesture, Zapatero confirmed his intention to implement a consensual reform of the pension system with the social partners (Chief of staff, Minister of Labour, personal interview 2015). Besides, the reform was agreed within the so-called *Pacto de Toledo* (Toledo Pact), which was created in 1995 by all political parties with the objective to generate a consensus-based space to negotiate future adaptations of the pension system (El Economista, 18 June 2010). External pressures were the main reason why the prime minister decided to implement the pension reform in 2011 (Europa Press, 18 June 2011). In the beginning, this made difficult the willingness of trade unions to participate in concertation given that they thought that the long-term problems of sustainability could have been resolved later without the pressure of financial markets:

“We had surplus but we also knew that we were going to have a problem in the long-term. The urgency to implement the reform came because the investors

²³ The Royal Decree 10/2010, on measures to reform the labour market, was passed into law 35/2010 of 17 September 2010.

²⁴ General Secretary of Employment 2004-2007 under the Ministry of Labour of Jesus Caldera.

thought that one of the major problems of sustainability of Spanish public finances was the pension system. When you are issuing bonds for 20 years, investors take into account the long-term for their cost calculations” (Former Minister of Labour in 2011, personal interview, 2016)

The Prime Minister chose to push through the pension reform (Europa Press, 18 June 2010) because he acknowledged that it was an effective way to win the credibility of the European Commission, the markets and the European leaders of the investors’ countries, particularly the German Chancellor (Europa Press, 9 June 2010; Rodríguez Zapatero, 2013; Mendoza, 28 January 2011). When the pressures to reform the pension system began in 2009, CCOO and UGT opposed to the main measure, the delay of the retirement age from 65 to 67 years. Later, in January 2010, the Prime Minister informed the confederations in a secret meeting about the shift of the political economy towards austerity, and the general secretaries of CCOO and UGT, expressed once more their opposition to the delay of the retirement age (Heraldo, 29 January 2010). The Spanish trade unions started then an informative campaign about the pension system on 4th February 2010 and they organised workplace mobilisations to explain the scope of the government proposal to reform the pensions. Both trade unions, CCOO and UGT, opposed strongly the proposal of the pension reform and organised various demonstrations between 22 February and 7 March 2010.

However, when the bargaining table was set up in the autumn of 2010 after the general strike, trade unions showed a more flexible position that was the result of their pro-social partnership approach as well as their framing of external pressures and the economic situation. As a union official from UGT explains:

“We can oppose specific measures but when the government call us to negotiate, we always go, it is part of our identity” (UGT representative, personal interview, 2015)

“Unemployment rates were worsening and we started to think that there were not going to be enough contributions to cover pensions. There was a lot of external pressure over trade unions to sign the agreement” (UGT representative, personal interview, 2015)

The negotiation process of the pension reform lasted several months thanks to the relative relaxation of financial speculation over Spain. After the approval of the labour market reform, the urgency to implement further structural reforms had decreased (Mendoza, 18 June 2010). Between June 2010 and the second Greek bailout in April 2011, the Spanish spread did not increase drastically, and the reform could follow the timings of the *Toledo Pact*, with no fear of an impending bailout. In the end, the ‘Social and Economic Agreement for growth, employment and the guarantee of pensions’ was signed by the trade unions, business organizations and the government on 2 February 2011 (Flores, 2 February 2011).

The government got the support of the trade unions on the most controversial measures due to the agreement of two different trade-offs, one that was negotiated publically and another one that was negotiated behind the doors. The agreement was possible thanks to the trade-off of different policy areas such as pensions, collective bargaining, active labour market policies and energy. The trade unions managed to lower the number of contribution years needed to retire from 40 to 38.5, and to include favourable conditions for groups like apprentices, among others. Privately, the government promised to trade unions to undertake a collective bargaining reform that was favourable to them (Former labour minister 2, PSOE, personal interview, 2016). The *quid pro quo* between the two policy areas facilitated the agreement:

“In secret meetings the proposal of the government was to ask trade unions to sign the reform of the pension system in exchange for a reform of collective bargaining away from the liberal demands that came from Brussels and without dismantling trade unions power” (Former chief of staff Minister of Labour, personal interview, 2015)

Nevertheless, the socialist government could not satisfy external actors because the reform ended up being too lukewarm as it did not include the sustainability factor that delink pensions from inflation and link them to life expectancy. Also, as one of the negotiators from UGT-E explained in the interview:

“The European Green book of pensions inspired the debate about the pension reform...but the recommendations of the European Commission were harsher than what we finally did. They wanted to impose the 67 years without phase-in periods (UGT representative, personal interview, 2015)

The PSOE devised again a strategy based on ‘having your cake and eating it, too’, which was based on implementing reforms to avoid the bailout but complying timidly que external demands to avoid a breakdown of domestic consensus:

“If the government advertised the reform as moderate to satisfy national constituencies, Brussels could distrust the government about the capacity to deliver reforms. On the contrary, if the government advertised the reform to Brussels as tough, then national constituencies distrusted the government. They had to govern to different interlocutors with opposing interests” (Former chief of staff Minister of Labour, personal interview, 2015)

The need to signal external actors became evident one day after the reform was passed, on 3rd February 2011, when the trade unions themselves were called upon to explain the characteristics of the reform to Angela Merkel at a bilateral summit between the chancellor and the Spanish Prime Minister (Rodríguez Zapatero, 2013). According to Merkel, the reforms were going to create a very good impression in the markets, “above all because it is very reassuring that they are supported by employers and the trade unions” (ABC, 2011).

2.3.4 Reform episode 4

The fourth episode of political exchange between the socialist government and the trade unions began in spring 2011 after rumours of a Greek second bailout started (Wearden, 5 May 2010). A rise of financial speculation led to another intervention of the government in the labour market. When Angela Merkel visited Madrid in February, she had already insisted on decoupling the salary increase from inflation and tying it to company productivity (El País, 2011). On 2th April 2011, the prime minister announced that he was not going to run as a candidate for the next general elections. In addition, the municipal elections celebrated in 13 regions in May 2011 gave an overwhelming victory to the People’s Party. This modified party competition dynamics considering that the elections’ polls started shaping the PP as the winner of the next general elections as “many citizens perceived that the incumbent party had betrayed their leftist values” (Martín and Urquizu-Sancho, 352). However, the reduction of possibilities of winning the next elections did not lead to a change of type of policies. On the contrary, the PSOE stopped taking in account its electoral interests and felt “liberated” to implement the necessary reforms (Molina Álvarez, 2012:66).

The government decided then to implement the collective bargaining reform included in the previous pension reform. The Prime Minister tried to get the support of the trade unions with a series of consultative talks but consensus was not possible and the reform was approved by the PSOE unilaterally by executive order in June 2011. The employer organisations did not want to sign the reform because the outcome of the municipal elections had convinced them that the PP would win the general elections, and subsequently would legislate in their favour (former labour minister in 2011, personal interview, 2016). On the other hand, trade unions opposed to one controversial point with respect to the prevalence of company agreements over regional agreements (former chief of staff, Ministry of Labour, personal interview, 2016). The *Royal Decree Law 07/2011, June 2011*, with urgent measures to reform collective bargaining, introduced various modifications of the Spanish Statute of Workers' rights:

“Pressures to reform the Statute of Worker's Rights also came from the Spanish banking sector, especially from the President of the Spanish National Bank who had a belligerent position around questions regarding collective bargaining and redundancies” (secretary-general of CCOO personal interview, 2015)

The Royal Decree Law 07/2011 determined that firm collective agreements had priority over national, autonomic or regional collective agreements around some issues and introduced further measures to increase internal flexibility of firms, between others. However, external actors did not consider this reform sufficient. The 2011 Country-specific recommendations were issued one month later, on 12 July 2011, and they affirmed:

“The ongoing labour market reform in Spain needs to be complemented by an overhaul of the current unwieldy collective bargaining system. The predominance of provincial and industry agreements leaves little room for negotiations at firm level” (European Council, 2011).

Likewise, although the recommendations evaluated positively the pension reform agreed in February 2011, they asked for further reforms to adapt pensions to changes in life expectancy (the controversial formula that was avoided in the agreement). The credibility of the government was questioned and, on 28th July 2011, the PSOE called for general elections, setting the date for November 2011, four months before the official date (the date of the elections was April 2012). Without the pressure of the elections, Zapatero

faced during the summer 2011 one of the last difficult episodes. External interlocutors intervened again after the dramatic increase of bond yields. On 5th August 2011, the former President of the ECB, Jean-Claude Trichet, and Prime Minister Rodríguez Zapatero spoke over the phone (Pérez and Pérez-Lanzac, 19 December 2014).

The result of the conversation was that the ECB would begin to buy Spanish debt in exchange for implementing more drastic reforms of collective bargaining (Rodríguez Zapatero, 2013). The same day Trichet sent a letter to Zapatero urging him to implement measures to deregulate the labour market, such as the creation of special contracts that would considerably reduce the cost of dismissing workers (Rodríguez Zapatero, 2013). The government, in turn, approved Royal Decree Law 10/2011, 26 August, with measures to promote employment among youth, which enacted new regulations regarding apprenticeship contracts designed to respond to ECB President Trichet's demands. However, the decree did not have profound implications and its impact was minor. As Rodríguez Zapatero explained: "the letter included other exceptional measures that I was not willing to assume" (Rodríguez Zapatero, 2013).

The Spanish trade unions did not respond to the implementation of the new changes of the collective bargaining and labour contracts. On the contrary, they issued a declaration in which they confirmed their intention to respect their previous commitment of wage moderation. This declaration was a result of an informal exchange that Rodríguez Zapatero and the trade unions had after the letter of Trichet. The socialist prime minister asked the CCOO and UGT to make a declaration to reassure the ECB president, and in response they issued a brief communiqué on 18 August in which they promised to continue the policies of salary moderation (Rodríguez Zapatero, 2013).

2.4 Trade unions' strategies: looking at Europe and beyond their membership for solutions

Table 22. Trade unions' strategies during the PSOE government			
Date	Trade unions' actions	Level	Type
29 September 2010	General strike	National-Transnational	Political exchange
June 2010	Popular Legislative Initiative against labour market reform	National	Citizen repertoire
February 2011	Social agreement on pensions	National	Political exchange
February 2011	Meeting with Angela Merkel	National-Transnational	Signalling
2011	Civic tides	National	Social movements/citizen repertoire
August 2011	Declaration of wage moderation	National-Transnational	Signalling
6 September 2011	Demonstration of trade unions and 15M against Constitutional reform	National	Political exchange

2.4.1 Framing process

During the socialist government, both Spanish confederation devised mostly a collaborative strategy with the government. The previous section shows that CCOO and UGT opted for negotiating with the government every time that the PSOE resorted to concertation. This was the result of two factors. On the one hand, the socialist government demonstrated its willingness to negotiate the reforms with trade unions. Therefore, when an agreement was not reached, trade unions blamed either the maximalist position of the employers' organisations (e.g. labour market) or the external pressures (e.g. letter Trichet) for the lack of consensus. For this reason, Spanish confederations opted for behaving 'responsibly' with the objective to help the government to be credible. They gave concessions during the negotiations of the pension reform, they helped the Prime Minister

to explain the pension reform to Angela Merkel and they issued a declaration of wage moderation for Trichet.

2.4.2 Transnational actions

During the PSOE government, Spanish trade unions shifted the blame of austerity from the national government to the European Union. This led to an increase of transnational actions with the objective to influence European decision making processes. When the pressures to reform the pension system started in 2009, CCOO and UGT increased their transnational activities within the European Trade union Confederation (ETUC). Due to the increasing will by the Spanish government to reform the pension system at the end of 2009, CCOO and UGT, jointly with the German trade union, GDB, made a joint declaration about the importance of Social Progress in Europe and they demanded a common position of the European trade unionism regarding the defence of the public pension systems vis-à-vis the “unjustified cuts” (UGT, 2010)²⁵

Transnational activity intensified after May 2010 when the socialist government made the turn towards austerity. After the shift of the socialist government, the CCOO and UGT understood that public policy formation was now no longer a national question, but required a response at European level. The meeting between the trade unions with the German Chancellor to explain the pension reform described above was not the first nor the last one that Spanish confederations hold those years to influence the decisions of European representatives. The General Secretary of the UGT, Cándido Méndez, aware of the pressures that the markets were putting in Spain, participated in a meeting organised by the ETUC with the President of the European Council, Herman Van Rompuy on 10 May 2010, before the celebration of an Extraordinary Council where the EC were supposed to discuss the situation of Greece (Cadena Ser, interview, 4 May 2010).

The Spanish trade unions’ commitment to the transnational level was reinforced in May 2011 when the leader of the CCOO, Ignacio Fernández Toxo, was elected president of the ETUC at the organization’s congress in Athens (Público, 18 May 2011). This provided Spanish trade unions with privileged access to information and people inside the ETUC and European institutions (Fernández Toxo, personal interview, 2015). Since then, CCOO

²⁵ UGT, CCOO y el sindicato alemán DGB suscriben una declaración conjunta sobre el progreso Social para Europa. <http://www.ugt.es/comunicados/2010/febrero/compre26022010.pdf>

and UGT planned their protest calendar according to agreements reached with trade unions in other countries inside the ETUC. One of the first signs of their transnational turn was their choice to match the 29 September 2010 general strike to the date chosen by the ETUC to organise a European Day of Action against austerity.

However, this move, instead of increasing the impact of the strike, ended up diluting its meaning. The general strike of 2010 remained so poorly defined that even the next Minister of Labour, Valeriano Gómez, attended the demonstrations that trade unions organised in Madrid (Público, 20 October 2010). He thought that the labour market reform did not deserve a general strike, but he attended the demonstrations in support of trade unions because at that time they were hardly hit by the media campaign being run by the Madrid local People's Party against the trade unions (Valeriano Gómez, PSOE, personal interview, 2016).²⁶

2.4.3 Social movement and citizen repertoires

The 29 September 2010 general strike lost thus all potential as a tool to pressure the government to roll back the labour market reform and the confederations looked for alternative strategies. In the beginning of 2011, CCOO and UGT launched a Popular Legislative Initiative (PLI) in an attempt to establish a new framework for labour relations and cripple the labour reform of June 2010 (El País, 16 June 2011). The confederations collected more than one million of signatures during a campaign that lasted until June 2011, when they submitted them to the Central Electoral Board. The PLI was a law proposal that had the objective to remove the most harmful aspects of the reform. Although the PLI collected the necessary signatures and was deemed admissible, in the end it was rejected by congress on 11 December 2012 (El País, 16 June 2011).

The PLI against the 2010 labour market reform was not the only action that the Spanish confederations made with the objective to mobilise citizens beyond their membership. By the spring of 2011, the 15-M (*Indignados*) movement appeared all of a sudden and, in so doing, it transformed Spanish dynamics of anti-austerity protests during the crisis (Köhler et al, 2013)²⁷ The ability of these social movements to connect with broader segments of

²⁶ Valeriano Gómez, who replaced Celestino Corbacho as minister of labour, attended the demonstration called by the trade unions.

²⁷ Some sectors of the Indignados movement inspired later the creation of new political party, Podemos (Eldiario.es, 13 March 2014).

the population than trade unions' constituencies (young people, unemployed, precarious workers, etc.) gave rise to several episodes of mass protest. Thousands of people gathered in public squares to protest not only against austerity but also against corruption and the political parties (Castañeda, 2012). The crisis of legitimacy of the political system as a whole affected also the biggest trade unions, CCOO and UGT, which were seen by some sectors of the *Indignados* as part of the political establishment (Cúneo, 3 June 2015). In the first months of existence of the 15-M there were tensions between the anti-austerity social movements and the trade unions. The *Indignados* criticised the biggest confederations for being too moderate and their overreliance on social dialogue (Alberich, 2016:276). Cerrillo Vidal argues that "in the first stages of the Movement, there were significant resistances to any form of coordination with the union, which were seen by many participants as part of the establishment that was being challenged" (Cerrillo Vidal, 2013: 42).

In the end, anti-austerity social movements and trade unions came together in common spaces. On the one hand, social movements and trade unions' activists worked together in the *mareas* (tides), also called *mareas ciudadanas* (civic tides), which were created to defend public services (Alberich, 2016). The *mareas* were formed when the Indignados movement left the central public squares to organise themselves in the neighbourhood assemblies and around specific policy campaigns. They adopted different colours depending on which public sector they were defending (green for the education, white for health, orange for social services, etc.), and they were organised around rank and file assemblies which decided their strategies democratically (Alberich, 2016:340). On the other hand, anti-austerity social movements ended up participating in the demonstrations organised by CCOO and UGT, which gave a different character to general strikes (Alberich, 2016:276).

3. PP Government (2011-2013)

The People's Party (PP), led by Mariano Rajoy, won the elections on 20 November 2011 with absolute majority. The PP got the 44.6 per cent of the votes (186 seats) whereas the PSOE obtained the worst results of its history. The socialist party lost 59 seats and got only the 28.76 per cent of the votes. This section shows how the new European rules-based setting shaped national political opportunities during the PP government. It demonstrates that surveillance over national reforms and budgetary plans increased after

the full implementation of European Semester and when Spain entered a financial assistance programme in July 2012, which meant the reinforcement of external monitoring of reforms. Although the Memorandum of Understanding contained only measures to reform the banking and financial system, indicated that:

“In parallel, Spain will have to comply fully with its commitments and obligations under the EDP and the recommendations to address macroeconomic imbalances within the framework of the European Semester. Progress in meeting these obligations under the relevant EU procedures will be closely monitored in parallel with the regular review of program implementation” (Memorandum of Understanding, 2012)

However, the response of the centre-right government vis-à-vis external pressures was different than the socialist one. The PP government complied fully with external demands and achieved complete credibility. This was due to two reasons. First, the ideological alignment of the centre-right government with external requirements. Second, the absolute majority allowed the government to enjoy political stability to implement the reforms without the need to search for parliamentary or extra-parliamentary consensus. The section shows that full compliance led to the exclusion of trade unions from policymaking processes, and the PP implemented labour market and pension reforms unilaterally. As a result, both confederations turned the blame again to the national government and increased national mobilisations as well as they intensified transnational and social movements’ actions.

3.1 External pressures

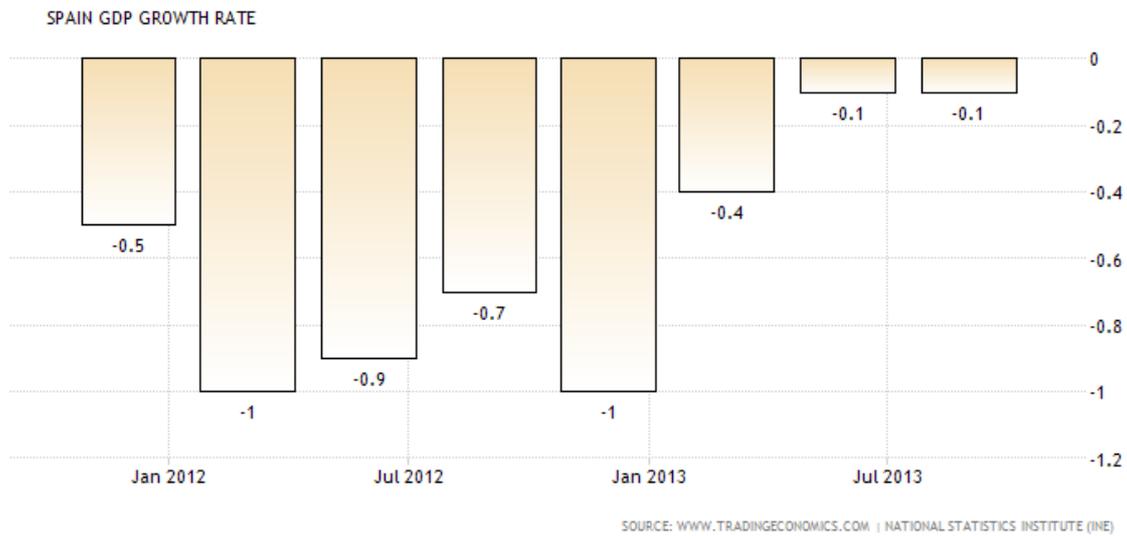
This section focuses on analysing the different types of external pressures that operated in Spain during the PP government. The section shows the impact of policy discipline on national decision-making processes and how the new European setting imposed a policy regime based on fiscal consolidation, labour market deregulation and pension cuts.

3.1.1 Formal pressures

On 6th July 2012, the European Council decided to start again an Excessive Deficit Procedure for Spain. The Commission forecasted a fiscal deficit of 6.3 per cent of GDP for 2012, higher than the projections made by the Stability Programme in 2012 that estimated a deficit of 5.3 percent of GDP. The deepening of the Great Recession worsened

all economic indicators in the first semester of 2012. Economic growth continued to be negative throughout the first years of the PP government.

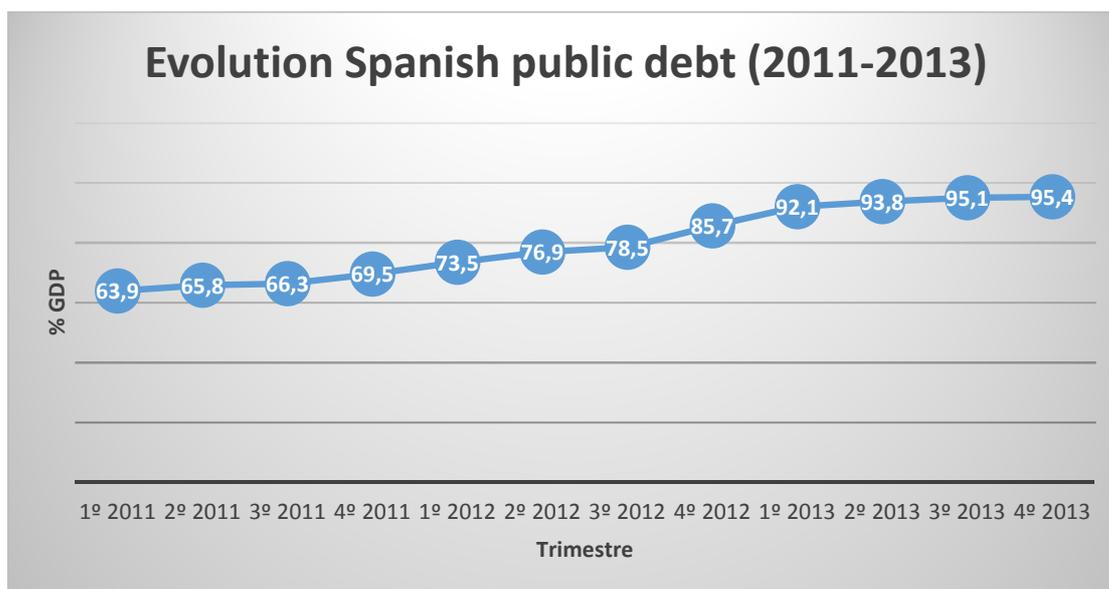
Figure 10. Spain GDP growth rate (2012-2013)



Source: www.tradingeconomic.com

Besides, the deepening of the Great Recession had had an effect on budgetary indicators. In 2012, Spanish national debt reached the 84.1 per cent to GDP (Jabri, 15 March 2013). Besides, the prime minister announced on 2nd March 2012 that the country was not going to meet the deficit targets. The Spanish government had agreed with European authorities to reduce the deficit to 4.4 per cent under the EDP, but the Prime Minister, Mariano Rajoy, confirmed that the projections pointed out to a deficit of 5.8 per cent (BBC, 2012). Moreover, financial difficulties were also coming from the Spanish regions that needed liquidity to face payments (Knight, 28 September 2012). In turn, the government had to create a special credit facility from the Official Credit Institute (ICO).

Figure 11. Trimestral evolution Spanish public debt (2011-2013)



Source: Expansion, datosmacro.com, elaboration by the author.

Furthermore, formal external pressures to implement further structural reforms of the pension system and the labour market also increased during the Rajoy government. The evaluation of the 2011 National Reform Program concluded that the pension reform that was implemented by the PSOE government had not taken enough measures to secure the long-term sustainability of public finances in line with the 2011 recommendations. As a consequence, the European Council encouraged the government to complement the Global Employment Strategy for Older Workers with concrete measures, which were related to the introduction of the sustainability formula to link pensions with life expectancy (Toyer and González, 12 December 2012). Regarding the labour market reform, in spite of the changes implemented during the PSOE government, unemployment rates peaked in April 2012 when they reached the 24.4 per cent. From 2011 to 2013 unemployment rose from 22.56 per cent to 25.73 per cent (INE). As a consequence, external actors continued insisting on the necessity to introduce more firm flexibility (Meardi, 2012).

3.1.2 Informal pressures

As it happened during the PSOE government, formal constraints interacted with informal pressures. Right after the elections in November 2011, the German Chancellor, Angela Merkel, sent a letter to the newly elected Prime Minister to ask him to implement the

structural reforms ‘without delay’ (El Economista, 2011). Informal pressures increased every time that the European institutions decided to activate mechanisms of financial help. For example, when the ECB announced in September 2012 that it was going to buy Spanish debt in the secondary markets, the German chancellor declared that, in exchange, Rajoy needed to do “his homework”. In turn, the prime minister showed to Merkel his commitment to comply with the reforms (El Mundo, 2012).

Box 3. The role of Angela Merkel in Spain during the Eurozone crisis

During the Eurozone crisis, the German Chancellor became the watchwomen of the implementation of structural reforms in Spain. Her declarations about the Spanish economic situation were considered a thermometer to measure the capacity or willingness of Spanish governments to undertake structural reforms. Her visits to Spain, her meetings with both prime ministers and her presence in the Spanish media increased since 2011. The role of the German Chancellor in Spanish politics was reinforced after Mariano Rajoy became prime minister in November 2011 (20minutos, 6 September 2012).

The German chancellor and Mariano Rajoy, both from political parties that belong to the European People’s Party, built a close relationship during the Eurozone crisis. The German chancellor and the Spanish prime minister used European meetings to make joint declarations about Spanish economy (RTVE, 4 February 2013). Besides, they met in various occasions in “informal meetings” that were reported by the press and during which the German chancellor supported the reforms implemented by Mariano Rajoy (Eldiario.es, 24 August 2014). The role of Merkel was important up to the point that Spanish trade unions asked for a meeting with the German chancellor to convince her about their “responsible role” and the unjustified position of Rajoy that implemented all structural reforms without negotiation with the social partners (Radiocable, 26 July 2012).

3 February 2011: Zapatero and Spanish trade unions explained to Merkel the pension reform. Merkel declared, “Spain has done the homework and is following a good path” (González, 3 February, 2011).

May 2012: Merkel and Rajoy met in Chicago during the NATO Summit. She supported the reforms launched by the PP.

July 2012: Spanish trade unions met the German chancellor to scotch rumours about their role regarding structural reforms.

6 September 2012: Merkel visits Spain to discuss the Spanish banking bailout and BCE outright monetary transactions with Rajoy. She asked Rajoy to do “his homework” in exchange of the BCE purchase of Spanish bonds (Segovia and Cruz, 6 September 2012)

25 August 2014: Merkel visited Rajoy’s homeland, Santiago de Compostela, and declared that the reforms were carried out due to the “energy” of Rajoy’s executive and in “tight collaboration with Germany” (Eldiario.es, 24 August 2014).

3.1.3 Financial pressures

Five days before the November 2011 elections, the spread reached a new historic maximum of 479 points. The presidential investiture of Mariano Rajoy led to a slight drop under the 400 points but the commitment of the centre-right government to undertake reforms were not enough to consolidate this trend (Smith, 22 November 2011). After a few months in which the spread was under 400 points, in May 2012 there was another increase and Spanish bond yields reached on 30 May 2012 the 542 points. The rise of the spread coincided with the worsening of the banking crisis. In addition, Standard and Poor’s downgraded again the Spanish credit rating in October 2012 (Clancy, 10 October 2012).

3.2 National responses

The new centre-right government complied fully with external demands. In the end of December 2011, the newly elected Prime Minister, Mariano Rajoy, launched a comprehensive austerity package²⁸ (Cué, 30 December 2011). At that moment, the fiscal deficit was eight per cent and the executive had to cut nine million euros. The urgent measures to reduce fiscal deficit included: increases in income tax and property tax, the freezing of pensions and of new hiring of public employment, the increase of working time of public employees, cuts in political parties funding of 20 per cent, the delay of implementation of *Ley de la Dependencia* (Law to regulate old age care programme) and cuts in rent subsidies for youth (Cué, 30 December 2011).

In spring 2012, the government continued with the plan of structural reforms. In April 2012, the government approved a cut of 10 million euros in the health and education sector (Cruz, 9 April 2012). On 27th of April 2012 the PP approved the 2012 National Reform Programme and the update of the Stability Programme, which aimed at reducing the deficit up to 5.3 per cent to GDP in 2012 and at achieving the 3 per cent objective in 2013. With this objective, the government prepared a plan for fiscal consolidation in all administrative levels areas. It launched the Organic Law of budget stabilisation and financial sustainability (*Ley orgánica de estabilidad presupuestaria y sostenibilidad financiera*), that was aimed at reinforcing fiscal discipline of all administrations (La Moncloa, 27 de abril de 2012).

Regarding the National Reform Programme (2012), the latter covered the following economic areas: fiscal consolidation, modernization of public administration and public services, financial system and labour market (NRP, 2012). In relation to structural reforms, the PP launched the transposition of the Services Directive, the labour market reform and the reform of the system of public pensions. The centre right government presented the new budget which included further cuts in public expenses (El Mundo, 4 April 2012).

²⁸ Real Decreto-ley 20/2011, de 30 de diciembre, de medidas urgentes en materia presupuestaria, tributaria y financiera para la corrección del déficit público.

Table 23. Spanish National Reform Programme 2012

Fiscal consolidation	<p>Improve economic governance</p> <p>Adjustment measures for fiscal consolidation</p> <p>Adjustment plans for CCAA and local entities</p>
Modernization of public administration and public services	<p>Reductions of Public firms and foundations</p> <p>Plan of management of national patrimony</p> <p>Rationalisation and efficiency of public employment</p> <p>Rationalisation of number of local councils</p> <p>Elimination of duplicates</p>
Improve efficiency of public services	<p>Health: Improve efficiency management and human resources, fight against fraud, rationalisation of pharmaceutical cost, etc.</p> <p>Education: increase number of pupils per class, increase lecture hours for teachers, approximate public fees to real cost, etc.</p> <p>Justice: reform of judiciary fees</p> <p>Social security: ensure the sustainability of pension system, fight against fraud, improve management efficiency</p> <p>Regional television channels: improve flexibility and liberalisation and cut costs</p>
Measures to promote growth, competitiveness and jobs creation	<p>Labour market reform (Decree Law 3/2012)</p> <p>Financial sector reform</p>

	<p>Increase competitiveness: liberalisation of professional services</p> <p>Making the rent market more dynamic</p> <p>Creation of the National Commission of Markets and competency</p>
--	--

Table: elaboration by the author with information of the NRP (2012)

European financial assistance programme. Moreover, in 2012 the centre-right government had to face one of the biggest economic problems, the financial situation of the banking sector. In the beginning of 2012, Bankia had announced 309 million in profits and only three months later, the bank asked the government for a bailout (De Barrón, 13 May 2012). The reforms implemented by the previous socialist government had not solved the bottom of problem and, in February 2012, the centre-right government approved another Decree Law to reform the financial system. The Royal Decree law 02/2012, 3 February of financial sector restructuring, which was dubbed as the “Guindos decree”, after the name of the Minister of Economy, Luis de Guindos (Legal Today, 11 June 2012). One of the measures was to put 52 million euros in the Spanish banking system. The government reactivated the *Fondo de Reestructuración Ordenada Bancaria* (FROB) that had been created by the previous government in 2009. However, the reforms of the financial system did not solve the problems of liquidity of the Spanish banking sector. On May 2012, Bankia, the commercial brand of the Financial and Savings Bank (BFA) and the fourth largest Spanish bank, announced that needed a bailout that amounted to 19 billion euros (De Barrón, 13 May 2012. There was uncertainty about the real situation of the Spanish banking system because often the previsions about losses and profits did not match with the real numbers.

Table 24. Reforms of the financial system previous to the European Financial assistance

Decree-Law 9/2009	Creation of the Fund Bank ordered restructuring (FROB) Creation of the Fund for the acquisition of financial actives (FAAF)
Royal Decree-Law 11/2010	Modification of the legal regime of Saving banks
Royal Decree-Law 02/2012	Strengthened the solvency level of all credit entities
Royal Decree-Law 18/2012	Reorganised and sold real estate assets owned by financial entities

Finally, Spain asked for financial assistance in June 2012 (Pérez and Doncel, 10 June 2012). During the EU Summit celebrated that month, Mario Monti and the Spanish prime minister defended easier access to the European Stability Mechanism and Angela Merkel finally accepted it (Volkery, 29 June 2012). On 25 June 2012, Spain made a formal request to the Chairman of the Euro group to access the European Stability Mechanism with the objective to recapitalise financial institutions. The negotiations over the conditions of the loan took several months. The European Commission, the ECB, the IMF and the European Banking Authority (EBA) realised an assessment and decided that Spain met the eligibility requirement. The Euro group signed the Memorandum of Understanding (MoU) on 20 July 2012 (Memorandum of Understanding, 20 July 2012). The agreement was signed by four stakeholders: the European Stability Mechanism, the Spanish government, the Spanish Bank and the FROB.

In December 2012, Spain became the first country to receive disbursements from the ESM to recapitalise its banking system. The total amount was 100 billion and the programme lasted 18 months (European Stability Mechanism²⁹). The Spanish centre-right government avoided to use the word *rescate* (bailout) and referred to the program with euphemisms like “loan with favourable conditions” (Romero, 9 June 2012). On its side, the Spanish trade unions opposed the bailout by arguing that it “made the Spanish society

²⁹ How much financial assistance did the ESM provide to Spain? Available at <https://www.esm.europa.eu/content/how-much-financial-assistance-did-esm-provide-spain>

dependent on the investors will” (Bravo Cuiñas, 6 September 2012). During the implementation of the programme, the European Commission and the European Central Bank undertook five reviews. Spain exited the Financial Assistance programme in January 2014.

Box 4. Conditionality and credibility in Spain

In the evaluation of the Spanish Financial Sector Assistance Programme (European Commission, institutional paper, 2016), published in January 2016, the European Commission assessed how conditionality worked regarding the implementation of structural reforms not included in the MoU. In this sense, the Commission affirmed that “this type of programme was suitable for Spain because of the high commitment of the authorities” (European Commission, institutional paper, 2016). The Commission concluded that “it is not so important whether conditionality on fiscal and structural reforms are explicitly detailed in the programme or linked to existing procedures, but rather how committed the authorities are to implement certain reforms” (European Commission, institutional paper, 2016). The Commission also highlighted that the monitoring of structural reforms within the EDP procedure played an important role: “Monitoring progress with commitments under the EDP and European Semester during the programme reviews by the international institutions involved in the programme may support enforcement, particularly if disbursements are gradual and linked to compliance” (European Commission, institutional paper, 2016). Finally, the evaluation made clear that the Spanish government designed the reforms in compliance with the country-specific recommendations: “The structural reforms agenda advanced decisively over the programme period. Many structural measures were taken in accordance with the 2012 and the 2013 Country Specific Recommendations by the Council in view of correcting macroeconomic imbalances in Spain” (European Commission, institutional paper, 2016).

The reforming will of the centre-right government continued in 2013. The National Reform programme deepened and consolidated the reforming agenda launched by the

government in 2012. The programme highlighted eight reforms because of their impact on Spanish economy: fiscal consolidation and social security measures, monitoring of the labour market reform, the Law on the De-indexing of the Spanish Economy³⁰, the Law on Market Unity Guarantee and the Regulatory Streamlining Plan, Entrepreneurial Support Act and its Internationalization, the Law on Rationalisation and Sustainability of Local Authorities and the Law on Professional Associations and Services and Reform of corporate governance. Besides, the 2013 programme addressed the country-specific recommendations regarding changes in the pension system and the labour market (NRP, 2013). The next section provides a detailed account of these reforms.

3.3. Two-level political interactions: unilateralism and the exclusion of trade unions

This section focuses on four reform episodes of the labour market and the pension system that show that full compliance of the centre-right government led to the exclusion of trade unions from policymaking processes in Spain. The PP government considered that negotiations with trade unions had been one of the causes of the economic crisis. The conservative government justified unilateralism by arguing that the interests of trade unions were at odds of people's interests and emphasized their "irresponsibility" if they opposed to the reforms (20 minutos, 20 July 2013).

³⁰To delink wages from CPI. The new index will take into account income, expenditure, prices, tariffs, fees and revenues from public authorities. The new index will also take in account the limit of inflation of 2 per cent established by the ECB.

Table 25. Reform episodes during the PP government (2012-2013)

Date	External pressures	Reforms	Measures	Government strategy
February 2012	Country-specific recommendations and Euro Plus Pact	Royal Decree-Law 3/2012, of 10 February, with urgent measures to reform the labour market.	Prioritise firm level agreements	Unilateral
November 2012	Country-specific recommendations and Euro Plus Pact	Royal Decree-Law 28/2012 of 30 November 2012, with measures to consolidate and guarantee the Social Security System.	Freezing of pensions	Unilateral
March 2013	Country-specific recommendations and Euro Plus Pact	Royal Decree Law 5/2013, 15 March 2013, with measures to facilitate the continuity of the working life of older people and promote active ageing	Tightened access conditions to early retirement	Unilateral
October 2013	Country-specific recommendations and Euro Plus Pact	Law project that regulates the sustainability factor and the index of pension updating of Social Security	Created a formula to calculate pensions depending on financial situation	Unilateral

3.3.1 Reform episode 1

After winning the elections but before forming a government, the Prime Minister, Mariano Rajoy, held a secret meeting with trade unions and the employers' organisations in which he communicated his intention to implement a new labour market reform (Collado, 28 November 2011). The Prime Minister urged the social partners to reach an agreement and they did, signing a collective bargaining agreement in January 2012 that included several measures to facilitate internal flexibility in companies (Diario critic, 25 January 2012). However, only a few weeks later, the PP implemented unilaterally the Royal Decree-Law 3/2012, of 10 February, with urgent measures to reform the labour market. This was perceived by trade unions as a 'low blow' (UGT, 3 October 2012). CCOO and UGT considered that they had acted responsibly by agreeing with the CEOE about new measures to improve competitiveness and internal firm flexibility:

“We made a great exercise of responsibility, the economic situation was so bad that we thought that we had to make concessions around wage moderation and flexibility” (UGT representative, personal interview, 2015)

Trade unions criticised the government for not respecting the agreement that they had reached with business organisations and the government responded with messages that aimed at delegitimising the role of trade unions (Varona and Manjón, 9 March 2012). On its side, the government explained “It is true that the business and labour organisations are going to lose a lot but we have to govern for the people” (20 minutos, 15 February 2012). According to a political adviser of the centre-right government, they could not negotiate with Spanish trade unions because they are obsolete and their demands do not adapt to reality (Political adviser to PP, personal interview, 2017).

The reform of the labour market had the purpose to comply with the Country-specific recommendations (PNR, 2013: 15). The Royal Decree-Law 3/2012 gave “absolute priority to enterprise-level agreements over higher-level agreements and allowing firms to opt out of a collective agreement, even in the absence of consensus between the two sides of industry” (Horwitz and Myant, 2015). Some policies included in the reform were clearly inspired by the German model and followed the suggestions made by the German chancellor (Intereconomía, 2012). The Spanish confederations reacted to the unilateral passage of the reform by calling a general strike on 29 March 2012 (Varona and Manjón,

9 March 2012). Even so, the Rajoy government continued with the reform plan unilaterally.

3.3.2 Reform episode 2

The centre-right government introduced major changes in the pension system (Suárez Corujo, 2014). The pension reform of the previous government responded to problems of long-term sustainability but did not address short-term challenges brought about by the economic crisis (Miguel García, personal interview, 2017). The centre-right government decided then to intervene further in the pension system. In the budget program for 2013-2014 that was sent to Brussels in August 2012, the centre-right government announced the following changes: a faster implementation of the increase of the retirement age, the tightening of the eligibility criteria to access early and partial retirement and the creation of new parameters to calculate pensions (Gómez and Garea, 30 November 2012). For the first time since the approval of the Toledo Pact in 1995, a Spanish government reformed the pension system without the consensus of the political parties and social partners (El Mundo, 31 October 2013).

CCOO and UGT called a new general strike on 14th November 2012 to protest against austerity measures. But the PP government did not back out. The centre-right government passed the Royal Decree-Law 28/2012 of 30 November 2012, with measures to consolidate and guarantee the Social Security System. The ECB and the IMF had already asked the Spanish government in July 2012 to eliminate the link between inflation and the raise of pensions (Toyer and González, 12 December 2012). Although the delinking of the pensions and the inflation was supposed to be a temporary measure, it became permanent with the approval of a Royal Decree 28/2012, which implemented the freezing of pensions in 2013. The Royal Decree modified the indexation mechanism of the pension system with the objective to suspend the General Social Security Law that stipulated that pensions had to increase annually in line with the increase of the inflation. CCOO and UGT opposed these measures and organised new demonstrations on 17th December 2012.

3.3.3 Reform episode 3

The demonstrations did not stop the debate about the need of implementing a further reform of the Spanish pension system and, only three months after the Decree that did not

update the pensions, the PP government drafted a new pension reform concerning changes of the early retirement (Àlvarez Patallo, 1 June 2013). The Spanish trade unions asked the government to call a meeting of the Monitoring Commission of Social Dialogue around Social Security under the Toledo Pact (Eldiario.es, 3 December 2012).

On the contrary, the Royal Decree Law 5/2013 was finally approved by the Minister Council on 22 March 2013 in a unilateral way. The Decree modified mostly the conditions of the early retirement by limiting the access and excluding a large part of workers to opt for this possibility. The latter was approved the same month that the European Council published the Council Recommendations for Spain 2012, and after the Spanish banking bailout. In that report, the Council asked for a new reform of the pension system and the collective bargaining, and for new increases of taxes like the VAT. Trade unions showed their opposition to further cuts the pension system (Council recommendations, 2012)

The changes of early retirement conditions was also an external demand included in the country-specific recommendation (PNR, 2013: 14). The Royal Decree-Law 5/2013 had explicit references to European demands. The decree affirmed that the measures included in the reform “satisfy the Recommendations of the European Council of 10 July 2012 concerning the sustainability of the pension system and the promotion of active ageing”. Besides, it was designed following the recommendations of the Europe 2020 strategy, the European Commission White Paper 2012³¹, the “2012 Ageing Report” and a report prepared by the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission and the Social protection Committee called “Pension Adequacy in the European Union 2010-2050” published the 23 May 2012.³² The report welcomed the 2011 pension reform signed under the socialist government as a “step towards a higher sustainability of the system” but it also encouraged the continuous monitoring of adequacy and sustainability indicators (2012:354). The Decree Law 5/2013 also made explicit mention to the specific recommendations of the White paper for Spain that stressed: “The need to reform the pension system not only due to demographic ageing but

³¹ “An Agenda for Adequate, Safe and Sustainable Pensions”,

³² European Commission (2012) *White Book: “An Agenda For Adequate, Safe and Sustainable Pensions”*. Brussels: COM (2012), pp. 55-end.

also to the necessary sustainability of public finances above all in periods of economic and financial crisis as the current one” (Decree Law 5/2013).

3.3.4 Reform episode 4

The plans of the Spanish centre-right government to reform the pension system did not end up there. The PP government’s final move to reform the pension system began in April 2013 when the government introduced the pension’s sustainability factor (Público, 20 November 2013). Although the trade unions tried again to negotiate the reform under the terms of the *Toledo Pact*, it, too, was passed unilaterally in the end (El País, 15 March 2013). The government appointed an Expert Committee, which did not include any representative from the unions³³. In June 2013, the committee published a report that pointed out two different adjustments. First, the ‘Intergenerational Equity Sustainability Factor’ introduced the change in life expectancy to calculate the new retirement pensions. Second, the ‘Annual Updating Factor’, established that all pensions need to be calculated taking in account a growth rate. The formula includes the number of pensions, the evolution of expenditure, the substitution effect and the balance of the system.

This report was enacted into a Project Law in October 2013. The creation of the sustainability factor was also included in the country-specific recommendation as it was explained in the PNR 2013 (PNR, 2013: 14). Debates in the parliament modified slightly the project by introducing that pensions cannot increase annually less than 0.25 per cent or more than the consumption price index of previous year (Patxot, 2013). The reform was finally approved on 27 September 2013 without the consensus of trade unions.

³³ Although there was one expert closer to CCOO, his contribution was personal and not related to the confederation’s position.

3.5 Trade unions' strategies: asking Merkel for help and the European general strike

Table 26. Trade unions strategies' during the PP government			
Date	Trade unions' actions	Level	Type
February 2012	Platform in defence of welfare state	National	Citizen repertoire
29 March 2012	General strike	National-Transnational	Political exchange and citizen repertoire
July 2012	Meeting with Angela Merkel	Transnational	Pressure politics
July 2012	Social Summit	National	Citizen repertoire
July 2012	Campaign referendum anti-austerity	National	Citizen repertoire
14 November 2012	General strike	National-Transnational	Political exchange and citizen repertoire

This section shows how the unilateralism of the PP led to an increase of mobilisations by Spanish confederations in 2012. However, mobilisations could not challenge the credibility of the government, which, thanks to the absolute majority could pass all reforms without the need of domestic consensus. As a consequence, CCOO and UGT explored alternative strategies such as the development of transnational actions and the creation of alliances with social movements.

3.5.1 Transnational actions and alliances with social movements

Since the congress that the ETUC celebrated in Athens in May 2011, Spanish trade unions had insisted inside the European trade unions' confederation about the need to organise a European General Strike. In fact, the Spanish general strike organised in 29 March 2012 was one unsuccessful attempt to develop a European joint strike:

“We tried to find common dates but it was not easy. There was a strong discussion inside the executive committee of ETUC. At the end we set up one week of

mobilisations and each country choose their own date and the type of action that they wanted” (Fernández Toxo, CCOO, personal interview, 2015)

Negotiations to agree on a common date had started informally inside the ETUC but there was no consensus among the national confederations. The executive committee of ETUC finally chose the 29th of February 2012 to organise decentralized actions on which day the Spanish trade unions organized 24 demonstrations in different Spanish cities in addition to a demonstration in front of the European Commission representation in Madrid. Demonstrations and strikes had traditionally served trade unions to open negotiations with the government but the Spanish Prime Minister repeatedly ignored the calls for social dialogue. In turn, the CCOO and UGT decided to hold a meeting with German Chancellor Merkel in July 2012:

“We had the impression that that the Spanish government had closed all possibilities of social dialogue. We had not been received by the government for one year. Merkel received us before than Rajoy” (UGT representative, personal interview, 2015)

“Before the crisis we already thought that European politics was a priority the same than national politics...but during the crisis we did more activities, like the meetings with Van Rompuy or Merkel, because we had the need of our demands being heard” (UGT representative, personal interview, 2015)

The objective of the meeting between the Spanish confederations with the Angela Merkel was to scotch the rumours that had reached the Chancellor about the negative role played by Spanish trade unions in the implementation of structural reforms:

“We knew that the German government had received information that did not correspond with our actions. The attitude of the Spanish government was not in accordance with our willingness to negotiate” (secretary-general, CCOO, personal interview, 2015).

During the meeting, which was facilitated by German trade unions, the CCOO and UGT showed Merkel the agreement reached with the employers’ organisation in January 2012 to convince her that Rajoy had no justification to reject social dialogue (Fernández Toxo, CCOO, personal interview, 2015). It had been a year since Rajoy had received the trade unions and they wanted to convince Merkel that the Spanish prime minister was wrong

to adopt a policy that excluded social partners. One week after the meeting, Rajoy received the trade unions to inform them of the measures he was going to take, but there were to be no negotiations (Radiocable, 27 July 2012).

The Spanish trade unions decided then to intensify their mobilisation activities in the summer 2012 to involve other sectors of society (Eldiario.es, 29 August 2012). CCOO and UGT announced in a press conference, in which the ETUC Secretary-General Bernadette Ségol was also present, that they were launching a mobilization process based on two actions: the creation of the *Cumbre Social* (Social Summit) and a campaign to organise an anti-austerity referendum. Trade unions had already presented in February 2012 the creation of the “Social Platform in Defence of the Welfare State and the Public Services” (CCOO, 20 February 2012). The Platform had the objective to create a civic space to defend the quality of public services and public employment. Apart from the majoritarian confederations, the platform was formed by other sectorial trade unions, social organisations, the 15-M and political parties like the United Left (CCOO, 20 February 2012).

The creation of the *Social Summit* was made with the same spirit of bringing together trade unions and social movements. It consisted of 150 trade unions and organizations. The Social Summit published the first declaration in July 2012 to announce a series of mobilizations against austerity, the first one to be organised in Madrid on 15 September 2012 (RTVE, 15 July 2012). Regarding the anti-austerity referendum, CCOO and UGT joined the petition made by the Left United MP, Julio Llamazares. The confederations asked the Rajoy government a referendum because it was implementing illegitimate policies that were not in the electoral campaign of the PP (Sanz, 15 September 2012).

On the other hand, CCOO and UGT continued advocating for the European General strike within the ETUC (secretary-general, CCOO, personal interview, 2015). The General Confederation of Portuguese Workers (CGTP) had decided to call for a general strike on 14 November 2012 and, along with the CCOO and UGT, were pressuring the ETUC to reach a consensus about this date (Fernández Toxo, CCOO, personal interview, 2015; Armenio Carlos, CGTP, personal interview, 2016). Other southern European trade unions, like the Italian General Confederation of Labour (CGIL) and some Greek trade unions ended up joining the call for a strike. In the end, the ETUC chose the 14th

November 2012 as a day for joint action, but the participation of the other trade unions was uneven.

In Spain, the convergence between trade unions and anti-austerity social movements was one of the keys to the success of the 14 November 2012 general strike as the 15-M participated in the demonstrations (Pastor, 2013). Also, during the 2012 Hot Autumn, Spanish trade unions launched other actions to reverse the major changes brought about by the PP pension reforms. They asked the People's Advocate and the Parliamentary Groups to demand to the Constitutional Court if the Royal Decree-Law 28/2012 was against the Constitution and to launch a campaign to promote and administer individual claims to ask for the payment of that allowance (UGT, 2012)³⁴. In segmented labour markets where trade unions have difficulties to organise precarious workers, they have to engage in broader coalitions to achieve legitimacy from the workers that they cannot organise, mostly the precarious and the unemployed (Barranco and Molina, 2014; Accornero and Ramos Pinto, 2014). The participation of social movements in general strikes led to the development of "a protest model that transcends the representation of labour interests and connects with civil society" (González Begega and Luque Balbona, 2014: 97).

On the other hand, after a year of two general strikes and many demonstrations, trade unions made their own strategic shift in 2013, when they decided to lower the level of conflict by ceasing to call general strikes –which were, moreover, not producing results– and try to re-establish social dialogue with the government (secretary-general, CCOO, personal interview, 2015). This also involved lowering the pressure within the ETUC for joint actions: "After all the general strikes in the South of Europe without no results, we did not want to pull out all the stops" (Fernández Toxo, CCOO, personal interview, 2015). Since then, transnational actions continued but they were more oriented to advocacy rather than mobilising. This new reorientation framed the meeting held in June 2013 between the Spanish trade unions, the former secretary-general of the ETUC, Bernadette Ségol, and Prime Minister Rajoy before a summit of heads of state to present an investment and youth employment plan designed by the ETUC (Información, 25 June

³⁴ UGT inicia una campaña de apoyo para que los pensionistas reclamen la revalorización total de sus pensiones <http://www.ugt.es/actualidad/2012/diciembre/a03122012.html>

2013). However, social dialogue between the PP government and the trade unions was not taken up again until 2014, once Spain exited the bank bailout.

4. Summary

This chapter has analysed the mechanisms through which the new European setting impacted on national policymaking processes in Spain from 2009 to 2014. During the PSOE government policy discipline was imposed through formal tools such as the Excessive Deficit Procedure as well as through informal pressures. During the PP those tools were reinforced by the strengthening of the monitoring of structural reforms during the adjustment program. However, Spanish governments reacted differently. The PSOE government *complied timidly* to external demands due to ideological discrepancies, their minority position and the division within the PSOE. The socialist government included trade unions in policymaking processes to generate both, intra-government consensus and to send credibility signals to external actors.

On the contrary, the PP *complied fully* to external demands due to ideological alignment and the absolute majority. In several occasions the European Commission acknowledge the reformist impetus of the centre-right government, which achieved full credibility from external actors. This led to the exclusion of trade unions due to ideological preferences and the lack of need to generate domestic consensus. The two general strikes called by both confederations in 2013 did not question the capacity of the government to implement reforms.

Regarding trade unions' behaviour, CCOO and UGT devised different strategies to fight against reforms. They opted for a more collaborative position vis-à-vis the PSOE government given the intention of the socialist party to negotiate with trade unions. On the contrary, the Spanish confederations opted for mobilising against their exclusion from the policymaking process by the PP. Besides, the Spanish trade unions devised alternative strategies such as transnational actions and alliances with social movements. CCOO and UGT framed the crisis as an opportunity to exercise pressure at the supranational level. For this reason, they attempted to organise a European general strike within the ETUC. In addition, CCOO and UGT had several meetings with European representatives to put forward their demands. Finally, the emergence of the *Indignados* and the 15-M also forced the Spanish trade unions to allocate resources to create alliances with social movements

CHAPTER 8. ITALY

1. Introduction

This chapter analyses the impact of the new European setting on Italian political dynamics and national political actor's strategies. The chapter is divided in two main sections that correspond with the governments of Silvio Berlusconi (2008-2011) and Mario Monti (2011-2013), which allow us to account for variation of government's responses vis-à-vis external constraints and their strategies regarding trade unions' participation in policymaking processes. Each part also examines trade unions' responses vis-à-vis pensions and labour market reforms launched by both governments.

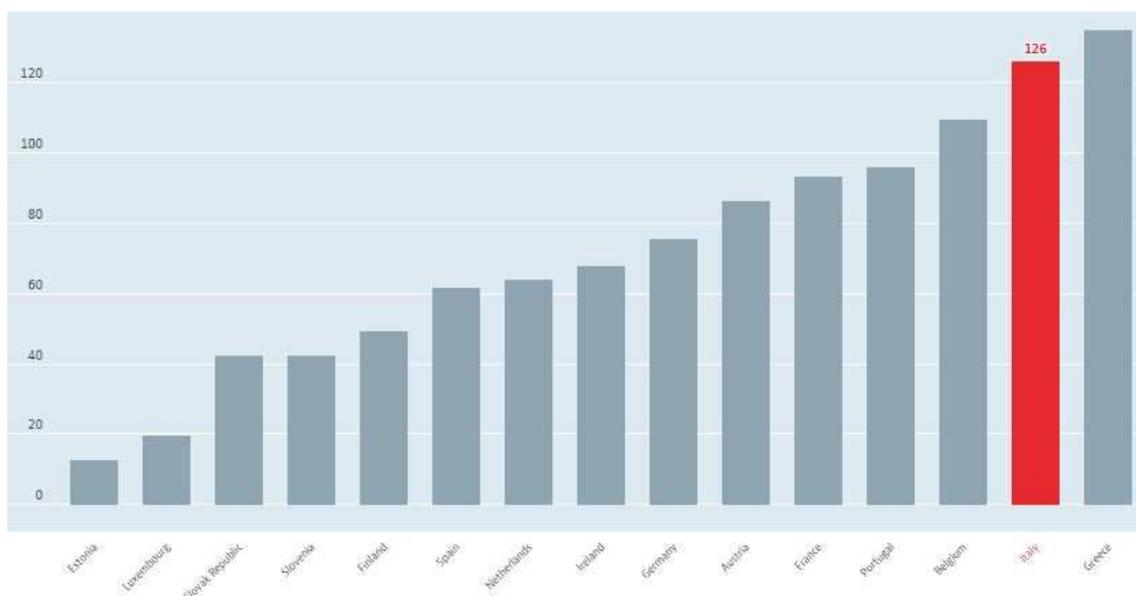
2. The PDL-LN-MPA coalition government (2008-2011)

The international financial crisis affected Italian economy since the first quarter of 2008 after the appreciation of the euro against the dollar and the increase of oil prices. Real GDP growth turned into recession in spring 2008 due mainly to falls in foreign demand (Lackman, 9 January 2016). The arrival of the Great Recession coincided with the formation of the fourth government led by Silvio Berlusconi, which lasted from the 8th of May 2008 to the 16th of November 2011. Italian general elections were held on 13-14 April 2008. The centre-right coalition formed by *Il Popolo della Libertà* (PDL), *Lega Nord* (LN) and *Movimento per l'Autonomia* (MPA) obtained the relative majority of the votes (46.31 per cent). On the other hand, the centre-left coalition of the *Partito Democratico* (PD), led by Walter Veltroni, obtained the 37.52 per cent of the votes. The results of the 2008 elections had two important implications for Italian politics. On the one hand, it was the first time in history that the parties of the left (socialist and communist) did not get representation in the Parliament (La Repubblica, 14 April 2008). On the other hand, the elections meant a significant increase of votes, the 2.84 per cent, for the *Lega Nord*. The distribution of seats in the House of Representatives of the new coalition was 272 seats for the PDL, 60 seats for the LN and 8 seats for MPA (La Repubblica, 14 April 2008).

When the centre-right coalition arrived in 2008, public debt amounted to 106.3 per cent, well above the 60 per cent established by the Stability and Growth Pact (Expansión, 2008). Public debt was already high in Italy when the crisis started and has traditionally maintained higher levels than the European average (Giavazzi and Spaventa, 1988).

However, Italian economy had previously managed to keep a relatively low fiscal deficit thanks to the high revenues coming from internal and external demands. The economic crisis worsened the situation of public finances and negative economic growth made more difficult the compensation of the debt with high revenues due to falls of both, external and internal demands. In 2009, Italian public debt was the second highest of the euro area after Greece. At the end of 2009 when the Eurozone crisis started, the high public debt became the main target of external pressures (OECD, 2009).

Figure 12. Italian General Government debt, total % of GDP, 2009



Source: <https://data.oecd.org/gga/general-government-debt.htm#indicator-chart>

2.1 External pressures

This section analyses the mechanisms through which the new European setting influenced national politics and policies from 2008 to 2011. In the absence of a formal adjustment programme in Italy, policy discipline operated mostly through the reinforced corrective mechanisms of the new European economic governance such as the Excessive Deficit Procedure and the evaluation of national Stability and Reform programmes. Formal pressures were also exercised through the intervention of the European Court of Justice on the Italian pension system, which was used by external actors as a window of opportunity to push for further cuts in retirement schemes. In addition, informal pressures operated through mechanisms of backroom diplomacy and the intervention of the ECB

on Italian politics through the letter to the Prime Minister, Silvio Berlusconi, in August 2011, between others.

2.1.1 Formal pressures

Formal demands of external actors to carry out fiscal consolidation measures and structural reforms increased on 7th October 2009, when the European Commission decided to start an Excessive Deficit Procedure in Italy (European Council 2009). Projections of fiscal deficit had been revised upwards to 5.3 per cent of GDP, above the 3 per cent established by the SGP. In addition, public debt figures showed a more worrying scenario (European Council, 2009). The general government debt was projected at 115.3 per cent of GDP in 2009, well above the 60 per cent limit. The report concluded that “the existence of a severe economic downturn, with public finance implications, increased the need to undertake enhanced surveillance under the EDP” (European Council, 2009). One month later, in November 2009, the European Council confirmed the activation of an EDP in Italy and published the Council “recommendations with a view to bringing an end to the situation of an excessive government deficit”. The Council asked the Italian government to take effective action within six months, by June 2010, but admitted that the existence of the financial crisis represented “special circumstances”, therefore allowing the government to correct the deviation of the deficit in the medium-term framework and establishing the deadline for 2012 (European Council, 11 November 2009).

The recommendations of the Council initiated a process of enhanced surveillance over the execution of reforms. The EU required the government to include a separate section on the Stability Programmes until 2012 to specify the measures aimed at reducing the deficit (European Council, 11 November 2009: 7). Regarding fiscal policies, the Council demanded measures of budgetary adjustment of ½pp. of GDP over the period 2010-2012. The recommendations also included other measures to boost economic growth. Most of the latter were directed towards simplifying and rationalising public administration although the Council also suggested measures to improve the efficiency of the labour market (European Council, 11 November 2009:7). In June 2010, the Commission evaluated positively the action taken by the government and did not require further action. In 2011 and 2012, the EU did not issue any documents regarding the EDP, which was finally abrogated in 2013.

However, surveillance over national policies continued through the evaluations of the Italian Stability and National Reform Programmes and the regular publication of Country-specific recommendations (CSRs), which focused on two objectives. On the one hand, the reports revolved around the need to decrease the fiscal deficit and government debt in accordance with the requirements established by the EDP. On the other hand, CSRs identified the main macroeconomic imbalances and obstacles to economic growth. The three Council recommendations published between 2008 and 2010 contained suggestions to reform the public administration, the pension system and the labour market. In relation to the pension system, the 2008 CSRs affirmed that although the impact of ageing on budgetary projections was lower in Italy than the European average, pension expenditure was among the highest (Country-specific recommendation, Italy, 2008).

In addition, all reports analysed insisted on the impact of pension expenditure on public debt. Pressures to reform the pension system increased in 2009 when the European Court of Justice³⁵ ruled that Italian pension schemes for public servants were at odds with the principle of equal treatment (Agostini et al, 2016:99). The retirement age of male public servants was 65 whereas female public servants could retire at the age of 60. The European Council included the decision of the ECJ in the CSRs and extended the petition to the private sector. The Council encouraged the government to take the ruling of the ECJ as an opportunity to “harmonise the retirement age for men and women for both the public and the private pension scheme” (European Council, 2009). Accordingly, the Berlusconi government complied with the ECJ and decided to equalise the retirement age of male and female public servants in 2009.

However, problems with the implementation of the reform, which will be explained in the next section, turned the EU sceptical about the capacity of the Berlusconi government to execute the measure. In 2009, the CSRs asked the government to implement fully the equalization of retirement age. Later, in 2010, the CSRs welcomed the implementation of the gradual increase of the retirement age for female public employees but they still highlighted that the pension expenditure was too high in comparison with other social expenses. In addition, as we will see in the next section, the European Commission

³⁵ ECJ C-46/07 of 13 November 2008.

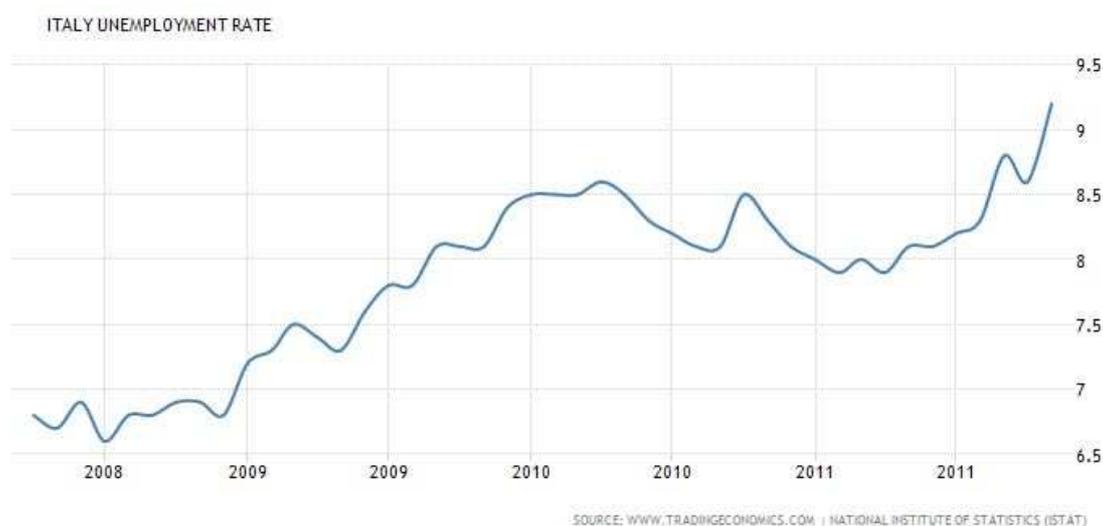
threatened the government with sanctions if the measure was not implemented (European Commission, 3 June 2010³⁶).

Regarding labour market reforms, two issues became persistent in the CSRs, the need to facilitate adjustment to respond to the rise of unemployment and the creation of a comprehensive unemployment system. In 2008 and 2009, the Council emphasized the importance of “facilitating adjustment in the labour market to deal with rising unemployment and improving the conditions for productivity growth and enhanced cost competitiveness” (CSRs 2008, 2009). Unemployment rate started rising in Italy in 2009, a few months after the beginning of the recession. The situation of employment worsened in 2011 when unemployment rate increased 2.3 points, reaching the 9.5 per cent.

Besides, the Council argued in the recommendations that the high expenditure on social policies was detrimental to the efficiency of the labour market and that welfare expenses did not help the necessary labour adjustment (CSRs 2009, 2010). In consequence, the Council asked the Italian government to reallocate social expenditure to create a “comprehensive unemployment system that ensures appropriate work incentives” (CSR, 2009, 2010).

³⁶ Available at http://europa.eu/rapid/press-release_IP-10-674_en.htm?locale=en

Figure 13. Italy unemployment rate (2008-2011)



Source: www.tradingeconomics.com with data of ISTAT

2.1.2 Informal pressures

As it happened in Spain and Portugal, the celebration of the Euro group and ECFIN meetings in May 2010 to approve the financial help for Greece became a turning point also in Italy regarding the commence of informal pressures. Since then, European institutions and other European Heads of government required the Italian government to implement fiscal consolidation and specific structural reforms. The peak moment of unofficial constraints over Italy occurred after the decisions of the Portuguese and Irish governments to enter adjustment programmes, which increased financial speculation over other countries such as Spain and Italy (Taylor, 12 July 2011). From then on, external demands also focused on asking Berlusconi to request the bailout (Faiola, 7 November 2011). This subsection concentrates on two episodes in which informal external pressures were exercised. First, the letter that the former president of the ECB, Jean Claude Trichet (jointly with Mario Draghi), sent to the Italian prime minister in August 2011 (Guy Dinmore and Atkins, 29 September 2011). Second, the pressures received by the Berlusconi government during the G20 celebrated in Cannes in November 2011 to ask for the bailout (Spiegel and Dinmore, 3 November 2011).

In the summer 2011, speculation from financial markets over Italy and Spain increased and the European institutions' demands for austerity and structural reforms became more

intense. The BCE decided to buy national bonds with the objective to relax financial speculation over those countries but, in exchange, asked Spanish and Italian governments to implement specific measures. In the face of rumours about the BCE buying only Portuguese and Irish bonds, on 5th August 2011, the Spanish Prime Minister, called Berlusconi to bring efforts to ask the BCE to buy also Spanish and Italian bonds in the secondary market (Rodríguez Zapatero, 2013). The same day, Trichet and Draghi sent a letter to the Italian prime minister urging the government to implement structural reforms in the areas of the labour market, pension system and public administration as well as measures regarding public finances³⁷ (Guy Dinmore and Atkins, 29 September 2011). The BCE urged the Italian government to implement these reforms in exchange for the purchase of public bonds (Tremonti, 2014: 83). In addition, the letter specified the timing and the process through which the government had to implement the reforms. Draghi and Trichet urged the centre-right government to carry out the reform “as soon as possible with decree-laws, followed by Parliamentary ratification by end September 2011”.

³⁷ The full letter was published by the Corriere here http://www.corriere.it/economia/11_settembre_29/trichet_draghi_inglese_304a5f1e-ea59-11e0-ae06-4da866778017.shtml?fr=correlati

Table 27. Structural reforms included in the letter of the BCE³⁸

Area	Measures
Economic growth	Increase competition, improve quality of public services and design a regulatory and fiscal system to support firm's competitiveness and efficiency of labour market
	Full liberalisation of local public services and professional services , large scale privatisations
	Reform of collective bargaining allowing firm-level agreement to tailor wages, increase the relevance of firm-level agreement respect to other layers of negotiations
	Review of the rules regulating hiring and dismissal conditions of employees, setting of an unemployment system
Sustainability of public finances	Intervene further in the pension system: accelerate the equalisation of pensionable age of female and male public servants to achieve savings in 2012; tighten the eligibility criteria for seniority pensions
	Reduce significantly the cost of public employees through the strengthening of turnover rule and reduction of wages
	Introduce an automatic deficit clause to compensate deviation with cuts of expenditure
	Tighten the control of regional and local governments' expenditure, borrowing and debt
	Introduction of a Constitutional reform to tighten fiscal rules
Public administration	Make systematic the use of performance indicators of public entities (health, education and judiciary system)
	Abolish or consolidate intermediary layers (provinces)
	Strengthen actions to exploit economies of scale in local public services

³⁸ Available at http://www.corriere.it/economia/11_settembre_29/trichet_draghi_inglese_304a5f1e-ea59-11e0-ae06-4da866778017.shtml?refresh_ce-cp

As a response, the centre-right coalition decided to implement some of the demands contained in the letter in order to avoid the bailout but several factors rested credibility to the government. The implementation of some of the reforms included in the BCE letter did not remove financial speculation over Italy. The response of the Italian government was considered timid and there were many doubts about the capacity of the Government to comply with the commitments (Hooper, 13 November 2011). The loss of credibility of the Berlusconi government vis-à-vis external actors was reinforced due to intra-governmental divisions. On the one hand, the discrepancies between Berlusconi and the Minister of Finance, Giulio Tremonti (Bei, 3 November 2011). On the other, the disagreements between the PDL and the NL (La Repubblica, 24 October 2011).

At the eve of the G20 Summit celebrated in Cannes on 3-4, Italy was going through a political and institutional crisis and the government had lost the majority in the parliament to pass reforms. The G20 represented a moment of high pressure over the Italian Prime Minister. During the Summit, various Heads of government urged Berlusconi to ask for external help (Wintour and Elliot, 4 November 2011). As the Spanish former Prime Minister, Rodríguez Zapatero, explains in his book:

“I saw how in numerous occasions the leaders of the main European countries, the responsible of European institutions and international organisms present in Cannes, talked to Berlusconi and his Minister of Economy, Tremonti... they told us that the petitions to ask a credit line from the IMF were constant and that they would not accept it” (Rodríguez Zapatero, 2013).

The unofficial agenda of the G20 Summit revolved around a discussion about the future of the Italian economic and political situation. During a dinner celebrated between representatives of France, Germany, Italy, Spain, the president of the European Commission, the president of the European Council, the director of the IMF and the president of the United States, there was a “hard and stark offensive against the Italian government”(Rodríguez Zapatero, 2013). In the dinner, Berlusconi and Tremonti rejected asking for a credit with attached conditionality (Wintour and Elliot, 4 November 2011) but finally they reached a compromise and accepted the creation of a team formed by the IMF and the UE that was going to evaluate the reforms in Italy (Rodríguez Zapatero, 2013).

2.1.3 Financial pressures

Formal and informal pressures were intertwined by financial speculation. From January to December 2011, the Italian spread increased from 173 to 528 points, an increment of 355 points. Financial speculation rose sharply over Italy during the autumn 2011 when various rating agencies decided to downgrade Italian sovereign bonds. In September, the rating agency Standard & Poor's downgraded Italy's rating from A+/A-1+ to A/A-1. The rating agency issued a document in which justified the downgrading of Italian bonds due to both, economic and political reasons:

“Weakening real and nominal growth prospects, significant political impediments to growth-enhancing reforms, high gross and net general government debt and limited commitment to expenditure cuts under the current medium term fiscal programme”³⁹.

Following the Standard & Poor's decision, other rating agencies like Mood's and Fitch also downgraded Italy's rating in October 2011 (The Guardian, 2011). The G20 Summit celebrated in November 2011 in Cannes coincided with the sharpest increase of the spread in Italy that reached the 455 points. In addition, the interest rate of the Italian bond was 6.37 per cent. The situation worsened after the summit due to the internal political crisis. On 9th November 2011, Italian ten years bond closed at 7.25 per cent, above of the 7 per cent, the threshold considered by the experts as the maximum before asking for external help (CNN, 9 November 2011)⁴⁰. Italian government bond yield only started decreasing after the formation of the Monti technocratic government.

2.2 National responses: timid compliance and political crisis

This section shows that the PDL-NL government carried out a profound plan of structural reforms between 2008 and 2011 but the divisions within the government coalition and the hesitancy of Berlusconi over the adequacy of external interferences led to timid compliance with external requirements (Boeri, 4 October 2011). As it happened in Spain and Portugal, the centre-right government implemented in the first period a Keynesian

³⁹ Standard & Poor's: Republic of Italy, Ratings Direct - Global Credit Portal, Message from 19 September 2011, London.

⁴⁰ Available at http://money.cnn.com/2011/11/09/markets/bondcenter/italy_bond_yields/

stimulus programme in line with the European Economic Recovery Plan (Piscioneri and Jones, 28 November 2008). Economic policies changed radically when Italy was put under the Excessive Deficit Procedure in 2009 and since then, the government launched reforms based exclusively on fiscal consolidation.

However, the loss of internal and external support of the government prompted a political and institutional crisis that ended with the resignation of Berlusconi on 12th November 2011 (BBB 13 November 2011). This section analyses, first, the fiscal consolidation measures and structural reforms carried out by the Berlusconi government between 2009 and 2011. The focus is on those reforms included in the Stability and National Reform programmes and those carried out during the summer 2011 as a response to the letter of the BCE. Second, the section explains how the internal political division of the governmental coalition boycotted the full implementation of the reforms and, in so doing, rested credibility to the government.

2.2.1 National structural reforms

The first responses of the Berlusconi government, included in the Economic and Financial Planning Document (DPEF 2009-2013), were based on a combination of investment in specific areas and fiscal consolidation measures to solve budgetary imbalances. On 29th November 2008, the government approved an “anti-crisis decree” to invest 40 billion euros to fight the crisis that was in line with the policies recommended by the European Economic Recovery Plan (Della Torre and Tajani, 2009)⁴¹. The resources were dedicated to fund infrastructure projects and a social fund to improve safety-net mechanisms. The ‘anti-crisis’ decree was complemented by the measures contained in 2009 Budget Law, which included plans of fiscal consolidation (Della Torre and Tajani, 2009)⁴².

Box. 5 Fiscal consolidation measures of the Decree Law No.112 of 2008

The Decree Law No.112 of 2008 had the objective to cut 13 billion euros from 2009 to 2013. One of the main measures was to reduce salaries in the public sector of 0.2 per

⁴¹ Available at <https://www.eurofound.europa.eu/observatories/eurwork/articles/government-launches-anti-crisis-measures>

⁴² Available at <https://www.eurofound.europa.eu/observatories/eurwork/articles/government-launches-anti-crisis-measures>

cent of GDP compared to previous year. In addition, the Decree contained other commitments in relation to cut expenditure in the public sector:

- Introduce stricter limits to the hiring of new employees
- Put a cap on staff turnover in 2009 at 20 per cent of previous years' termination
- Set in 10 per cent of employee terminations in 2008
- Downsize state schools

The draft of the Stability Programme in 2009, which was presented in 2010 in the context of Excessive Deficit Procedure, still showed some hesitancy by the government to opt exclusively for fiscal consolidation. The programme acknowledged the need to implement budget consolidation measures but was cautious to rely only on austerity measures: “the fragility of the recovery and the remaining uncertainty over economic prospects call for caution when designing measures to correct public finance” (Stability Programme, Italy, 2009). The Stability programme, which included the Budget plan for 2010 regulated by the Decree Law. No 78 of 2009, contained measures to save 1.9 billion euros from 2010 to 2012 such to rationalise spending on intermediate consumption (e.g. pharmaceuticals), streamline local bureaucracy, decentralisation measures, rationalising the use of public spaces, etc.

The Decree also included changes in the pension system required by the European Court of Justice and a Public administration business plan to reform public services in order to improve labour productivity in the public sector (Decree No.150). The Berlusconi government also included in the Stability Programme other measures that aimed at cutting one per cent of GDB expenditure by 2012. Besides, the package contained cuts in public sector employment and ministerial expenditure as well as wage restraints. Finally, the Stability Programme 2009 included measures to increase government revenues such as a tax reform to improve tax collection (Decree Law No.185).

The reformatory impetus of the Berlusconi government continued in 2011. The update of the Stability Programme 2011 included some of the commitments that the Italian government had adopted in the framework of the Euro Plus Pact. In relation to this, the programme announced the presentation in the parliament of a reform of the Article 81 of the Constitution to introduce the *pareggio di bilancio*, the golden rule that establishes the

limit of government spending⁴³. The National Reform Programme of that year also contained other reforms in line with the commitments of the Euro Plus Pact. Regarding the pension system, the programme included changes in the calculation of the retirement age according to life expectancy. In relation to the labour market, the programme announced measures to wages and productivity. Besides, the 2011 programme launched reforms that the Euro Plus Pact identified as priority such as a fiscal reform, solving regional disparities and a reform of the labour market, between others.

Table 28. Italian National Reform Programme 2011

Area	Objective	Measures
Competitiveness	Evolution of costs in line with productivity	<p>Re-examine salary agreements, negotiating processes and index mechanisms⁴⁴</p> <p>Ensure that salaries in public service help competitiveness in private sector</p> <p>Open protected sectors</p> <p>Improve education system and research</p>
Employment	Flexibilise labour market and reduce tax on labour	Labour market reform to promote flexicurity, reduce undeclared labour and increase participation in the labour market

⁴³ The law was not implement until 8 May 2012.

⁴⁴ “with due respect of national traditions of social dialogue” and the “autonomy of social partners in the negotiation of collective contracts”

		Reduction of taxation on labour
Sustainability of Public finances	Pensions, public health and social benefits	Align effective pensionable age to life expectancy Limit early-retirement regimes Establish special incentives to delay retirement
	National budget rules	Introduce European budget rules in national law
Reinforcing financial stability	Banking sector	Conduct stress tests on banks Monitoring of private debt level of banks
	Coordination of fiscal policies	Coordinate fiscal policies in all governmental levels

Furthermore, the launching of reforms accelerated in the summer 2011 when external pressures increased. In July, the Berlusconi government implemented measures of fiscal adjustment that were contained in the Decree Law no. 98/2011, which was later converted into Law no. 111/2011 (Telegraph, 11 November 2011). Budget measures amounted to a cumulative 48 billion euros, allowing the achievement of a balanced budget by 2014, as agreed at European level. However, the new austerity measures included in the July package did not serve once more to reduce financial speculation and the external actors asked the Berlusconi government for more structural reforms. After the letter of the BCE, the government introduced a supplementary fiscal package by the Decree Law no. 138/2011. The august austerity package included measures like the freezing of pensions and the acceleration of the implementation of the delay of the retirement age for women public employees to 65 years (Fabrizio di Mascio et al. 2017:78).

2.2.2 The Italian political and institutional crisis

The battery of decree-laws approved by the PDL-NL coalition between 2009 and 2011 did not help the government to achieve enough credibility about their capacity to implement structural reforms vis-à-vis the European institutions and the financial markets. Three factors led to the lack of credibility of the government. First, the hesitancy of Berlusconi about the adequacy of the external requirements and his disagreement with external interference on domestic politics (Povoledo, 27 October 2011). During the European Council of 22–23 October 2011, the European representatives showed their scepticism about the capacity of Berlusconi to implement reforms (Sacchi, 2015). Second, there were important discrepancies between Silvio Berlusconi and the Minister of Finance, Giulio Tremonti, which made difficult to send a coherent signal to external actors (Rowley, 14 July 2011).

Third, the divergent positions within the governmental coalition between the PDL and the NL about the reforms required by the EU boycotted the implementation of those reforms. The coalition government announced in several occasions reforms that were not approved in the parliament or were never converted into national laws. The main discrepancy between the PDL and the NL revolved around the pension reform (Pisa, 26 October 2011). Whereas the PDL was more open to introduce changes in the pension system, the position of the Northern League was determined by the fact that an important part of its constituency is formed by pensioners (Biorcio, 1999), who were more reluctant to accept increases in the retirement age and a loss of purchasing power (La Repubblica, 24 October 2011).

On 24th October 2011, the Italian Council of Minister did not manage to approve the latest changes in the pension system (La Repubblica, 24 October 2011). Although the government had included the acceleration of the retirement age of public servants in Law 122/10, the debates about the technicalities of the implementation continued in October 2011. The government planned to advance the implementation of the so-called quota 97, the limit in which people could retire according to the number of contributions and the age, from 2013 to 2012. Besides, the government planned to delay the general retirement age to 67 years old but the Northern League opposed (Lecci, 25 Ottobre 2011) making the problems of implementation persistent. Another example was the introduction of the

golden rule in the Constitution, which was included in the 2011 NRP but was never approved by the Berlusconi government (Tremonti, 2014).

By the time of the celebration of the G20 in Cannes, the domestic political crisis was unfolded. While Berlusconi was negotiating the implementation of a new austerity programme supervised by the EU to avoid the bailout, the debate about the formation of a new government had already started back home. The President of the Republic, Giorgio Napolitano, maintained informal talks with different political parties and a political movement against Berlusconi emerged. The objective was to "form a government capable of commanding as broad a level of support in Parliament as possible, based on urgent policies designed to strengthen our financial position" (Fusaro and Bull 2011:83). At the eve of the G20 in Cannes, six deputies of the PDL (three had already left the party when writing the letter) wrote a letter asking Berlusconi to step back (Guerzone, 3 November 2011). Finally, the prime minister resigned on 12th November 2011.

2.3 Two-level political interactions

This section shows how timid compliance of the Berlusconi government led to the inclusion of trade unions in policymaking processes to generate domestic consensus. In a first stage, the government managed to sign a social agreement on the pension reform with two confederations, CISL and UIL. In a second stage, in spite of the lack of agreements, the government pre-empted trade unions' mobilisations by including the CISL and UIL regularly in consultation processes.

Table 29. Reform episodes during PDL-NL government 2008-2011

Reform	Aim of the reform	External pressure	Government strategy	Trade unions' response
Reform episode 1: anti-crisis decree 2008	Face the first effects of the crisis	Policy guidelines of European economic recovery plan	No bargaining, only informational meeting	CISL and UIL: supported the measures CGIL: four hours general strike in November 2008
Reform episode 2:	Displace national collective bargaining and	Increase flexibility of labour market and link wages	Bargaining process and final	CISL and UIL: support

Collective bargaining reform	prioritise firm level agreement, create a new wage setting mechanism	to productivity (CSRs)	agreement with CISL and UIL	CGIL: opposition
Reform episode 3: Sacconi 1 pension reform	Raise the retirement age of female public servants from 60 to 65 years and create a mechanism to link the retirement age to the life expectancy	Ruling of the European Court of Justice	Bargaining process and final agreement with CISL and UIL	CISL and UIL: support CGIL: opposition
Reform episode 4: Sacconi 2 pension reform	Acceleration of implementation of equalisation of retirement age	Pressures from European Commission, threats of sanctions	Consultation	CISL: did not agree but did not mobilise UIL: did not agree. Strike of Federation of Public employees against the decree that contained also cuts for public employees on 28 June 2010 CGIL: strike 25 June 2010
Reform episode 5: Decree Law 138/2011	Collective bargaining: prioritise firm level agreements Pensions:	Letter of BCE	Consultation	CISL and UIL: opposed but did not mobilise CGIL: strike 6 September 2011

2.3.1 Reform episode 1

The centre-right government of Silvio Berlusconi approved the first measures to face the effects of the economic crisis on 28th November 2008 (Corriere, 28 November 2008). The actions were included in the so-called ‘anti-crisis decree’, which included 35 measures and an investment of 6.4 billion euros that had the objective to boost economic growth. The ‘anti-crisis decree’ was inspired by the Keynesian European Recovery plan. Some of the measures included were the creation of a bonus from 200 to 1000 euros for vulnerable sectors, and a new Fund for Employment and Training, the extension of the social shock absorbers to workers not covered previously by standard schemes and the reduction of taxes for companies.

Although the government set up an informational meeting with social partners there was not any bargaining processes to negotiate the measures. Besides, the government met only with the leaders of CISL, UIL and the employers’ organisation, Confindustria, but excluded the CGIL (Statera, 16 November 2008). The secretary-generals of UIL, Luigi Angeletti, and CSIL, Raffaele Bonanni, and the president of Confindustria, Emma Marcegaglia attended the meeting that had the objective to discuss measures to cushion the effects of the crisis. Finally, CISL and UIL supported the anti-crisis decree although they asked the government to allocate proper resources to fund the measures included. On the contrary, CGIL organised a four-hour general strike on 12th December 2008 to protest against the “insufficient” proposals to face the crisis (FCL CGIL, 28 November 2008).

2.3.2 Reform episode 2

Only a few weeks later, the government decided to address one of the recommendations of the European Union regarding the flexibilisation of labour market (CSR, 2009). The government called all social partners to start a bargaining table with the objective to revise the agreement signed by the government and the social partners in 1993 about trade union representativeness (*Accordo Interconfederale costituzione delle rappresentanze sindacali unitarie*). The main objective of the reform was to displace the national level of bargaining and prioritise the firm level agreements as well as to establish a new wage-setting indicator (Carinci, 2009). The new agreement was signed by the Berlusconi government and all social partners, with the exception of the CGIL, on 22 January 2009. The *Accordo Quadro di riforma degli assetti contrattuali* introduced two main changes. First, the

possibility to use ‘opening clauses’ in decentralised bargaining, which means that a firm can decide not to follow the Worker’s Statute and/or national labour law under some conditions. Second, the substitution of the inflation by a new indicator for wage-setting based on the European Harmonised Index of Consumer Prices (Carinci, 2009).

The 2009 agreement also created around a dozen of new experimental rules on collective bargaining on issues such as the length of the agreements and renewal rule to be tested in three year (Carinci, 2009). The CGIL protested against both, the form of the negotiations and the policy content of the agreement. Regarding the policymaking process, the leader of the confederation, Guglielmo Epifani, argued that there had not been real negotiations: “We were given a closed text, leave it or take it” and asked the government to establish a “real bargaining table” (Amato, 4 April, 2009). Besides, the CGIL opposed the reform by arguing that the agreement diminish real wages and weaken workers’ protection (EIRO, 2009). On the contrary, the CISL explained that the agreement contained the main demands of the trade unions and argued that it was going to improve trade union’s relationship in relation to the participation of workers in the functioning of the firms (FILCA CISL, 23 January 2009):

2.3.3 Reform episode 3

On 13th November 2008, the European Court of Justice (ECJ) ruled that the retirement age of public servants in Italy, 65 years old for men and 60 years old for women, was at odds with the principle of equal treatment (Jessoula, 2013). Therefore, the ECJ urged the Italian government to equalise the retirement age of male and female public employees. Although this requirement was not directly linked to the economic crisis, the European Council interpreted the ruling of the ECJ as a window of opportunity to implement cost containment measures to reduce public expenditure in the short and medium-term. The minister of Public Administration and Innovation, Renato Brunetta, decided to harmonize the retirement age also in the private sector to produce savings (Jessoula and Locatelli, 2009: 209). In addition, the Minister of Employment, Maurizio Sacconi, explained that although the reform was the result of the imposition of the ECJ, the European institutions and the financial markets had welcomed it (La Repubblica, 16 July 2009). Pressures to reform the Italian pension system also came from the governor of the Bank of Italy, Mario Draghi, which had warned in several occasions about the relationship between the pension expenditure and the high government debt (FLC CGIL, 2 June 2008): On 4 March 2009,

Sacconi announced the setting-up of a bargaining table with social partners to discuss the reform. CISL and UIL did not oppose to the delay of retirement age of female public servants but asked for gradual phase-in period in the implementation. As the former secretary general of the UIL, Luigi Angeletti explains:

“There was nothing we could do against a ruling of the European Court of Justice. If we did not implement the reform we were going to be sanctioned by the European Commission...we agreed to negotiate the delay of retirement age but did not want a decrease of pensions” (Angeletti, UIL, personal interview, 2016)

Another measure that the government wanted to include in the reform was the creation of a new mechanism to increase the retirement age of all pensioners depending of the life expectancy, which had been also a persistent recommendation of the EU. Once more, CISL and UIL supported this measure: “It seems reasonable that we increase the retirement age depending on how long people live” (Angeletti, UIL, personal interview, 2016). On the contrary, the CGIL did not agree with the reform by arguing that the context of the crisis was not a good moment to increase the economic burden over female pensioners (Corriere, 16 July 2009). Finally, the government and the social partners, with the exception of the CGIL, reached an agreement in July 2009. The Sacconi reform I (Decree law 78/09, converted by Law 102/09) introduced two main changes. First, the progressive equalisation of retirement age of male and female public servants between 2010 and 2018 and, second, the link of the retirement age with changes of life expectancy. The gradual implementation of the reform was the main reason of agreement by the UIL (Angeletti, UIL, personal interview, 2016).

The changes in the pension system were included in the ‘anti-crisis decree’, which was contested by the CGIL with the organisation of a demonstration on 4th April 2009 (CGIL, 20 January 2009). However, the agreement with the trade unions reform did not satisfy the European institutions that urged the Italian government to implement the measure faster. On 16th June 2009, the European Commission threatened the Italian government with the opening of an infraction procedure (European Commission, 3 June 2010). The centre-right government decided then to decrease the phase-in period from 2018 to 2016. The update of the Sacconi I pension reform was finally included in the anti-crisis decree discussed by the Italian Council of Ministers on 25th May 2010. The decree-law changed slightly the previous phase-in period agreed with social partners from 2018 to 2016. The

acceleration of the equalisation of female retirement age meant that the retirement age for female public servants was 62 years by July 2011, 63 years by January 2013, 64 years by July 2014 and 65 years by January 2016 (Repubblica, 25 May 2010). Nevertheless, the update of the phase-in period was not converted into law and the final deadline for the equalisation of the retirement age remained legally 2018.

2.3.4 Reform episode 4

The length of the phase-in period became a battleground between the UE and the Italian government (Cerretelli, 4 June 2010). On 3rd June 2010, the European Commission gave another ultimatum to equalise the female retirement age by 2012 (La Repubblica, 3 June 2010). The government decided then to launch a new Decree law 78/10, converted by Law 122/10 that meant a reduction of phase-in periods. The decree established that retirement had to take place 12 months after reaching pensionable age, regulated the new mechanism of adjustment of pensionable age according to life expectancy calculated by the Central Institute of Statistics (ISTAT) and established the deadline of the increase of pensionable age for women in public administration from 61 to 65 years from the 1st of January 2012.

The decree also changed the requirements for access to regular and early old-age pensions that was aimed at reducing the cost burden with respect to GDP by an average of one percentage point per year over the period 2015-2035. The Sacconi II reform of 2011 (Law 122/10) was explicitly asked by the EU in order to accelerate the increase of the women retirement age and met feeble resistance by the trade unions. On the one hand, CISL opposed to the new manoeuvre but did not mobilise against it. On the other hand, the CGIL organised a demonstration on 12th June and called for a general strike on 25th June 2010 of 8 hours in the public sector and 4 hours in the private sector against the austerity package of the government. The Federation of Public Workers of UIL, *Pubblica amministrazione*, also organised a strike on 28th June 2010 against the Decree law 31 May 2010, n°78 which contained further measures that affected public employees.

2.3.5 Reform episode 5

External pressures over the Italian government increased during the summer 2011, which were exercised through a combination of the sharp rise of the spread and the letter sent

by the BCE⁴⁵. In order to respond to demands of the former president of the BCE, Trichet, in exchange for the purchase of Italian bonds, the centre-right government approved a new Decree law (138/2011) on 13th August 2011 with further urgent measures for financial stability and development. In exchange, the BCE started buying Italian bonds within the framework of the Securities Market Programme (SMP) (Tremonti, 2014). The Decree Law 138/2011, which was converted into Law No. 148/2011 on 14th September 2011, as it was required also by the letter of the BCE, contained measures that affected various policy areas such as the pension system and the labour market. Regarding collective bargaining, the decree consolidated previous measures introduced by the Berlusconi government in relation to the capacity of companies or regional local agreements to derogate national laws and national collective agreements. The decree fostered bargaining decentralization allowing agreements in the company and territorial levels to regulate issues such as competitiveness, wages and restructuring and employment reorganisation (Decree Law 138/2011).

The positions of trade unions were once more divided. The CGIL opposed to the Decree and called for a general strike on 6th September 2011 (Rassegna.it, 30 August 2011). On the contrary, the UIL and the CISL did not agree with some measures included in the Decree but decided not to mobilise against the measure. According to the former secretary general of the CISL Raffaele Bonanni, the organisation of strikes was not useful because they worsened the credibility of the country in moments of financial speculation (Ribelle.com, 2011)⁴⁶.

2.4 Trade unions' strategies: political competition and framing of external pressures

This section shows that the responses of Italian trade unions during the Berlusconi government were shaped by two factors. First, a framing process of the external constraints through which they attributed threat or opportunities for political participation depending on their political identity and, second, their dynamics of political competition. On the one hand, the fourth cabinet of Berlusconi revived the political divisions between

⁴⁵ The complete text was published by the Corriere here: http://www.ilsole24ore.com/art/notizie/2011-09-29/testo-lettera-governo-italiano-091227.shtml?uuiid=Aad8ZT8D&refresh_ce=1

⁴⁶ Available at <http://www.ilribelle.com/quotidiano/2011/9/5/bonanni-il-sindacalista-collaborativo.html>

the CGIL, the UIL and CISL. The CISL has had historically links with Christian Democratic political parties and had maintained a close relationship with other Berlusconi governments in the past. On its side, the smallest of Italian trade union, the UIL, does not maintain formal links with political parties and its membership is composed by different political traditions but it has traditionally maintained a pro-social partnership strategy.

From 2008, the CISL and UIL became the “reference trade unions” (*sindacati di riferimento*) for the centre-right government and they maintained a collaborative position with the government (Mania, 15 February 2009). They signed together two social agreements, one on the labour market (2009) and the other one on the pension system (2010). On the contrary, the CGIL, whose membership is closer to left parties, maintained a more confrontational approach vis-à-vis the Berlusconi government and called for three general strikes against the measures from 2008 to 2011 (Mania, 15 February 2009; Iltempo, 8 May 2011). Moreover, these political divisions within trade unions were strategically used by the centre-right government to divide the confederations. Berlusconi revived an old strategy used by the prime minister in previous governments based on isolating the CGIL: “Berlusconi is anti CGIL, very ideological, anti-Communist” (Fabio Guelfi, CGIL, personal interview, 2016).

The political competition between Italian confederations was also strategically used by the same confederations in order to justify their responses. On the one hand, the CGIL complained that the CISL and UIL participated in the “game” created by Berlusconi to isolate them, which had turned into the major weakness for the trade unions to fight against austerity: “The policymaking style of Berlusconi tended to exclude the CGIL, but the main weakness for us was that CISL and UIL participated in that game. To respond to that the only solution for us was to say ‘No’ and organise strikes alone” (Elena Lattuada, CGIL, personal interview, 2016). On the other hand, the CISL accepted the existence of these dynamics but also blamed the CGIL for isolating itself. As Bonanni explains:

“Technically you can say that we isolated the CGIL, but if you as a trade union the only thing you do is to protest then the government talks with the organisation that is more open to talk...the CGIL was all the time protesting for political reasons” (Bonanni, CISL, personal interview, 2016)

The political competition between trade unions and the strategies of the Berlusconi government altered the dynamics of political exchange. The social dialogue between the Berlusconi government and the trade unions, CISL and UIL, was based on informal talks in which the trade-offs were decided extra officially (Bonanni, personal interview, 2016). The support of the CISL to the government was the result of the informal talks between leader of the CISL, Bonanni, and the Minister of Economy, Giulio Tremonti that led to unofficial negotiations. For instance, Bonanni explained in the interview that they accepted some austerity measures in exchange for a commitment of the government to fight against shadow economy and tax evasion and to expand the *cassa integrazione* (Bonanni, personal interview, 2016). According to Bonanni, it was easy to talk to the government because the Minister of Economy, Tremonti, was open to exchange views with trade unions: “I am a friend of Tremonti, when the crisis arrived he adopted a very intelligent position. I could discuss with Tremonti, but also with Sacconi and Berlusconi” (Bonanni, personal interview, 2016).

In a second phase, the reinforcement of external pressures and the need of the Berlusconi government to respond to external demands in 2011 ended the political exchange between the government, the CISL and the UIL. The Sacconi II pension reform and the Decree law 138/2011 of September 2011 were decided unilaterally. However, the responses of Italian trade unions vis-à-vis unilateralism was once more different and shaped by their political division. The *sindacati di riferimento* decided not to mobilise against these measures (CISL, 4 November 2011). With the exception of a strike organised by the Federation of Public employees of the UIL against some of the measures included in the Decree, both confederations decided not to mobilise against the reform with the objective to support the government vis-à-vis external interference (Bonanni, personal interview, 2016). In fact, the secretary general of the CISL was very critical with the general strike organised by the CGIL on 6th September 2011 because they thought that it was dangerous to organise a strike when the country was in a difficult moment (CISL, 4 November 2011). Whereas the CISL attributed ‘threat’ to external constraints and decided not to mobilise against the austerity measures, the CGIL saw them as an opportunity to mobilise against the government unilateral measures and voice their position.

2.4.1 Transnational actions

The political division of Italian trade unions also shaped their exploration of transnational actions (Il Fatto Quotidiano, 30 October 2012). During the Berlusconi government, the CGIL and UIL did not consider the transnational level for two reasons. First, because they perceived that national channels of participation were still opened. Second, because the centre-right government was reluctant to cede to external demands and, as a consequence, the CISL and UIL did not consider the transnational sphere useful. The CISL and UIL did not exercise political pressure over external political actors because they did not consider it necessary: “We did not have to talk with Merkel or with European representatives because Berlusconi could not care less about what they said” (Angeletti, UIL, personal interview, 2016). On the contrary, the CGIL was more prone to exercise political pressure over European representatives or other Heads of government to try to influence their decisions, and participated in the meeting organised by the German trade union, DGB, with Angela Merkel: “It was a difficult meeting because she was convinced of her position” (Durante, CGIL, personal interview, 2016). Finally, the participation of Italian trade unions in the mobilisations organised by the European Trade Union Confederation (ETUC) was also mirrored by national competition dynamics. During the Day of Action organised by the ETUC on 29th September 2010, it was only the CGIL that organised a demonstration in Rome.

3. The technocratic government of Mario Monti (2011-2013)

“Herman Van Rompuy: Italy needs reforms, no elections” (El País, 11 November 2011) ⁴⁷

After the resignation of Silvio Berlusconi on 12th November 2011, the Head of State, Giorgio Napolitano, asked Mario Monti, a former European Commissioner, to form a new government. Monti had been appointed senator *a vita* on 9th November 2011 (Caporale, 12 November 2012), a political gesture that advanced the intentions of Giorgio Napolitano to make Monti the new Prime Minister and form a technocratic government (Fusaro and Bull, 2011). Besides, the name of the former European Commissioner had

⁴⁷Available

http://internacional.elpais.com/internacional/2011/11/11/actualidad/1321035138_502904.html

at

already been present in some “corridor conversations” during the G20 celebrated in Cannes as the potential successor of Silvio Berlusconi (Rodríguez Zapatero, 2013). Although some Italian political actors asked for elections after the resignation of Berlusconi, the Head of State opted for a formation of a technocratic government (Bianchini, 10 November 2011).

The new government headed by Mario Monti was formed on 16th November 2011 and two days later obtained the trust vote of the parliament. The technocratic government was largely supported by all political parties with the exception of the Northern League and the Italia dei Valori (RQuotidiano, November 2011). The cabinet was composed by unelected professionals and lasted from the 16th November 2011 to the 28th April 2013. This section analyses the impact of the new European setting on Italian political processes and policies during the Mario Monti government. It shows that the EU continued imposing a policy regime based of welfare cuts and labour market deregulation in exchange for financial support of the BCE. The section examines also the national responses to these pressures and the impact of these dynamics on concertation processes and trade unions’ strategies.

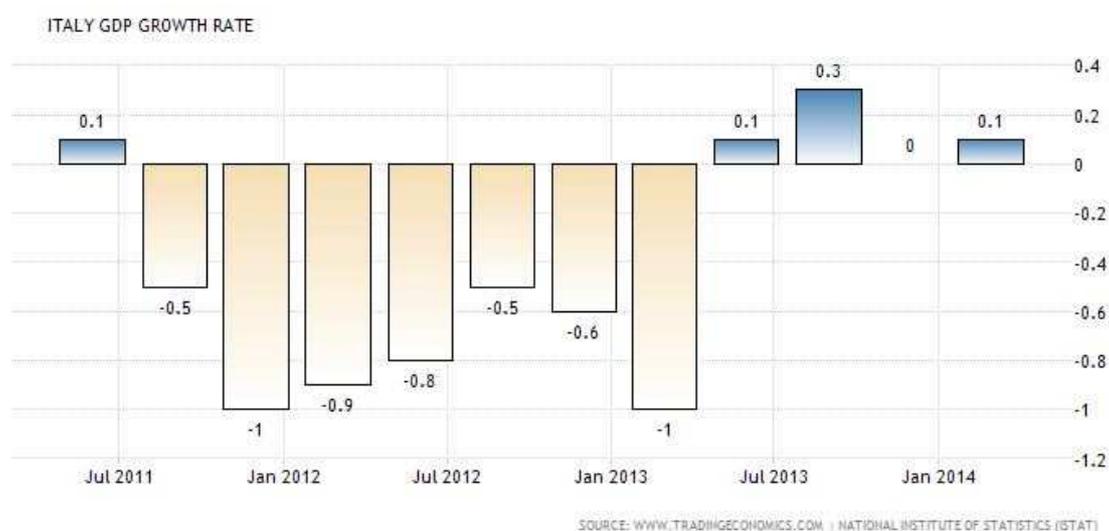
3.1 External pressures

This section focuses on explaining the different types of pressures exercised by the new European rules-based setting on Italian economy and politics during the technocratic government of Mario Monti. The new European setting exercised pressures through the *formal* channels established by new European economic governance. Surveillance over the implementation of structural reforms increased in 2011 after the launching of the European Semester. In addition, Italy was put under a Macroeconomic Imbalance procedure (MIP) in 2012 and the Commission carried out complementary ‘In-depth Reviews’ to identify main macroeconomic imbalances (European Commission, July 2012). Finally, the section shows that Italian Country-specific recommendations continued insisting during the Monti government about the existence of political obstacles in Italy to implement structural reforms. Regarding informal pressures, they were feeble in the first few months of the Monti government given the full commitment of the cabinet with reforms but they emerged once more in the summer of 2012.

3.1.1 Formal pressures

The European Commission decided to put an end to the Excessive Deficit procedure in Italy in 2013 but, in replacement, it decided to initiate a Macroeconomic Imbalance Procedure (MIP) (European Commission, July 2012). The worsening of economic situation had an impact on Italian public finances. Italian economy went out the recession for a brief period in 2010 but in, July 2011, economic growth was again negative (Repubblica, 28 November 2011). During two years, from July 2011 to July 2013, Italian economy was in recession.

Figure 14. Italy GDP Growth Rate (2011-2014)



The latter had an impact on the already high Italian government debt, which continued increasing during the years of Monti government (La Stampa, 22 October, 2013). Since 1988, Italian debt has maintained especially high levels reaching its peak in 2015 when the total debt to GDP amounted to 132.70 per cent. The Monti government also struggled to reduce the fiscal deficit that, in 2012, was 5.3 per cent, still above the 3 per cent limit (BBC, 4 July 2012). The fiscal deficit decreased slightly in 2013 and only went below the target in 2015 when it reached the 2.9 per cent. However, Italy's public debt continued to be beyond the limit. Between 2009 and 2012, the debt increased up to 127 per cent and was projected at 132.2 per cent in 2014. As a consequence, in 2012 and 2013, Italy was put under a MIP and the Commission carried out two In-depth reviews of the Italian economic situation to identify macroeconomic imbalances (European Commission, July 2012). In May 2012, the In-depth review identified public debt as the main imbalance of Italian economy. Besides, the Commission warned about the decrease of economic external competitiveness (European Commission, July 2012).

Therefore, the Commission asked the Italian government to address various policy challenges. More specifically, it highlighted the need to implement fully the fiscal consolidation measures adopted in previous years (European Commission, July 2012). In addition, the In-depth review emphasised the need to monitor closely the evolution of wages to avoid that they outpaced productivity developments. At the same time, the Commission suggested to shift tax from labour and capital onto consumption and property to gain competitiveness (European Commission, July 2012). The Commission published the second In-depth review on 10 April 2013 (European Commission, April 2013). Again, the three main weaknesses of the Italian economy were highlighted: the high government debt, the loss of external competitiveness and the decline in productivity. The MIP showed particular concern on the increasing unit labour costs (European Commission, April 2013).

Moreover, the European Council evaluated the Italian National Reform Programme on 6th July 2012 and issued the Country-specific recommendations, which revolved around the commitments that Italy had adopted in the Euro Plus Pact. The report highlighted six specific recommendations (Country specific recommendations, 2012). First, the EU asked the Italian government to implement the budgetary strategy to ensure a correction of excessive deficit. Second, it required the government to adapt the implementation of the *golden rule* in the Constitution to the European rules. Third, the Council asked Italy to take further actions to solve the challenge of youth unemployment. Fourth, the Monti government was asked to implement a labour market reform and an integrated unemployment scheme. Fifth, the Council demanded the Monti government to fight against tax evasion and to solve the problem of shadow economy and undeclared work. Finally, the Council asked to liberalise and simplify the service sector (Country specific recommendations, 2012).

Table 30. Country-specific recommendations 2012- Euro Plus Pact commitments

Area	Measure
Tax	Make the tax structure more growth friendly
Labour market	Reform of wage bargaining system to allow more flexible arrangements also at the national sectoral level
Equality	Improve employability of women, improve childcare and elderly care facilities
Young employment	Create new of occupational and training standards and skills certification schemes
Education	Implement the 2010 university reform and link performance with allocation of public funding
Administration	Tackle inefficiencies of judiciary system
Professional sectors	Liberalise energy and transport sectors

Later, in 2013, the Country-specific recommendations welcomed the launching of structural reforms by the technocratic government but warned about problems with implementation due to the uncertainty of the political situation (Country specific recommendations, 2013). Mario Monti announced his resignation in December 2012, which led once more to increasing doubts about the future government to implement the reforms launched by the Monti cabinet (Wearden, 10 December 2012). The 2013 CSRs identified obstacles in three specific areas. First, the adoption of legislation in reforms regarding administrative simplification, network industries and the labour market. Second, closer coordination between the different levels of government (central, regional and local). And, third, the lack of approval by the Italian parliament of some measures related to taxation and administrative simplification (Country specific recommendations, 2013).

The 2013 CSRs welcomed the reform of the pension system implemented by the Minister of Minister of Labour, Social Policies and Gender Equality, Elsa Fornero, due to its capacity to restrain long-term growth in age-related expenditure and did not ask for

further reforms in this policy field (Country specific recommendations, 2013). On the contrary, the CSRs contained specific suggestions to reform further the labour market. Although the Commission was satisfied with the launch of the reform of June 2012, it required the government to adopt enacting legislation and the development of a monitoring process (Country specific recommendations, 2013). The report also criticised the productivity pact signed by social partners, with the exception of the CGIL, in November 2010 that aimed at linking wages not only with inflation but also with productivity as well as decentralising further collective bargaining and strengthening the second tier of collective bargaining because it included only broad guidelines and asked for a proper implementation of the measures included (Country specific recommendations, 2013).

Box.6 Country-specific recommendations 2013 for Italy

CSR 1: Implement the budgetary strategy as planned, and ensure that the excessive deficit is corrected in 2012. Ensure the planned structural primary surpluses so as to put the debt-to-GDP ratio on a declining path by 2013. Ensure adequate progress towards the MTO, while meeting the expenditure benchmark and making sufficient progress towards compliance with the debt reduction benchmark.

CSR 2: Ensure that the specification in the implementing legislation of the key features of the balanced budget rule set out in the Constitution, including appropriate coordination across levels of government, is consistent with the EU framework.

Pursue a durable improvement of the efficiency and quality of public expenditure through the planned spending review and the implementation of the 2011

Cohesion Action Plan leading to improving the absorption and management of EU funds, in particular in the South of Italy.

CSR 3: Take further action to address youth unemployment, including by improving the labour market relevance of education and facilitating transition to work, also through incentives for business start-ups and for hiring employees. Enforce nationwide recognition of skills and qualifications to promote labour mobility. Take measures to reduce tertiary education dropout rates and fight early school leaving.

CSR 4: Adopt the labour market reform as a priority to tackle the segmentation of the labour market and establish an integrated unemployment benefit scheme.

Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care. Monitor and if needed reinforce the implementation of the new wage setting framework in order to contribute to the alignment of wage growth and productivity at sector and company level.

CSR 5: Pursue the fight against tax evasion. Pursue the shadow economy and undeclared work, for instance by stepping up checks and controls. Take measures to

reduce the scope of tax exemptions, allowances and reduced VAT rates and simplify the tax code. Take further action to shift the tax burden away from capital and labour to property and consumption as well as environment.

CSR 6: Implement the adopted liberalisation and simplification measures in the services sector. Take further measures to improve market access in network industries, as well as infrastructure capacity and interconnections. Simplify further the regulatory framework for businesses and enhance administrative capacity. Improve access to financial instruments, in particular equity, to finance growing businesses and innovation. Implement the planned reorganisation of the civil justice system, and promote the use of alternative dispute settlement mechanisms.

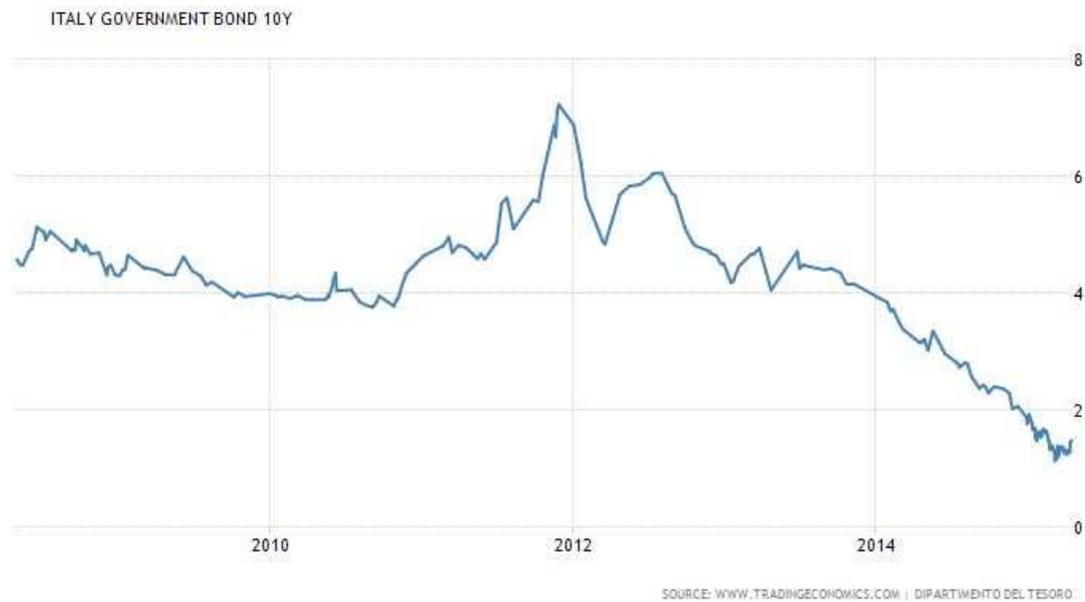
3.1.2 Informal pressures

The intensity of *informal* pressures over the new government decreased in a first phase as Mario Monti achieved strong credibility from the European institutions and other European Heads of government about his willingness to implement the necessary reforms (The Economist, 8 December 2012). On 24th November 2011, Mario Monti met with Angela Merkel and Nicolas Sarkozy in Strasburg. Although the formal agenda revolved around the economic situation of Europe, the meeting was aimed at convincing Merkel and Sarkozy about the capacity of the new Italian government to carry out reforms. Monti obtained full trust of the German Chancellor (La Repubblica, 24 November 2011). In a second stage, after the bank bailout in Spain, informal pressures over Italy increased again. During the summer of 2012, external actors questioned in several occasions if Italy was going to ask finally for a bailout. Besides, the announcement of the president of the BCE Mario Draghi of the possibility of a new mechanism to relax financial speculation over countries with financial speculation started again rumours about which countries were going to be benefited from that mechanism and under which conditions (La Repubblica, 24 November 2011).

3.1.3 Financial pressures

The formation of the Monti government coincided with the decrease of financial speculation over Italy. From January to December 2012, the spread fell 182 points, from 501 to 319. In March 2012, the spread reached the lowest peak (RQuotidiano, 23 July 2012). A new crisis in Greece extended once more the speculation over other Southern European countries including Italy and, in July 2012, the spread went over the 500 points.

Figure 15. Italy Government bond 10Y (2010-2015)



3.2 National responses: from full to timid compliance

This section shows that the responses of the Mario Monti government vis-à-vis the pressures exercised by the new European setting went from full compliance to timid compliance. The government achieved external credibility from December 2011 to March 2012 thanks to the support of the majority of political parties on the pension reform and austerity measures. The newly formed government was fully committed to the implementation of reforms with the objective to achieve external credibility:

“The reform programme, introduced under Mario Monti’s technocratic government, was a central part of the country’s effort to convince investors of its creditworthiness” (Fornero, 2015, interview)

The Mario Monti government responded to external demands through the implementation of three decrees, Save Italy, Grow Italy and Simplify Italy, which were included in the Stability and National Reform Programmes of 2012 and 2013. The reforms launched by the three decrees aimed at reducing public debt and at boosting economic growth by 2.4 percentage points of GDP by 2020 (The Economist, 10 December 2011). The main focus of the Stability Programme in 2012 was to address the problem of high government debt.

Two types of measures were introduced by the government to show the commitment of the government regarding debt reduction. First, structural reforms to reduce pension expenditure and fight tax evasion and, second, the introduction in the Constitution of the *golden rule*. The National Reform Program of 2012 showed the commitment of the government with establishing an expenditure limit by law:

“In order to be credible, debt reduction must be structural and isolated from decisional variability stemming from different political administrations. With regard to the first criterion, the pension reform, which brings the retirement age in Italy to the highest level in Europe and the decision not to consider proceeds from the fight against tax evasion in estimates of government revenues are, indeed, structural factors. The second criterion is ensured by the commitment to a balanced budget to be sanctioned by the Constitution through amendment of Article 81, in line with the commitment undertaken in the Euro Plus Pact and the new ‘fiscal compact’, the international treaty that sets the rules for fiscal union between the Member States of the Euro Area” (NRP, 2012:5)

Moreover, the Decree ‘Save Italy’ (D.L. 201/11), passed by the Italian Council of Ministers on 4th December 2011 had various goals such as ensuring a balanced budget for 2013 and controlling the national debt and the public spending. ‘Save Italy’ was a broad package that addressed various policy challenges. It included major cuts of public spending and tax increases and introduced measures aimed at encouraging economic growth such as tax relief for enterprises. Besides, the decree aimed at reforming the social security system and the social shock absorbers system and the labour market. One of the main cost containment measures included in ‘Save Italy’ was the pension reform, the so-called ‘Fornero reform’, named like that after the name of the Minister of Labor, Social Policies and Gender Equality, Elsa Fornero. The ‘Fornero reform’, which will be described in the next section with more detail, meant the complete freeze in 2012 and 2013 of the indexing of pensions⁴⁸, a comprehensive revision of the pension system with new rules for early retirement as well as the increase of the rate of pension contributions for the self-employed (NRP, 2012).

⁴⁸ that are more than three times above the minimum provision.

On the other hand, the ‘Grow Italy’ , Decree n. 1/2012 passed into Law in January 2012, aimed at liberalising service sectors by removing barriers that prevented access to markets and the Decree “Simplify Italia” had the objective to improve the efficiency and transparency of Public administration. Finally, the Cohesion Action Plan had the objective to improve collective services in the South. The reform impetus of the technocratic cabinet of Mario Monti was confirmed in the National Reform Programme of 2013 but divisions within the coalition that supported the government in the parliament regarding the labour market reform in March 2012 led to a new credibility crisis. Problems with implementing reforms remained due to the existence of political obstacles (Amable, 2017: 36).

3.3 Two-level political interactions

This section shows that full compliance of Mario Monti government during the first months led to the exclusion of trade unions from policymaking processes of the pension reform. On the contrary, timid compliance from March 2012 led again to the inclusion of trade unions during labour market reforms to generate domestic consensus.

Table 31. Reform episodes during the Mario Monti government (2011-2012)

Reform	Aim of the reform	External pressures	Government strategy	Trade union’s positions
Reform episode 1: Fornero pension reform	Cut public expenditure in the short-term	Demands included in CSRs and MIP	Unilateral	CGIL, CISL and UIL: against, joint general strike December 2011
Reform episode 2: Monti-Fornero labour market reform	Reduce dismissal compensations	Demands included in CSRs and MIP	Consultation	CGIL, CISL and UIL: against reform article 18

3.3.1 Reform episode 1

Problems with the implementation of the pension reform had been the main source of lack of credibility during the previous government. As the Minister of Labour, Elsa Fornero, explains:

“These as well as other reforms were the result of a sharp decline of the Italian sovereign debt credibility in Summer 2011, which brought the Country to the verge of a financial crisis, with likely devastating consequences also for Europe and the Euro” (Fornero, 2013: 1)

This fact meant that, when Mario Monti became Prime Minister, the pension reform had become the main signal that the government could send to external actors about his commitment to implement a reforming programme. The Minister of Labour was in charge of drafting the pension reform to convince external actors about the capacity of Italy to implement reforms and, at the same time, to achieve enough internal consensus:

“In my new role as Minister of Labour, I was asked to prepare a restructuring of the pension system harsh enough to convince both European partners and financial markets that Italy deserved to be trusted as a debtor, but still sensible enough to obtain an (albeit reluctant) approval from the majority of Members of Parliament and from public opinion” (Fornero, 2015: 11)

The drafting of the reform was made under exceptional circumstances characterised by the fear of the default and a national sense of urgency. As the Minister of Labour explains: “On November 16th the plea: “FATE PRESTO!” (Act immediately) was splashed in capital letters on the front page of *Il Sole 24Ore*, Italy’s economic daily, reflecting a widely shared sense of urgency” (Fornero, 2013: 2). Elsa Fornero was in charge of drafting the reform that was finally presented to the social partners on 4th December 2011. The meeting between Fornero and the social partners had an informational character but there was not any consultation or bargaining process. This was a turning point for trade unions such as the CISL and the UIL that were accustomed to have close relationships with the previous Berlusconi government. The reform could not be negotiated with trade unions due to the urgency in which the reform was drafted (Natali and Stamati, 2014: 3018) and also due to the harsh measures included:

“The reform had to be radical, with practically no phasing- in period; it had to realize immediate and significant savings in pension expenditure to be automatically increased in the coming years and decades and provide for the demographic transition by reducing the burden on the young and future generations...Due to the financial emergency, there was little time for social dialogue, parliamentary debate (the reform was presented to Parliament as a government decree and approved in a couple of weeks with a vote of confidence), or the transition period that is customary in pension reforms” (Fornero, 2015: 11).

The Fornero pension reform, turned into Article 24 of law no. 214/2011, was included in a broader austerity package called the ‘Salva Italia’ and meant an increase of the years of contribution needed to access the pension from 40 to 42 years for men and 41 for women and the delinking of pensions with inflation. The reform aimed at saving the 0.1 per cent of GDP in 2012 and 1.2 per cent in 2020. The average retirement age increased from 60-61 years in the 2006-2010 period to approximately 64 years in 2020, 67 years in 2040 and then to around 68 years in 2050. All trade unions, CGIL, UIL and CISL opposed to the reform and called together for a three hours strike on 12th December 2012. On the one hand, CISL criticised the lack of negotiations and blamed the leadership style of the Minister of Labour: “We agreed with the delay of the retirement age according to changes in life expectancy, but she was very egocentric and implemented a draconian reform that went further than the measures demanded by the EU” (Bonanni, CISL, personal interview, 2016).

The response of trade unions against the pension reform was considered feeble (Jessoula and Pavolini, 2011:11). Labour organisations justified feeble mobilisation as a consequence of the atmosphere of fiscal emergency that the country lived those months:

“We had some hard internal discussions about whether or not to call for strikes against Monti and there was the widespread idea within our membership that we had to be very prudent because Monti was a very well respected public figure internationally and was substituting Berlusconi, which was very relevant for us. Should we have called for a general strike against the government? That would have been the final setback for our country that was already at the edge of the abyss” (Durante, CGIL, personal interview, 2016)

Box 7. The Fornero pension reform (Law no. 214 of 2011)

- Increase of the statutory retirement age for old age pension
- Increase of the requirement for early retirement regarding all workers , regardless of their age
- All age and contribution requirements will be indexed to the change in life expectancy as measured by ISTAT
- A temporary price indexing freeze for pensions benefits higher than three or more times the minimum provision for 2012 and 2013

3.3.2 Reform episode 2

One month after, in January 2012, the Mario Monti government decided to respond to the second most persistent demand of the external actors: the labour market reform⁴⁹. The government announced a reform that aimed at increasing flexibility and consolidating the link between salaries and productivity (Corriere della Sera, 4 April 2012). Although the European Commission welcomed the announcement, in the 2012 Country-specific recommendations, it also showed some scepticism about its implementation and emphasized: “This reform needs to be adopted as a matter of urgency, ensuring that its objective and level of ambition remains commensurate to the challenge of the Italian labour market” (CSR, 2012). The Country-specific recommendation number 4 stressed the need to “monitor and if needed reinforce the implementation of the new wage setting framework in order to contribute to the alignment of wage growth and productivity at sector and company level” (CSR, 2012). Besides, the In-depth review of 2012 also required further actions to link wages with productivity rather than with inflation: “Further steps appear necessary to ensure that wage setting at the national sectoral level also helps to better align wages and productivity growth” (European Commission, 2012). Nevertheless, the reform process was not easy due to the existence of political obstacles. The government did not have enough consensus in the parliament to approve the labour market reform. Disagreements emerged mainly from the Democratic Party (La Repubblica, 27 June 2012), which led to the beginning of a consultation process with

⁴⁹ The reform was also included in the letter of the BCE sent in August 2011.

trade unions in order to achieve enough domestic consensus. Since January 2012 to the final passing of the Law 92 with ‘Provisions relating to labour market reform in a growth perspective’, on 27th June 2012, the government consulted the social partners in several occasions. The Prime Minister decided to resume the talks with trade unions after their joint general strike of December 2012 in order to guarantee support of the coalition of political parties that held him in the parliament (Fornero, personal interview, 2017). The emergence of divisions in the coalition that supported the technocratic government, especially the opposition of some members of the PD to the labour market reform, forced Monti to search extra parliamentary consensus from the trade unions. As the former leader of the UIL explains: “Although political parties supported Monti with the pension reform, they were more reluctant regarding the labour market reform” (Angeletti, UIL, personal interview, 2016).

The most controversial issue included in the labour market reform revolved around the changes of the Article 18 and the regulation of economic dismissals (La Repubblica, 4 April 2012). Trade unions opposed to the elimination of the clause that guarantees that workers had to be reintegrated if they are fired for economic reasons that a judge rules as illegitimate. The initial idea of the reform was the substitution of the reintegration of the worker by only economic compensation:

“After the swift pension reform had become law, talks with trade unions and employers’ associations about the labour market reform started in early January 2012. Two major obstacles soon became evident: lack of agreement among the social partners and the pervasive presence of ideological elements in the discussion, coupled with the fear of losing even small benefits or subsidies. These obstacles were at their highest in the revision of article 18 of the Statute of Workers’ Rights and in the redrawing of the map of social protection schemes” (Fornero, 2013: 11)

The need of the government to get credibility from external actors led Mario Monti to increase pressure over trade unions to reach an agreement at the end of March 2012. Mario Monti met with the leader of the CGIL, Susana Camusso, to negotiate the red lines of the confederation on the Article 18 and other measures that could serve to get the support of the confederation (Tito, 12 February, 2012). Monti needed to pass the reform before the European Council planned for 28–29 June where they were going to discuss the purchase of Italian bonds in the ESM (Fornero, 2013: 12; Sacchi, 2015). In order to

convince the trade unions, Monti dropped the most contentious measure: the elimination of the obligation of a firm to reintegrate workers that had been fired for illegitimate economic reasons. All trade unions, with the exception of the CGIL, accepted the deal. However, divisions within the PD about supporting the reform in the Parliament and within the rank and file members of the trade unions that had supported the deal, CISL and UIL, rose again the scepticism of external actors on the capacity of the government to implement the reform (Sacchi, 2015). As the Minister of Labour explains, the links between the CGIL and the PD are important to understand the lack of support of the PD to the reform:

“CGIL discontent caused growing tensions inside the Democratic Party and led to the government’s accepting a modification of the draft of the new article 18, allowing judges to reinstate workers only in the case of ‘manifest non-existence’ of the economic motive as the cause for the dismissal” (Fornero, 2013: 11).

The lack of domestic consensus raised again doubts about the capacity of the Italian government to meet European requirements. In this context, the European Commission urged the Italian government to implement the reform quickly:

“The momentum of reform must be maintained. The responsibility for a quick adoption of an effective reform now rests with the parliament. While it is very positive that the draft reform proposal by the government builds on a constructive dialogue with the social partners, it is crucial that the objective and degree of ambition of the reform remain commensurate to the challenges of the Italian labour market, in line with the Council recommendation” (Financial Times, 2 April 2012)

Finally, the reform was passed in the Parliament one day before the celebration of the European Council, on 27th June 2012. There was not any signature of a formal agreement between the government and trade unions but the later gave their acquiescence over the reform and did not mobilise against it. However, the unity of action of the trade unions, first calling for a strike against the Fornero pension reform and secondly giving the support vis-à-vis the labour market reform did not last long. On 14th November 2012, CGIL was the only trade union that organised a general strike during the European Day of Action organised by the ETUC. Besides, when the Monti government asked the trade unions for a new agreement on productivity on 21th of November of 2012, the CGIL did

not sign it making clear that the relationship between trade unions continued to be controversial (Regalia, 2012: 403).

Table 32. Monti-Fornero labour market reform Law no.92⁵⁰	
Streamlining existing contractual arrangements	More flexible contracts or the so-called quasi-subordinate contracts are maintained
A review of workers' protection against unlawful dismissal	Not-founded unlawful dismissal: the dismissal is revoked and the worker is reinstated and paid compensation amounting to up to 12 months' salary Merely unlawful dismissal: worker is not entitled to be reinstated, but only to be paid compensation ranging between 12 and 24 months' salary Economic unlawful dismissal: the worker is entitled to compensation for damages ranging between 15 and 24 months' salary
New employment trial	Employers have to report to the local Labour Office Directorate their intention to proceed to dismissing a worker on justified grounds, providing the reason for firing. Subsequently, a mandatory conciliation stage is initiated
Undated resignation letter	Avoid firms to lay off workers through resignations that are redundancies in disguise
Overhaul of safety nets	Creation of the Employment Social Insurance
Safeguard rules	For employees close to retirement who have been or are in distress
Labour productivity agreement	2012 labour productivity agreement: recognises the national wage

⁵⁰ Summary of the description included in the 2013 NRP (p.44-45)

	<p>setting systems as the framework to protect the purchasing power of wages, raises the value of</p> <p>second level bargaining, brings the regulation of employment</p> <p>contracts into line with the needs of the relevant production sectors, enables second level bargaining to raise workers' net wages by triggering off</p> <p>tax-exemption measures for wage percentages directly linked to productivity related</p> <p>pay increases in the specific production sectors, etc.</p>
Reduce taxation over labour and firm	<p>The new funds for exempting from taxation productivity-related pay</p> <p>increases</p>
Productivity	<p>Productivity-related pay increases are amounts paid in relation to quantitative indicators of productivity, profitability, efficiency and innovation, clearly stated in the employment contract</p>
Reconciling work and family	<p>New measures have been envisaged for women, who wish to go back to work at the end of their maternity leave</p>
The Agreement between the State, Regions, Autonomous Provinces and Local authorities on policies for reconciling work and family	<p>Provision of 60 additional educational home services to 2,500 new recipients, increase in the number of recipients of incentives for the purchase of care services, etc.</p>
Support for female employment	<p>Social security contributions to be paid by employers who hire women in disadvantaged areas.</p>
Gender parity in access to corporate boards	<p>EU regulation into force</p>

3.4 Trade unions' strategies: the fear of the bailout

This section focuses on explaining the strategies of Italian trade unions during the Mario Monti government. The section shows that the atmosphere of fear of the bailout permeated also in trade unions' frames and, in so doing, Italian labour organisations developed a strategy of 'self-restrain' to support the government vis-à-vis external pressures. The strategies of Italian trade unions were characterised by their feeble opposition against the pension reform and their acquiescence to the labour market reform. The feeble opposition against the pension reform represented a change from the previous confrontational position of the CGIL against the Berlusconi government. Although the confederation called for a general strike, jointly with the CISL and the UIL, against the Fornero reform on 12 December 2012, a three hours stoppage was not considered proportional to the consequences of the pension reform. The CGIL explains this self-restrained response because of the atmosphere of fear that existed those days within their membership:

“The strike did not come out particularly well because our membership had fear of the bailout; there was immense fear and people perceived Monti as the rescuer of the homeland. Later we found out that his economic options were a disaster and we are still paying for them today as with the problem of the *essodati*...but at that moment people feared that we were going to end up like Greece. Now our membership criticised us because we did not enough, and maybe they are right but at that time we felt that if we mobilised further the popular revolt would have been bigger than in Greece. We have a tradition of calling for general strikes but we do not want to call strikes at any cost” (Lattuada, CGIL, personal interview, 2016)

The Minister of Labour also acknowledges the 'responsible' behaviour of the CGIL: “A sense of responsibility, however, prevailed and despite resentful and rhetorical opposition (with declarations of a “never ending battle”), CGIL refrained from calling massive general strikes against the change” (Fornero, 2013: 12). On the other hand, the joint general strike also represented a change in the behaviour of the CISL and the UIL that had maintained collaborative relationships with the previous Berlusconi government. In this case, the CISL shifted towards a mobilising strategy not because of disagreement with the need to implement reforms but for a personal confrontation with the Minister of Labour:

“I make a good evaluation of the Monti government, he had to adjust the washing machine...we have a problem with the debt. It is not right that we spend more than what we have and then we ask the European Union for flexibility... Monti talked with all social partners, we made some agreements with him about the extension of the *cassa integrazione* and the elimination of tax of the productivity salary before the pension reform. However, we could not talk with Fornero because she wanted to show to the European Union that she ruled with iron fist” (Bonnani, CISL, personal interview, 2016)

On its side, the UIL also supported the Monti government in the beginning: “We thought that it was a good idea to carry out reforms to improve productivity, only later we realise that the direction of those reforms was not the one that we wanted” (Angeletti, UIL, personal interview, 2016)

3.4.1 Transnational actions

The fear of the bailout and the ideological agreement with some of the reforms proposed by external actors shaped the exploration of transnational actions by Italian trade unions. In spring 2012, when the debates on the European general strike developed more intensively in the ETUC, Italian trade unions decided to keep a low profile in the debate because they were in the middle of talks on the labour market reform (Durante, CGIL, personal interview, 2016). Only later, when the consensus on supporting the Monti government started to crumble, Italian trade unions changed their strategy. The CGIL decided to join transnational actions whereas the CSIL and UIL did not, which led again to the emergence of competition between the confederations. On 14th November 2012, the CGIL was the only one to organise a general strike of four hours: “The CISL and UIL supported the CGIL in the debate inside the ETUC but once we were back home they thought that the general strike was a very extreme measure” (Durante, CGIL, personal interview, 2016). Besides, the UIL did not consider that transnational action was useful to advance their demands: “I was in a demonstration in Berlin. Europe is governed through national governments so we have to pressure national governments but in that moment a general strike against Monti was useless” (Angeletti, UIL, personal interview, 2016).

3.4.2 *Anti-austerity social movements and strategic innovation*

The exploration of alternative strategies by Italian trade unions was shaped by the characteristics of anti-austerity protest dynamics and the different perspectives that the confederations held regarding the strategies for revitalization. On the one hand, an anti-austerity social movement did not emerge in Italy (Andretta, 2016: 202). Some authors argue that the domination of trade unions of anti-austerity protest in Italy “limited the space for new actors and identities to emerge” (Andretta and della Porta, 2015:61). In fact, the *San Precarious* movement re-emerged only in 2012 when the protests organised by the main confederations decreased. Although old Italian social movements and the bigger trade unions had developed before the crisis a close relationship with old social movements (Köhler et al., 2013), during the crisis there was little interaction between them. As Andretta argues, “social movement organizations and trade unions seem to have lost their traditional connections in the protest arena” (Andretta, 2016: 213). There were no synergies between majoritarian confederations and social movements leading to a lack emergence of anti-austerity coalitions in Italy. Secondly, anti-austerity positions were channelled by the creation a new political party, the Five Star movement (M5S-Movimento 5 Stelle), which had an unforeseen success in the 2013 election earning the 25 per cent of the votes. Various authors explain the success of the M5S by analysing the dissatisfaction of voters with austerity policies implemented by both left and right political parties (Alonso, 2014; Franzosi et al., 2015).

On the other hand, regarding the divergent visions on strategic innovation, we can distinguish two different developments. First, there were divisions within the CGIL about whether it was convenient to build a new political movement or not. The *Federazione Impiegati Operari Metallurgici* (FIOM) had traditionally maintained a political identity and started advocating within the confederation about the need to create a socio-political movement to respond to the lack of political parties that could respond to their demands in the parliament. With this objective, the FIOM created a movement called UNIONS that aimed at grouping different activists from social movements and political parties. In 2012, the differences between the national confederation of the CGIL and the FIOM deepened. As a consequence, this led to a confrontation between the FIOM and the national executive of the CGIL (Elena Lattuada, CGIL, personal interview, 2016). These differences also influenced the strategies that the CGIL developed vis-à-vis Monti

government. Whereas the FIOM called for a general strike in March 2012, the national confederation opted for not mobilising due to the ongoing talks that they were maintaining with the government on the labour market reform (Elena Lattuada, CGIL, personal interview, 2016). On their side, the CISL and UIL opted for organising at the workplace as a strategy for revitalization (Angeletti, personal interview, 2016).

4. Summary

This chapter has analysed the impact of the new European setting on Italian politics. It has shown that although Italy did not enter an adjustment programme, conditionality was applied also through informal channels such as the letter of the BCE or backroom diplomacy pressures during the G20 during the Berlusconi government. Later, during the technocratic government, external actors also exercised pressures over the Monti cabinet in exchange for the purchase of public bonds. In addition, surveillance increased with the activation of Macroeconomic Imbalance Procedure. All in all, the atmosphere of fiscal emergency did not disappear in Italy during neither of the two governments.

However, governments responded differently to those pressures. The PDL-NL government reacted with *timid compliance* to external pressures due to the ‘statist’ leadership of Berlusconi who rejected external interference and also to the divisions within the government coalition. This led to the lack of credibility from the external actors and prompted a politico e institutional crisis in Italy that finish with the resignation of Berlusconi. On its side, the technocratic government of Mario Monti *complied fully* with the external demands in the first phase but since spring 2012 the lack of support of the parliamentary coalition on the labour market reform led to the emergence of doubts about the capacity of the Monti government to implement reforms.

This chapter also demonstrates that the inclusion of trade unions in policymaking processes depended on the need to generate domestic consensus with the objective to gain external credibility. When governments were strong, they could exclude social partners as it was the case of the Fornero pension reform. In the rest of cases, governments relied on the links between political parties and trade unions to build domestic support. Both, party-union political links and the fiscal emergency context help us to explain why Italian confederations opted for feeble mobilisation or for giving their acquiescence to reforms.

CHAPTER 9. NATIONAL POLITICAL OPPORTUNITIES UNDER THE NEW EUROPEAN RULES-BASED SETTING

1. Introduction

This chapter reviews the empirical findings against the analytical dimensions set out in the theoretical framework. In doing so, it evaluates the validity of the theoretical proposals about the impact of the new rules-based setting on national political opportunities. Besides, the chapter compares the different units of analysis with the objective to account for variation of national responses and trade union's strategies.

2. The European social policy regime: from neo-voluntarism to rules-based

The first conclusion that can be drawn from the empirical analysis is that Ordoliberal Intergovernmentalism has transformed substantially the European social policy regime from a neo-voluntarist regime (Streeck, 1996: 77) to a rules-based regime. Ordoliberal intergovernmentalism has replaced old mechanisms associated with sovereignty and subsidiarity with others based on discipline and conditionality. Whereas the neo-voluntarist social policy regime allowed governments to opt out if policies were at odds with their polity (Streeck, 1996: 77), rules-based policy regime prescribes one size-fits-all policies (Armingeon and Baccaro, 2012). The three mechanisms of neo-voluntarist policy regime, governance by persuasion, choice and diffusion (Streeck, 1996: 77) have been replaced. Mutual information and consultation (persuasion) has been replaced by asymmetry of power, and menus of alternative selections (choice) has been substituted by imposition of one size-fits-all regime. This thesis shows that frameworks based on two-level games (De la Porte and Natali, 2014) are now more useful than others based on policy learning (Radaelli, 2008, 2009) to explain the influence of the EU on national policies. The new European setting substitutes mechanisms of learning for others based on discipline that are better explained by international regime theory and frameworks on credible commitments (Leeds, 1999).

2.1 Isolation of economic and social policy decisions from national democratic processes

The empirical findings show that the rules-based regime had a profound impact on democratic systems. Armingeon and Guthman (2013) use the concept of “constrained

democracy” to explain how citizens could not influence on the direction of the demands made by external actors (Armingeon and Guthman 2013: 1). This has far reaching implications for parliamentary democracy. The empirical analysis of this thesis confirms that national parliaments did not have any role on deciding the bailout or negotiating with the Troika the adjustment programs. In various cases, negotiations between governments and European institutions were held in secrecy. This was the case of the shadow program of the Portuguese PS government or the negotiations between the Italian Berlusconi government with the EU during the G-20 in Cannes. In addition, the demands made by the ECB to the Spanish and Italian prime ministers in August 2011 were not made public in that moment. Hence, this thesis shows that Ordoliberal Intergovernmentalism deepens (already) existent problems of European democratic deficit (Featherstone, 1994; Follesdal and Hix, 2006). Scharpf explains that the economic crisis transformed into a democratic crisis when political demands were frustrated (Scharpf 2011: 2). Intergovernmental procedures and the renewed importance of Euro group reinforced these dynamics. In relation to this, Puetter highlights the opacity through which the Ministers of Finance-one of the most influential groups in European economic governance- functions (Puetter 2007:1294).

The thesis also shows that the new setting impacted on representative democracy by influencing electoral politics (Bosco and Verney, 2011). The former Spanish and Portuguese socialist Prime Ministers decided to anticipate elections and they both resigned when they realised that could not comply with external demands. In the Italian case, the preferences of external actors for a technocratic government influenced the decisions of the Italian President to appoint Mario Monti rather than calling for elections. As Bosco and Verney explain, the crisis had consequences that went beyond the removal of parties in government such as “the growth of abstention, increasing parliamentary fragmentation and the emergence of new political forces, notably those expressing anti-party, extreme right-wing or even racist positions” (Bosco and Verney, 2011: 150).

2.2 Policy discipline and conditionality

Another finding of this thesis is that Ordoliberal Intergovernmentalism transforms European policymaking procedures. Previous mechanisms of coordination, peer review and benchmarking (Radaelli 2008: 239) have been replaced by policy discipline and conditionality. Rules-based policymaking neglects national diversity as it was the case of

learning processes associated with the OMC (De la Porte et al., 2001:293) Besides, policy discipline is at odds with voluntary commitment associated with benchmarking (Puetter 2004: 854). The empirical analysis confirms that discipline operated through institutional mechanisms, informal procedures and financial market pressure.

Formal pressures. The new European setting led to the emergence of “more coercive and interventionist approach of the EU institutions” (McCartney 2014: 410). On the one hand, the European Semester “represents a fundamental shift in EU socioeconomic governance” (Verdun and Zeitlin, 2018: 139). On the other hand, the new setting strengthens the corrective arm of European governance with the introduction of quasi-automatic sanctions (Matthijs and Blyth, 2017: 2). Finally, the new setting introduces new mechanisms of financial assistance with attached conditionality. All countries analysed were affected by the increase of surveillance over national reforms and budgetary plans. Since 2011, Spanish, Portuguese and Italian governments had to submit their Stability and National Reform Programmes as well as their budgetary plans to be evaluated by the European institutions. In relation to fiscal and budgetary indicators, all countries were asked to reduce public expenditure in order bring down excessive deficits and public debts. The empirical findings show some differences across country-case studies. European institutions activated Excessive Deficit Procedures in Spain, Portugal and Italy in 2009. The European Commission decided that governments had taken sufficient effective action in 2010 but activated once more an EDP only in Portugal and Spain in 2011 and 2012, respectively. The case of Italy was different given that the main problem was not the fiscal deficit but the high debt. For this reason, the EU activated a Macroeconomic Imbalance Procedure (MIP) in 2012.

The examination of case studies also demonstrates that the European governance *disciplined* national governments through the conditionality attached to financial assistance mechanisms. This happened in Portugal and Spain. Portugal entered a Macroeconomic Adjustment Programme in June 2011 and, in exchange, the caretaker government negotiated a Memorandum of Understanding that contained both fiscal consolidation measures and structural reforms. The empirical findings demonstrate that the MoU was only the starting point of three years of review missions in which the Troika asked the Passos Coelho government for further cost-containment measures and reforms. On the other hand, Spain also entered a financial assistance programme in July 2012 to

recapitalise the banking system. The empirical data demonstrates that although the MoU signed by the Rajoy government with European institutions contained only measures to restructure the Spanish financial system, the financial programme meant the activation of a parallel process to evaluate the structural reforms.

Informal pressures. This thesis shows that conditionality was also enforced informally in countries with financial problems, which intertwined with the actions of the ECB. All countries analysed were pressured to implement reforms in exchange for financial help from the ECB. Before the official creation of the ECB's Outright Monetary Transaction (OMT) programme in September 2012, the European Central Bank bought public bonds in the three countries with the objective to relax financial speculation and to bring the bond-yields down. As a consequence, this new procedure strengthened the capacity of the ECB to intervene in national reform agendas in the three countries, considering that these transactions came in exchange for austerity and structural reforms (Sánchez-Cuenca, 2017: 353). The ECB started buying Portuguese bonds in July 2010 and since then it evaluated the austerity packages launched by the Sócrates governments. The evidence indicates that in April 2011, the ECB refused to buy further Portuguese bonds if the Portuguese government did not implement a 'shadow program', an unofficial memorandum that the ECB negotiated and supervised itself with the national government. Likewise, the ECB also asked the Zapatero and Berlusconi governments in Spain and Italy, respectively, to implement specific reforms in exchange for the purchase of bonds in August 2011.

Furthermore, the empirical analysis shows that the new intergovernmental decision-making procedures led to the strengthening of other political actors such as the German Chancellor, Angela Merkel. As we have seen in the case study chapters, the capacity of the German Chancellor to influence national decision-making processes increased. However, there are differences across cases. The evidence reveals that the role of the German Chancellor was more pronounced in Spain, where Merkel became the watchwomen of the reforms. In Spain, Angel Merkel became the "visible face" of adjustments for public opinion (Barbé and Mestres, 2012: 257). The socialist minister, Zapatero, opted for implementing reforms that he *knew* that Merkel supported and also chose to involve her in the policy process as a way to signal the markets. Later, when Rajoy became prime minister, the centre-right prime minister did not need to convince Merkel about his will to implement the reforms but Merkel continued her role as a

watchwomen of the reforms in order to support the PP government vis-à-vis financial speculation.

Regarding Portugal, the performance of the German Chancellor was important before the bailout, when the Sócrates government negotiated the shadow programme, as he needed her support to avoid the bailout. Once Portugal asked for the bailout her vigilance was not necessary since the Troika supervised the implementation of reforms. Regarding Italy, the German Chancellor did not play the role of watchwoman during the Berlusconi government due to the reluctance of the Italian Prime Minister, Berlusconi, to accept external interference in national politics.

Furthermore, the German Chancellor was not the only European leader that influenced national decision-making processes through informal channels. During those years, the media examined carefully the declarations of all European representatives after the meetings of the Euro group, European Council and the ECFIN. As a consequence, a declaration by a European representative could influence financial markets fluctuations, which was very relevant for countries. In relation to this, at the same time that European representatives send public messages in support to the euro, they asked countries in financial difficulties to implement austerity and reforms. This was another way of exercising implicit conditionality. We find examples of these procedures in all countries through the declarations of the former European Commissioner, Olli Rehn, for example.

Financial pressures. One of the main findings of this thesis is the strengthened role of financial markets. Hence, this thesis contributes to arguments about the need to redefine two-level frameworks to add financial markets as a “third-level” (Moury and Standing, 2017). The Eurozone crisis reinforced the role of rating agencies. The downgrading of sovereign debts had substantive spill over effects across countries leading to financial instability (Arezki et al 2011: 5). Financial speculation was used as a thermometer to evaluate their risk to financial default. When Greece and Ireland asked for the bailout, their 10 years-bond spread had reached the 700 points. This served as a threshold for other countries. If they wanted to avoid the bailout, they had to keep the spread below 700 points. Besides, financial markets supported at least implicitly the policies demanded by the Troika (Armingeon and Guthman 2013: 3). Hence, I propose that financial pressures acted as a ‘turbine’ in the conditionality mechanism: debtors had to implement reforms

to gain the credibility of the creditors so the latter would approve financial assistance mechanisms that, in turn, could relax financial speculation:

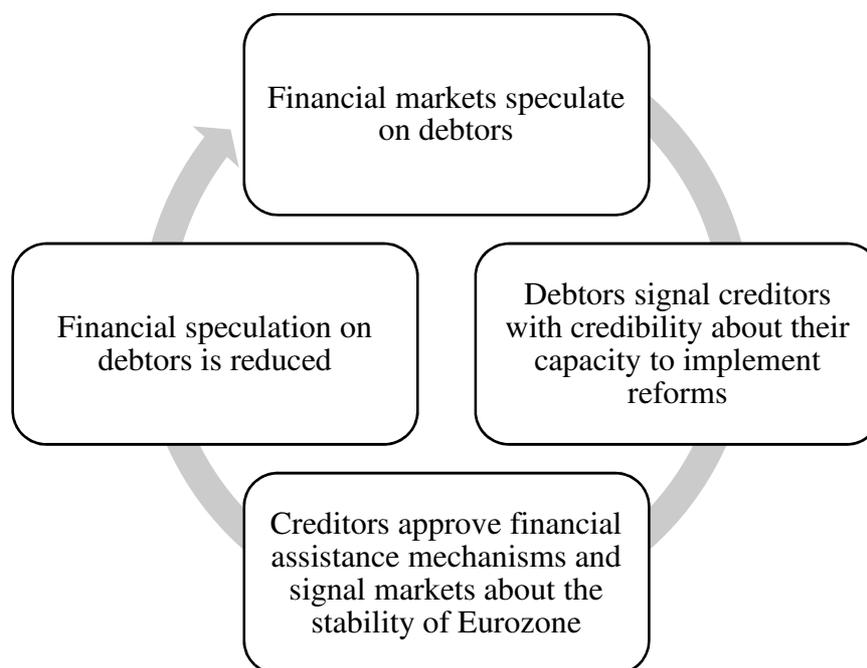


Table 33. Market discipline and structural reforms

3.1.3 Policy regime that limits options regarding labour and welfare policies

The empirical analysis finds support for our argument about the imposition of a policy regime based on austerity, welfare cuts and labour market deregulation. There were three Country Specific Recommendations that affected all countries analysed. First, the insistence on austerity and fiscal consolidation strategies. All CSR contained measures to reduce public deficits and debt. Second, measures to boost competitiveness and productivity related to the labour market. All governments analysed received pressures to reform the labour market and collective bargaining institutions. Finally, all CSR contained recommendations to cut public expenses with a special focus on reforming pension systems. While academic debates focused last years on the idea of “policy without politics” (Hajer, 2003), we could argue that we have entered the era of “politics without policy”. This is in relation to debates about the emergence of “democracy without choice” (Ruiz-Rufino and Alonso, 2017). Some authors argue that the imposition of this policy regime narrows the distance between left and right (Clift 2013: 116).

Moreover, this dissertation shows that the rules-based policy regime is ideologically underpinned by ordoliberal ideas. We can find a relationship between measures such as

the delinking of salaries and pensions with inflation to link them with productivity and life expectancy, respectively, with the 'de-proletarianising' objectives of the ordoliberal project. These measures support a normative conception of welfare based on individual rights rather than collective rights. In the case of labour markets, besides keeping inflation low, the linking with productivity diffuses ideas of individual responsibility based on 'you win what you produce'. Regarding the reform of pension systems, the suggestions were focused on cost-containment measures that did not have into account issues of adequacy such as the delay of retirement age, the tightening of conditions of early retirement and the creation of automatic formulas, the 'sustainability factor', to delink pensions from inflation. In relation to the labour market, they were based on the decentralisation of collective bargaining, the reduction of dismissal compensations and the delinking of salaries with inflation to link it with productivity. Both, fiscal consolidation strategies and structural reforms had an impact on trade unions, either through the curtailment of rights of their constituencies (cuts of public employee's salaries, increase retirement age, decrease dismissal compensation, etc.) or through cutting collective labour organisation's power (decentralisation of collective bargaining and prioritisation of firm level).

Finally, the empirical analysis does not show any substantive across-case variation. Portugal, Spain and Italy received the same type of recommendations. Nevertheless, the empirical analysis reveals that the EU put emphasis on one policy or another depended on national policy legacies. In Spain and Italy, there was more insistency on pension reforms rather than in Portugal because the latter had implemented a comprehensive pension reform in 2007 that had already introduced the sustainability factor (Decreto-lei 187/2007).

4. Explaining national responses: window of opportunity or constrained margin of manoeuvre?

Another conclusion of this dissertation is that the three mechanisms explained above were mediated by national political conditions and dynamics. Hence, the empirical analysis confirms that the responses of national governments were shaped by both international constraints –cost and benefits calculations about complying with external demands-and domestic variables such as ideology and fragmentation of the political system. Two-level game theory explains that external constraints can strengthen national executives to overcome the opposition of domestic groups to unpopular reforms (Putnam, 1988;

Moravcsik, 1994). The empirical findings of this thesis support this argument, but only in the case of strong centre-right governments. On the contrary, in the case of weak and left-leaning governments, external constraints deepen the already existent divisions within governments about the adequacy of implementing external demands.

4.1 Window of opportunity

This dissertation shows that strong centre-right governments complied fully with external demands. This relates to the idea that ideologically aligned governments used the crisis as a window of opportunity to advance their own program (Moury and Standing, 2017). This was the case of the Portuguese PSD-CDS government and the Spanish PP government. Regarding the Portuguese PSD-CDS government, the latter used the adjustment programme to put forward its own agenda. Moury and Freire argue that the Portuguese centre-right government used the external constraints of the bailout to “push reforms they wanted all along” (Moury and Freire, 2013: 47). Their credibility was challenged mostly by external reasons (popular unrest) but the government agreed ideologically with the measures demanded by the Troika and, in several occasions, introduced measures that went beyond the memorandum. Regarding the Spanish PP government, the empirical data also shows that they used the adjustment pressures to implement their ideological program.

On the contrary, Italian governments do not fit easily in these analytical dimensions. The PDL-NL government, spite of being placed in the right wing of the ideological spectrum, was reluctant to implement external demands due to different reasons. On its side, the compliance of the technocratic government of Mario Monti depended on the preferences of the coalition of political parties that supported it, which were different depending on the policy field.

4.2 Constrained margin of manoeuvre

This thesis shows that weak and/or left-leaning governments responded timidly to external demands. One could argue that this is easily predictable as “parties representing the economic ‘left’ are more likely to advocate Keynesian measures, whereas parties representing the economic ‘right’ tend to support the neoliberal ones” (Maatsch 2014: 96). However, the empirical findings offer more complex dynamics. First, as we have said above, the Italian centre-right government of the PDL-NL coalition also complied

timidly with external demands. Second, the Mario Monti government shifted from full to timid compliance depending on the preferences of coalition that supported the government. Hence, one can argue that rather than ideology, fragmentation is a better indicator to predict the lack of compliance. Second, this thesis supports the argument that Ministers of Finance are strengthened during economic crisis (Dyson and Featherstone, 1996). All weak governments analysed displayed divisions between the positions of the Minister of Economy or Finance that were more inclined to implement fiscal consolidation strategies and the position of Prime Ministers that wanted to avoid harsh reforms. Maatsch argues that “parties with ‘double positioning’ demonstrate that receipt of a bailout is likely to generate substantial internal conflicts in parliamentary parties” (Maatsch 2014:109). Hence, external constraints deepen already existent divisions. In these cases, rather than a window of opportunity, the crisis meant the constraining of the room of manoeuvre of governments (Beckert and Streeck, 2012). As Moury and Standing explains, these governments had to engage in a bargaining process with the Troika that was determined by their relative position of power (Moury and Standing, 2017: 663).

5. Concertation under Ordoliberal intergovernmentalism

A central conclusion of this thesis is that, under Ordoliberal Intergovernmentalism, concertation continues being a fundamental exercise of political legitimacy (Traxler, 2010: 46). This dissertation confirms that concertation is mainly a political phenomenon used by weak governments with the objective to generate domestic consensus (Baccaro and Simoni, 2008; Afonso, 2013). However, this thesis shows that the new rules-based setting transformed the political objectives of concertation. Weak governments used social agreements with trade unions with the objective to *signal* external actors about their capacity of governments to adopt credible commitments. Hence, I propose that we need to combine corporatist theory with credible commitments frameworks in order to explain government’s choice under external constraints.

5.1 Credibility and unilateralism

The empirical analysis confirms that strong and/or centre-right governments, which achieved full credibility from external actors, tend to implement reforms unilaterally. This was the case of the Spanish PP, the Portuguese PSD-CDS (from mid-2012) and the Italian technocratic government of Mario Monti (from December 2011 to April 2012).

The capacity of adopting credible commitments of these governments was the result of ideological alignment and the high level of domestic consensus. In the Spanish case, the absolute majority of the PP in Parliament, jointly with the full compliance with external demands, strengthened the national executive vis-à-vis trade unions. The People's Party governed by the 'force of law' and implemented structural reforms through the introduction of decree laws that did not require parliamentary debate and amendments. In addition, the PP did not respect the bilateral agreement between trade unions and employer's organisation on the labour market of early 2012, and implemented a labour market reform unilaterally.

Besides, the centre-right government introduced important changes in the pension system outside the 'Toledo Pact' and without the consensus of other political parties and trade unions. On its side, the Portuguese PSD-CDS coalition government also displayed full compliance from mid-2012, which led to unilateralism. After pre-empting mobilisation of trade unions with the signature of the labour market agreement with the UGT, and once rumours of a second bailout dissipated, the PSD-CDS government decided to go further than the contents of the memorandum and implemented measures that were against the previous agreement with the UGT. In addition, when the Mario Monti technocratic government enjoyed full support from parliamentary political parties to launch an ambitious programme that helped the government to achieve full credibility from external actors until mid-2012, the government decided to implement the pension reform unilaterally.

5.2 Lack of credibility and concertation

One of the main results of this thesis is that, contrary to arguments about the end of corporatism during the Eurozone crisis (Urban, 2012; Papadakis and Guellab, 2014; Culpepper and Regan, 2014), the empirical data shows that, in most of cases, the first intention of the government was to include trade unions in pension and labour market policymaking processes. With the exception of the Spanish PP government, all governments opened consultation and negotiation processes with trade unions at some point. However, the outputs of social dialogue differed substantively. In some cases, social agreements were not accomplished due to the polarised positions between the government and the social partners or between the trade unions and the employers' organisations. This was the case of the labour market agreement during the Spanish

socialist government in 2010. In other cases, such as both Italian governments, consultation processes with trade unions were used to achieve their acquiescence and also to generate intra political parties' consensus but trade-offs were negotiated informally.

On the other hand, some governments and trade unions managed to sign social agreements on labour market and pension reforms. This dissertation finds out that the willingness of governments to sign social pacts was closely related to their needs of signalling. Rodrik (1989) argues that there are three main sources of lack of credibility. First, when one policy reform is at odds with reforms in other policy area, external actors perceive inconsistency (Rodrik, 1989: 757). Left-leaning governments are more susceptible to suffer from lack of credibility due to their policy preferences against liberalisation (Clift, 2013: 116). For this reason, the only option for left-leaning governments was to mobilize popular consensus for, or at least blunt hostility against, austerity policies (Armingeon and Baccaro 2012: 14).

Second, lack of credibility can also be the result of time-inconsistency (Rodrik, 1989: 757). This was the case of both Italian governments that faced problems with implementation and could not meet international demands with the urgency that was required. As Rodrik explains “the credibility of policy reform is intimately linked to the magnitude of the reform, and, by implication, the pace at which it is carried out” (Rodrik, 1980: 770). Finally, governments can also suffer from lack of credibility due to incomplete or asymmetric information (Rodrik, 1989: 757). This was the case of both, Spanish and Portuguese socialist governments and the Italian Berlusconi government, which implemented some reforms in order to avoid the bailout but without the consistency that was required by external actors. This thesis shows that these governments tried to “weather” the demands of external actors leading to credibility problems. In Spain, the socialist government did not introduce the sustainability factor in the pension reform of 2011 and the labour market reform of 2010 did not prioritise completely firm-level collective bargaining, both requirements of external actors. This was a problem because when objectives are not clear, markets expect them “to go much further than it would have chosen to in the absence of the credibility problem” (Rodrik, 1989: 758). This is what happened, for example, during the first few months of the Italian Mario Monti government or the Portuguese Passos Coelho government, which both claimed to go further than the external demands in order to restore their credibility.

Moreover, this dissertation shows that various governments considered social agreements with trade unions as a way to signal external actors. Some political parties considered that the opposition of trade unions increased the lack of trust of external actors. The evidence supports this argument for both Portuguese governments and for the Spanish socialist government. One could argue that, in these cases, the absence of agreements was perceived as a source of lack of credibility. This might be in relation with two factors. First, this thesis shows that, contrary to arguments about the declining power of trade unions “through mobilizing support for politically difficult reform packages” (Culpepper and Regan 2014:741), some Southern European trade unions still retain considerable veto power through mobilisations, and by increasing criticism within “friendly” political parties against deregulatory reforms. In Portugal, both governments considered joint general strikes as an obstacle to implement the reforms. In Italy, CGIL acquiescence was crucial to get the support of the PD to the labour market reform in 2012. On the contrary, trade union’s veto power was weaker in Spain, where two general strikes in 2012 did not change the PP unilateral approach.

5.2.1 Party-union linkages revisited

This thesis also shows that party-union linkages are still very important in Southern European countries to mobilise both, within government and parliamentary support to unpopular reforms. Again, with the exception of the Spanish PP government, all cases demonstrate that the relationship between trade unions and political parties was crucial to build domestic consensus. The Portuguese socialist government used its links with the UGT-P to sign a labour market agreement in 2011. In addition, the links between the UGT-P and the PSD are also important to understand the lack of consensus on the labour market reform. In Spain, the relationship of the PSOE of Rodríguez Zapatero, mostly with the UGT-S but also with CCOO, is helps us to explain the willingness of the socialist government to negotiate the pension reform in 2011. In Italy, the relationship between the CISL and the Berlusconi government facilitated labour acquiescence. In addition, the relationship between the CGIL and the PD proved crucial to gather enough consensus to approve the labour market reform in 2012. In these cases, opposition of trade unions could not only hinder implementation of reforms but could also lead to the disagreement of some sectors of the political parties with the reforms, putting in risk approval in the parliament.

6. Trade union's strategies under Ordoliberal Intergovernmentalism

This section evaluates the impact of new European setting on the political opportunity structure available for trade unions to influence policymaking processes. In so doing, we examine how trade unions framed the new opportunities and constraints taking into account their power resources and identities.

6.1 Supranational and transnational channels of participation

The empirical findings show that the intervention of the EU on national economic and social policies introduced new centres of power towards which trade unions could direct their demands. Trade unions could exercise pressure on national governments to stop welfare cuts and labour market deregulation. Besides, labour organisations could also organise actions through the ETUC to influence European decision-making processes. Finally, trade unions could organise transnational joint actions with confederations from other countries. Supranational links provide trade unions with information that enforce their bargaining power and makes easier to mobilise their members (Frege and Kelly 2003: 9).

However, this dissertation shows that not all trade unions explored supranational and transnational levels in the same way because their responses were shaped by their resources and identities. Smaller trade unions whose power resources depend more on party-union linkages, such as the Portuguese UGT-P or the Italian CSIL and UIL were more reluctant to engage with transnational actions that could compromise their social partnership identity. On the contrary, bigger trade unions such as Spanish CCOO and UGT-S, the Portuguese CGTP and the Italian CGIL were more open to explore transnational actions. They initiated a campaign within the ETUC to develop a more offensive strategy that revolved around the idea of a European general strike. Nevertheless, their degree of involvement also depended on national political dynamics. The Spanish trade unions were the most involved, which was the result of a combination of the total closure of national channels of political participation since spring 2011 and the fact that the leader of the Spanish CCOO was elected as the president of the ETUC in May 2011, which gave them privileged access to information and resources. On the contrary, Spanish confederations restrained transnational actions in 2013 when they decided to adopt a more collaborative position at home. The same happened for the Italian CGIL that decided not to call for a general strike in the European Day of action of March

2012 because they were maintaining talks with the Mario Monti government on the labour market reform.

6.2 Constrained social dialogue

Another finding of this thesis is that although there were various social agreements on pensions and labour market reforms, trade unions could not influence the final policy outputs of these reforms. Trade unions engaged in political action waiting for favourable labour market legislation (Frege and Kelly 2003: 9), but external pressures hindered the possibilities of governments to offer concessions. Hence, social agreements under the new European setting are better understood as “concessionary corporatist deal” (Armingeon and Baccaro, 2012: 256). Concessionary agreements are characterised by the acceptance of trade unions of welfare cuts and deregulatory measures in exchange of minimal concessions or promises of future reversals (once macroeconomic constraints disappear). Governments are still interested in including trade unions to generate consensus but once they are at the bargaining table, there are not resources to offer.

One could argue that this was also the result of the discipline mechanisms of the new European regime and credibility games. As we have seen above, external actors evaluated not only the contents of the reforms but also the pace in which they were implemented. This hindered the possibility of introducing phase-in periods in pension reforms, for example. This was the case of the Berlusconi government, which signed a pension reform with CISL and UIL in 2010 and later had to eliminate previously agreed phase-in periods. In other cases, governments also broke the promises acquired with trade unions. The Spanish socialist government could not implement a favourable collective bargaining reform in 2011, which was part of the pension reform trade-off. According to Baccaro and Howell, these concessionary agreements form part of a general and long-term trend of neoliberal convergence (Baccaro and Howell, 2011). However, we can affirm that the constraints of the Eurozone crisis differed from those related to the run-up to EMU, where governments had more margin of manoeuvre to introduce gradual reforms and negotiate different policy areas.

This can lead to the next question: why are then trade unions interested in engaging in ‘constrained’ social dialogue? This thesis shows that, with the exception of the Portuguese CGTP, trade unions opted to collaborate with governments for two interrelated reasons. First, identities are still important drivers of trade unions’ behaviour.

The Portuguese CGTP-P is the only trade union that shows an anti-capitalist approach and refuses to sign any agreement regardless the political party in government. The rest of trade unions show a more ambivalent approach. They use mobilisations not as an end in itself but as a way to reopen negotiations with governments. Once negotiations are open, trade unions are more flexible to move their red lines.

Party-union linkages are also important here. The empirical findings show that the Italian CGIL, for example, had a more confrontational position vis-à-vis the Berlusconi government than vis-à-vis the Mario Monti government when the PD supported the latter. Therefore, one could argue that trade unions participate in concessionary governments to help a 'friendly' government. This is even more important in a context in which trade unions perceive that their 'friendly' government is under external pressure as it was the case of the Portuguese UGT-P with the PS government. In this sense, the participation of trade unions in concessionary agreements also depended on their framing processes about external pressures. There is evidence to argue that with the exception of the Portuguese CGTP, trade unions signed social pacts or demobilised their membership as the 'lesser of two evils' with the objective to avoid financial default or bailouts because they perceived that the consequences of the latter were worse than of the former.

6.3 Potential new allies: anti-austerity social movements

Köhler and Calleja Jiménez argue that the participation of trade unions in concessionary agreements led to a crisis of their societal legitimacy (Köhler and Calleja Jiménez, 2014: 756). In Spain and Portugal, for example, some sectors of the anti-austerity social movements considered labour confederations co-responsible of the loss of labour rights during the crisis. This thesis shows that, partially driven by their need to restore their credibility and by their need to increase their mobilisation power resources, the Spanish CCOO and UGT and the Portuguese CGTP-P engaged in anti-austerity protest movements that could mobilise sectors of society beyond their membership such as the precarious workers. On the contrary, the Portuguese UGT-P was more reluctant to engage in social movements' actions that could compromise its social partnership approach. In Italy, anti-austerity protest dynamics were different given that trade unions remained at the centre of protests.

7. External validity and future research agendas

This section examines the external validity of the arguments proposed in this thesis and proposes future research agendas. First, we need to question the external validity of this thesis in temporal terms. One could question whether the changes introduced by the new European rules-based setting are temporal or permanent. On the one hand, the new European governance institutionalises the discipline attached to the European semester and the Fiscal Compact, and the conditionality attached to financial assistance mechanisms. On the other hand, it remains unclear to what extent these mechanisms have enforcement power once financial speculation disappears. As it has been argued here “market discipline” was fundamental to operate these mechanisms (Sacchi, 2015:1). Therefore, future research agendas should test the arguments proposed here once market discipline disappears. In relation to this, it would be interested to observe whether current Portuguese, Spanish and Italian governments are reversing austerity and structural reforms or not, and the variables that can explain different responses.

Moreover, one could question whether the arguments proposed here are valid only for some varieties of capitalism or not. The new rules-based European governance is common for all member states, but adjustment pressures were bigger in some countries such as Portugal, Spain, Italy, Greece and Ireland. As Scharpf argues, these countries “found themselves in extremely vulnerable positions defined by severe current-account deficits, an extreme dependence on capital inflows and severely overvalued real exchange rates” (Scharpf, 2011: 17). This thesis has focused on explaining the transformation of national political opportunities of three countries of the periphery, Portugal, Spain and Italy. These countries belong to the same variety of capitalism, Mixed/Mediterranean, and share certain characteristics such as high debt and/or deficit, low competitiveness, high welfare expenditure and high levels of labour protection.

However, the Eurozone crisis had a different impact on Northern and Southern European countries: “Northern European economies equipped to operate export-led growth models suitable for success within a monetary union are joined to southern economies whose demand-led growth models were difficult to operate successfully without the capacity to devalue” (Hall, 2014: 1223). Besides, the actions of credit actions focused more on these countries than other countries (Arezki et al 2011: 2). Therefore, it would be interested to

observe the impact of adjustment pressures on other types of growth model. There are studies that shows that coordinated economies such as France also suffered from credibility problems (Clift, 2013). Besides, other studies show that the Netherlands also experienced pressures to implement austerity measures (Weske et al. 2014).

Finally, this thesis argues that the new European regime is the result of a specific configuration of power of European member states. Hence, we can say that changes in the balance of power within the Council could favour different types of procedures and policies. In this sense, we can observe that, maybe because of the rise of Euroscepticism, (Treib, 2014) the EU is promoting now a more social approach. The introduction of a European Pillar of Social rights and other mechanisms to socialise the European semester (Zeitlin and Vanhercke, 2014) reveal that the European social model is still an ideological contested terrain. In this sense, it would be interested to observe whether the countries under financial difficulties have regained reputation at the EU level and are influencing the more recent decisions to transform the European economic governance.

CHAPTER 10. CONCLUSIONS

Four main conclusions can be drawn from this thesis. First, *Ordoliberal Intergovernmentalism transforms the European Social Model and the way we understand Europeanization processes*. Armingeon and Guthman affirm that “not since the 1950s have advanced democracies experienced such a dramatic external imposition of austerity and structural reform policies through inter or supranational organisations” (Armingeon and Guthman 2013:1). The new regime modifies the concept of national economic sovereignty given that at present, governments transfer not only fiscal and monetary policies but also economic and social policies to the EU. This “altered Europeanization” triggered by adjustment pressures (De la Porte and Natali, 2014) has far-reaching normative implications. The new European regime is at odds with the foundations of the ESM based on solidarity between member states (Ferrera, 2005). National welfare regimes depend on a social pact underpinned by solidarity values that are more and more at risk. The new setting reinforces the centre-periphery conflict (Magone, 2011) by worsening the imbalances between the export-led core and the periphery (McCartney 2014: 407).

Second, *the new EU regime transforms national democratic systems*. The ordoliberal dream of eliminating democratic demands through de-politicization (Macartnery 2014: 405) has led to the emergence of two parallel processes in Europe. On the one hand, monetarist and price stability pressures has resuscitated neoliberal discourses based on ‘no alternative’ and necessity claims (Moury and Standring, 2017). Ordoliberal intergovernmentalism represents a turn of the screw of the idea of ‘democracy without choice’. However, there is a fundamental difference between neoliberalism and ordoliberalism, which has important consequences for democracy. The “flexibility and ambiguity embedded in the neo-liberal ideal” (Schmidt and Thatcher, 2013: 226), allows for wider discretion for governments to choose between different policies.

On the contrary, ordo-liberalism reduces considerably government’s discretion because it considers “unrestrained democracy” as the main cause of chaos and obstacle to free market (Bonefeld, 2016:7). Troika, austerity, spread, bail out, etc. are not only words that are now part of citizen’s imaginary but also that have enduring implications for our democratic systems. In the opening sentence of the book, “Politics in the Age of Austerity”, Streeck and Schäfer explain what it will be one of the biggest conundrums for

political scientists in the next decades, how to accommodate democratic procedures in the era of austerity:

“In a world of increasing austerity measures, democratic politics comes under pressure. With the need to consolidate budgets and to accommodate financial markets, the responsiveness of governments to voter’s decline. However, democracy depends on choice. Citizens must be able to influence the course of government through elections and if a change in government cannot translate into different policies, democracy is incapacitated” (Streeck and Schäfer, 2013:1)

This is in relation to the second process, the narrowing down between the left and right and the emergence of two polarised political options: technocracy or populism (Kenneally, 2009). Under the new regime, governments from both, the right and the left implement “essentially” the same policies (Armingeon and Baccaro, 2012). The reduction of the distance between the left and right has led to the emergence of alternative political options that do not relate to the traditional left and right cleavage: technocracy and populism. Citizens can now choose between leaving macroeconomic decisions to ‘supposedly’ neutral experts or to vote for populist parties (Bosco and Morlino, 2013; Morlino and Raniolo, 2017; Lobera, 2015).

The third conclusion refers to the transformation of concertation processes. *Ordoliberal intergovernmentalism transforms the processes and contents of political exchange between governments and trade unions.* Although governments still engage in social dialogue with trade unions to achieve legitimacy, neither governments nor trade unions can influence the direction of social and labour market reforms. As Streeck argues:

“With the arrival of a new age of austerity, the capacity of national states to mediate between the rights of citizens and the requirements of capital accumulation has been severely affected” (Streeck, 2011: 25).

This is relevant because one of the most important challenges for democratic capitalism throughout history has been how to reconcile opposing class interests. In Western societies, this problem has traditionally been solved through the institutionalisation of class conflict (Crouch and Streeck, 2006). Although early European liberalism was against the existence of collective organisations, the ‘golden years’ of capitalism after World War II led to the emergence of corporatist systems of interest aggregation

(Schmitter, 1974) that made liberalism compatible with parliamentary democracy, economic performance and governability (Crouch and Streeck, 2006). One could argue that the new regime brings back ideas related to early European liberalism against the intervention of collective organisations in economy. This thesis shows that European decision-making procedures are still compatible with national concertation but it also demonstrates that the contents of the later are hollowed out.

Finally, this is in relation to the fourth conclusion. *Ordoliberal intergovernmentalism weakens trade unions' influence and exacerbates their strategic dilemmas*. A group of experts on trade unionism affirmed in 2010 that the crisis had been a lost opportunity for labour organisations (Baccaro et al., 2010). On the hand, deregulatory labour market reforms undertaken during the crisis undermine collective bargaining power and weakens the capacity of trade unions to maintain labour rights. On the other hand, trade unions are also influenced by the political processes described above. The narrowing between the left and the right leave trade unions without their traditional allies. This thesis shows that party-union linkages are still important for achieving legitimacy but it also demonstrates that party-union linkages are not useful for trade unions to influence the content of reforms because left-leaning parties, once in power, are unable to keep their promises.

Under Ordoliberal intergovernmentalism trade unions face similar lose-lose situations than left-leaning parties. Either they accept deregulatory reforms or they mobilise against them and a consequence face the risk of bailouts or financial penalisation that could worsen the economic situation. One could argue that the new regime polarises political choices for trade unions. With the elimination of the 'middle' political space where democratic capitalism is susceptible to be reformed, they can choose either for collaboration or for radicalism. Trade unions' strategic dilemmas are also worsened by the existence of interdependent economies that require international action. Labour organisations are affected by the crisis of solidarity in Europe (Gumbrell-McCormick and Hyman, 2015). In a context where economies have to be more and more competitive, hatching solidarity bonds is a difficult chimera that might come true only if unions decide again to become 'swords of justice'.

REFERENCES

Literature

Accornero, G. and Ramos Pinto, P. (2015). “‘Mild mannered’? Protest and mobilisation in Portugal under austerity, 2010–2013”. *West European Politics*, vol. 38, no 3: 491-515.

Afonso, A. (2016) “External Constraints and Labour Market Reforms in Southern Europe during the Eurozone Crisis”. *Working paper*. Available at https://www.researchgate.net/publication/301691058_Labour_Market_Reforms_in_Southern_Europe_in_the_Shadow_of_the_Troika

Afonso, A. (2013) *Social concertation in times of austerity: European integration and the politics of labour market reforms in Austria and Switzerland, Changing welfare states*. Amsterdam: Amsterdam University Press.

Afonso, A., Zartaloudis, S., and Papadopoulos, Y. (2015). “How party linkages shape austerity politics: clientelism and fiscal adjustment in Greece and Portugal during the Eurozone crisis”. *Journal of European Public Policy*, 22(3), 315-334.

Agostini, C., Lisi, V., Natali, D., and Sabato, S. (2017). *Balancing protection and investment: structural reforms in five countries*. Brussels: ETUI.

Alberich Nistal, T. (2016). *Desde las Asociaciones de Vecinos al 15M y las mareas ciudadanas. Breve historia de los movimientos sociales*. Madrid: Dykinson.

Alonso, S. (2014). “«Votas pero no eliges»: la democracia y la crisis de la deuda soberana en la eurozona”. *Recerca, Revista de Pensament i Anàlisi*, no. 15: 21-53. ISSN: 1130-6149.

Andretta, M. (2016). “Neoliberalism and Its Discontents in Italy: Protests without Movement?” In *Late Neoliberalism and its Discontents in the Economic Crisis Comparing Social Movements in the European Periphery*, edited by D.D. Porta, M. Andretta, T. Fernandes, F. O'Connor, E. Romanos and M. Vogiatzoglou, 201-241. Palgrave MacMillan.

Andretta, M. and Della Porta, D. (2015). “La protesta de la generación precaria en los movimientos anti austeridad en España e Italia”. *OBETS. Revista de Ciencias Sociales*, 10 (1): 37-66.

Antón, A. (2011). *Resistencias frente a la crisis. De la huelga general del 29-S al Movimiento 15-M*. Valencia: Germania.

Arezki, R.; Candelon, B., and Sy, A. (2011) "Sovereign rating news and financial markets spillovers: Evidence from the European debt crisis" CESifo working paper: *Monetary Policy and International Finance*, No. 3411

Armingeon, K. and Baccaro, L. (2012) "Political Economy of the Sovereign Debt Crisis: The Limits of Internal Devaluation". *Industrial Law Journal*, 41 (3).

Armingeon, K., and Guthmann, K. (2014). "Democracy in crisis? The declining support for national democracy in European countries, 2007–2011". *European Journal of Political Research*, 53(3): 423-442.

Avdagic, S.; Rhodes, M. and Visser, J. (2005) "The Emergence and Evolution of Social Pacts: A Provisional Framework for Comparative Analysis. EUROGOV." Available at http://edoc.vifapol.de/opus/volltexte/2011/2457/pdf/egp_newgov_N_05_01.pdf

Avdagic, S.; Rhodes, M. and Visser, J., (Eds). (2011). *Social Pacts in Europe: Emergence, Evolution and Institutionalization*. Oxford: Oxford University Press.

Baccaro, L., and Howell, C. (2011) "A common neoliberal trajectory: The transformation of industrial relations in advanced capitalism". *Politics & Society*, 39(4): 521-563.

Baccaro, L., Boyer, R., Crouch, C., Regini, M., Marginson, P., Hyman, R., and Milkman, R. (2010). "Labour and the global financial crisis". *Socio-Economic Review*, 8(2): 341-376.

Baccaro, L. (2003). "What is Dead and What is Alive in the Theory of Corporatism". *British Journal of Industrial Relations* 41: 683-706.

Baccaro, L. (2009) "Similar structures, different outcomes: The surprising resilience of corporatist policy-making in Europe" Paper presented in 21st SASE Conference, Paris.

Baccaro, L. and Simoni, M. (2008). "Policy concertation in Europe: Understanding government choice". *Comparative Political Studies* 41(10): 1323-1348.

Baccaro, L.; Hamann, K. and Turner, L. (2003). "The Politics of Labour Movement Revitalization: The need for a revitalized perspective". *European Journal of Industrial Relations* 9 (1): 119-133.

Bacon, N. and Blyton, P. (2002). "Militant and moderate trade union orientations: what are the effects on workplace trade unionism, union-management relations and employee gains?" *The International Journal of Human Resource Management* 13:2: 302-319. DOI: 10.1080/09585190110102396.

- Barranco, O. and Molina, Ó. (2014) “Sindicalismo y crisis económica: amenazas, retos y oportunidades”. *Kultur* 1 (2): 171-194.
- Baumgarten, B. (2013). “Geração à Rasca and beyond: Mobilizations in Portugal after 12 March 2011”. *Current Sociology*, 61 (4): 457-473.
- Baxter, P., and Jack, S. (2008) “Qualitative case study methodology: Study design and implementation for novice researchers”. *The qualitative report*, 13(4): 544-559.
- Beach, D. (2013). “Taking Mechanisms Seriously?”. *European Political Science*, 12(1): 13-15.
- Beach, D. and Pedersen, R. B. (2013) *Process-tracing methods: Foundations and guidelines*. University of Michigan Press.
- Beneyto, P. J. (2008). “El sindicalismo español en perspectiva europea: de la anomalía a la convergencia” *Cuaderno de Relaciones Laborales* 28 (1): 57-58.
- Benford, R. D., and Snow, D. A. (2000) “Framing processes and social movements: An overview and assessment”. *Annual review of sociology*, 26(1): 611-639.
- Bérout, S. (2014) “Crise économique et contestation sociale en Espagne. Des syndicats percutés par les mouvements sociaux?” *Critique Internationale* 65: 27-42.
- Bickerton, C. J.; Hodson, D. and Puetter, U. (2015) “The new intergovernmentalism: European integration in the post-Maastricht era” *JCMS: Journal of Common Market Studies* 53 (4): 703-722.
- Biebricher, T. (2014). “The Return of Ordoliberalism in Europe – Notes on a Research Agenda”. In: *i-lex* 21: 1-24. Accessed in: www.i-lex.it.
- Bieler, A. (2008). “Labour and the Struggle over the future European model of capitalism: British and Swedish trade unions and their positions on EMU and European co-operation”. *British Journal of Politics and International Relations*, 10(1): 85-105.
- Bieler, A. and Erne, R. (2014). “Transnational Solidarity? 2014 The European Working Class in the Eurozone Crisis”. *Socialist Register*, 51 (1): 10.
- Bieler, A. and Schulten, T. (2008). “European integration: a strategic level for trade union resistance to neoliberal restructuring and for the promotion of political alternatives?”. In *Labour and the Challenges of Globalization: What prospects for Transnational Solidarity?*, edited by Andreas Bieler, Ingemar Lindberg and Devan Pillay. London: Pluto Press.

Bieler, A. and Morton, A. D (Eds) (2001). *Social Forces in the Making of the New Europe. The restructuring of European Social Relations in the Global Political Economy*. New York: Palgrave.

Bieling, H. J. and Lux, J. (2014) “Crisis-Induced Social Conflicts in the European Union—Trade Union Perspectives: The Emergence of 'Crisis Corporatism' or the Failure of Corporatist Arrangements?” *Global Labour Journal* 5 (2).

Bieling, H. J. and Schulten, T. (2001). “Competitive restructuring and industrial relations within the European Union: Corporatist involvement and beyond?” *Hans-Böckler-Stiftung*, 99.

Biorcio, R. (1999) “La Lega Nord e la transizione italiana”. *Rivista italiana di scienza politica*, 29(1): 55-88.

Bonefeld, W. (2017) “Authoritarian Liberalism: From Schmitt via Ordoliberalism to the Euro” *Critical Sociology*.

Bonefeld, W. (2012). “Freedom and the Strong State: On German Ordoliberalism”. *New Political Economy* 17:5: 633-656. DOI: 10.1080/13563467.2012.656082.

Bonefeld, W. (2015) “Crisis, Free Economy and strong state”. *European Review of International Studies*: 5-14.

Bordignon, F. (2014) “Matteo Renzi: A ‘Leftist Berlusconi’ for the Italian Democratic Party?” *South European Society and Politics*, 19(1): 1-23.

Bosco, A. and Morlino, L. (Eds.). (2013) *Party Change in Southern Europe*. London: Routledge.

Bosco, A., and Verney, S. (2012) “Electoral epidemic: the political cost of economic crisis in Southern Europe, 2010–11” *South European society and politics*, 17(2): 129-154.

Büchs, M. (2008) “The Open Method of Coordination as a 'two-level game'” *Policy & Politics*, 36(1): 21-37.

Buiter, W., Corsetti, G., and Roubini, N. (1993) “Excessive deficits: sense and nonsense in the Treaty of Maastricht” *Economic Policy*, 8(16): 57-100.

Bulmer, S. and Paterson, W. E. (2013) "Germany as the EU's reluctant hegemon? Of economic strength and political constraints". *Journal of European Public Policy* 20:10: 1387-1405. DOI: 10.1080/13501763.2013.822824.

Busch K. (1995). "L'union économique et monétaire: les dilemmes socioéconomiques de l'intégration monétaire européenne". In OSE, edited by Union économique et monétaire et protection sociale, Working Paper 11 (Brussels: Observatoire social européen): 51-62.

Busemeyer, M. R., Kellermann, C., Petring, A. and Stuchlík, A. (2008). "Overstretching solidarity? Trade unions' national perspectives on the European economic and social model". *European Review of Labour and Research* 14 (3): 435-452.

Buti, M., and Carnot, N. (2012) "The EMU debt crisis: early lessons and reforms". *JCMS: Journal of Common Market Studies*, 50(6), 899-911.

Campos Lima, M. da P. and Martín Artiles, A. (2011). "Crisis and trade unions challenges in Portugal and Spain: between general strikes and social pacts". *European Review of Labour and Research* 17 (3): 387-402.

Campos Lima, M. da P. and Martín Artiles, A. (2014). "Descontentamento na Europa em tempos de austeridade: Da ação coletiva à participação individual no protesto social". *Revista crítica de ciências sociais*: 137-172.

Campos Lima, M. da P. and Naumann, R. (2011). "Portugal: From Broad Strategic Pacts to Policy-Specific Agreements". In *Social Pacts in Europe: Emergence, Evolution and Institutionalization*, edited by S. Avdagic, M. Rhodes and J. Visser, 147-174. Oxford: Oxford University Press.

Cardoso, D. and Branco, R. (2017) "Labour Market Reforms and the Crisis in Portugal: No Change, U-Turn or New Departure?" (No. 56). *IPRI Working Papers*.

Castañeda, E. (2012) "The indignados of Spain: a precedent to occupy Wall Street". *Social Movement Studies*, 11(3-4): 309-319.

Cantillon, B. (2011) "The paradox of the social investment state: growth, employment and poverty in the Lisbon era". *Journal of European Social Policy*, 21(5): 432-449.

Carinci, F. (2009). "Una dichiarazione d'intenti: l'Accordo quadro 22 gennaio 2009 sulla riforma degli assetti contrattuali". *Rivista italiana di diritto del lavoro*, 28(2): 177.

Chuliá, E. (2006). "Spain between majority rule and incrementalism". In *The Handbook of Western European pension politics*, edited by Ellen Immegurt; Karen M. Anderson and Isabelle Schulze, 499-544. Oxford: Oxford University Press.

Cerrillo Vidal, J. A. (2013). "From general strike to social strike: movement alliances and innovative actions in the November 2012 Spanish general strike" *Interface: A Journal for and About social movements*, 5 (2): 39-46.

Clift, B. (2013) "Le changement? French socialism, the 2012 presidential election and the politics of economic credibility amidst the Eurozone crisis" *Parliamentary Affairs*, 66(1), 106-123.

Costa, H. A. (2012) "From Europe as a model to Europe as austerity: the impact of the crisis on Portuguese trade unions" *Transfer: European Review of Labour and Research*, 18(4): 397-410.

Costamagna, F. (2013). "The European Semester in Action: Strengthening Economic Policy Coordination While Weakening the Social Dimension?" *LPF-WEL Working Paper* (5).

Costamagna, F. (2012). "Saving Europe 'Under Strict Conditionality': A Threat for EU Social Dimension?" *LPF Working Paper, no. 7*. Available at SSRN: <http://ssrn.com/abstract=2230329> or <http://dx.doi.org/10.2139/ssrn.2230329>.

Crouch, C., and Streeck, W. (Eds.). (2006). *The diversity of democracy: corporatism, social order and political conflict*. Cheltenham (UK) Northampton (USA): Edward Elgar Publishing.

Culpepper, P. D. and Regan, A. (2014) "Why don't governments need trade unions anymore? The death of social pacts in Ireland and Italy. *Socio-Economic Review*, 12(4): 723-745.

De Cienfuegos, I. M. Á. (2012). "Gobierno y desgobierno de la economía: las políticas de respuesta a la crisis". In *España en crisis balance de la segunda legislatura de Rodríguez Zapatero*, edited by César Colino and Ramón Cotarelo García. Tirant Lo Blanc: Madrid.

De Giorgi, E.; Moury, C. and Ruivo, J. P. (2015). "Incumbents, opposition and international lenders: governing Portugal in times of crisis". *The Journal of Legislative Studies* 21 (1): 54-74.

Degryse, C., Jepsen, M., and Pochet, P. (2013). *The Euro crisis and its impact on national and European social policies*. Brussels: ETUI.

De la Parra, S. (2013). "The two pack on economic governance: an initial analysis. Background analysis". Brussels: ETUI.

De la Porte, C. and Heins, E. (2015) “A new era of European integration? Governance of labour market and social policy since sovereign debt crisis”. *Comparative European Politics*, vol. 13: (1): 8–28.

De la Porte, C., and Natali, D. (2014) “Altered Europeanisation of pension reform in the context of the great recession: Denmark and Italy compared” *West European Politics*, 37(4): 732-749.

De la Porte, C. and Pochet, P. (2012). “Why and how (still) study the Open Method of Co-ordination (OMC)?” *Journal of European Social Policy* 22 (3): 336–349.

De la Porte, C. and Pochet, P. (2003). “A Twofold Assessment of Employment Policy Coordination in Light of Economic Policy Coordination”. In *Five Years’ Experience of the Luxembourg Employment Strategy*, edited by D. Foden and L. Magnusson, 13–68. Brussels: European Trade Union Institute.

De la Porte, C. (2002). “Is the open method of coordination appropriate for organising activities at European level in sensitive policy areas?” *European Law Journal*, 8(1), 38-58.

Degryse, C. (2012). “The new European economic governance”. Brussels: ETUI Working Paper 14.

Degryse, C.; Jepsen, M. and Pochet, P. (2013). “The Euro Crisis and Its Impact on National and European Social Policies”. Brussels: ETUI Working Paper 05.

De la Porte, C., and Heins, E. (2016). *The Sovereign Debt Crisis, the EU and Welfare State Reform*. UK: Palgrave Macmillan.

Del Pino, E. (2013). “The Spanish Welfare State from Zapatero to Rajoy: Recalibration to Retrenchment”. In *Politics and Society in Contemporary Spain: From Zapatero to Rajoy*, edited by Alfonso Botti and Bonnie N. Field. New York: Palgrave.

Della Porta, D. (2006). *Social movements, political violence, and the state: A comparative analysis of Italy and Germany*. Cambridge: Cambridge University Press.

Della Porta, D. (2013). “Political opportunity/political opportunity structure”. *Encyclopedia of social and political movements* 3: 956-961.

De Witte, B. (2011). “The European Treaty Amendment for the Creation of a Financial Stability Mechanism”. *European policy analysis* 2011:6

Di Mascio, F., Galli, D., Natalini, A., and Ongaro, E. (2017). *A Tale of Path-Dependent Public-sector Shrinkage. Public Management in Times of Austerity*. London: Routledge: 71- 91.

Dinis, D. and Coelho, H. (2012). *Resgatados. Os bastidores da ajuda financeira a Portugal*. Lisbon: A Esfera dos Livros.

Dølvik, J. E. (1999). “An Emerging Island?”. *ETUC, Social Dialogue and the Europeanisation of the Trade Unions in the 1990s*. Brussels: European Trade Union Institute.

Dornelas, Antonio (2010) “Social pacts in Portugal: still uneven?” in *After the euro and enlargement: social pacts in the EU* edited by Philippe Pochet, Maarten Keune and David Natali 109-137. Brussels: ETUI.

Dribbusch, H. (2015). “Where is the European general strike? Understanding the challenges of trans-European trade union action against austerity”. *European Review of Labour and Research* 21: 171–185. DOI: 10.1177/1024258915573185.

Dufour, C., and Hege, A. (2010) “The legitimacy of collective actors and trade union renewal” *Transfer: European Review of Labour and Research*, 16(3): 351-367.

Dufresne, A. (2015) “The trade union response to the European economic governance regime”. *Transnational mobilization and wage coordination Transfer* 2015, vol. 21 (2): 141–156.

Dyson, K. and Featherstone, K. (1996). “Italy and EMU as a 'Vincolo Esterno': Empowering the Technocrats, Transforming the State”. *South European Society and Politics* (1:2): 272-299.

Easton, D. (1957). “An Approach to the Analysis of Political Systems”. *World Politics*, 9(3): 383-400.

Ebbinghaus, B. (2000) “Any Way Out of ,Exit from Work? Reversing the Entrenched Pathways of Early Retirement”. In *Welfare and Work in the Open Economy: Country and Special Studies, vol. II*, edited by F. W. Scharpf and V. A. Schmidt. Oxford: Oxford University Press.

Ebbinghaus, B. (2010). “Unions and employers”. In *The Oxford Handbook of the Welfare State*, edited by Francis G. Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson, 196-210. Oxford: Oxford University Press.

Ebbinghaus, B. (2011). "The role of trade unions in European pension reforms: From 'old' to 'new' politics?" *European Journal of Industrial Relations* 17 (4): 315-331.

Ebbinghaus, B. and Hassel, A. (2000). "Striking deals: concertation in the reform of continental European welfare states". *Journal of European Public Policy* 7:1: 44-62. DOI: 10.1080/135017600343269.

Ebbinghaus, B. (1999) "Does a European Social Model Exist and Can It Survive?" in Gerhard Huemer, Michael Mesch, and Franz Traxler (eds.), *The Role of Employers' Associations and Labour Unions in the EMU. Institutional Requirements for European Economic Policies*, Aldershot: Ashgate 1999: 1-26.

Eisenhardt, K. M. (1989) "Building theories from case study research" *Academy of management review*, 14(4): 532-550.

Encarnación, OG. (2003) *The Myth of Civil Society: Social Capital and Democratic Consolidation in Spain and Brazil*. New York: Palgrave Macmillan.

Erne, R. (2015) "A supranational regime that nationalizes social conflict: Explaining European trade unions' difficulties in politicizing European economic governance." *Labor History* 56.3 (2015): 345-368.

Erne, R.; Bieler, A.; Golden, D.; Helle, I.; Kjeldstadli, K.; Matos, T. and Stan, S. (2015). "Introduction: politicizing the transnational". *Labor History* 56: 237-245. DOI:10.1080/0023656X.2015.1042756.

Esping-Andersen, G. (2013). *The three worlds of welfare capitalism*. John Wiley & Sons.

Estanque, E.; Costa, H. A. and Soeiro, J. (2013). "The new global cycle of protest and the Portuguese case". *JSSE – Journal of Social Science Education*, 12(1).

ETUC (2014) "A different course for Europe: wages and collective bargaining as an engine for growth and stability" available at https://collective.etuc.org/sites/default/files/csrathensmeeting_0.pdf

Eucken, W. (1951). *This Unsuccessful Age*. London: Hodge.

Eucken, W. (1965). *Grundsätze der Wirtschaftspolitik*. Reinbek: Rowohlt.

Eucken, W. (1952/2004). *Grundsätze der Wirtschaftspolitik*. Tübingen: Mohr Siebeck.

Fabbrini, S. (2016) "From consensus to domination: the intergovernmental union in a crisis situation", *Journal of European Integration*, 38(5): 587-599, DOI:10.1080/07036337.2016.1178256

Fabbrini, S. (2013). "Intergovernmentalism and its limits assessing the European Union's answer to the Euro crisis". *Comparative Political Studies*, 46 (9): 1003-1029.

Featherstone, K. (2001). "The Political Dynamics of the Vincolo Esterno: the Emergence of EMU and the Challenge to the European Social Model". *Queen's Papers on Europeanisation* no. 6.

Featherstone, K. (1994) "Jean Monnet and the 'democratic deficit' in the European Union". *JCMS: Journal of Common Market Studies*, 32(2), 149-170.

Feld, L. P.; Köhler, E. A. and Nientiedt, D. (2015) "Ordoliberalism, pragmatism and the eurozone crisis: How the German tradition shaped economic policy in Europe" *Freiburger Diskussionspapiere zur Ordnungsökonomik*, no. 15/04.

Ferrera, M. (1996). "The 'Southern model' of welfare in social Europe". *Journal of European social policy* 6 (1): 17-37.

Ferrera, M. (2014). "Social Europe and its components in the Midst of the crisis: a conclusion". *West European politics*, 37(4): 825-843.

Ferrera, M. and Gualmini, E. (2004) *Rescued by Europe? Italy's social policy reforms from Maastricht to Berlusconi*. Amsterdam: Amsterdam University Press.

Ferrera, M. and Jessoula, M. (2007). "Italy: a narrow gate for path-shift" in *Handbook of West European Pension Politics*, edited by E. Immergut, K. Anderson and I. Schulze, 96-453. Oxford: Oxford University Press.

Ferrera, M. and Rhodes, M. (2000). *Recasting European Welfare States*. London: Frank Cass Publishers.

Ferrera, Maurizio (2005). *The Boundaries of Europe. European Integration and the New Spatial Politics of Social Protection*. Oxford: Oxford University Press.

Ferrera, M. and Sacchi, S. (2005) "The Open Method of Co-ordination and National Institutional Capabilities. The Italian Experience". In *The Open Method of Co-ordination in Action*, edited by J. Zeitlin and P. Pochet, 137-172. Brussels: PIE-Peter Lang.

Ferrera, M.; Hemerijck, A. and Rhodes, M. (2000). *The future of social Europe: Recasting work and welfare in the new economy*. Celta Editora.

Flyvbjerg, B. (2006). "Five Misunderstandings About Case-Study Research". *Qualitative Inquiry*, 12(2): 219-245. DOI: 10.1177/1077800405284363.

Follesdal, A., and Hix, S. (2006) "Why there is a democratic deficit in the EU: A response to Majone and Moravcsik" *JCMS: Journal of Common Market Studies*, 44(3): 533-562.

Fornero, E. (2013) "Reforming labor markets: reflections of an economist who (unexpectedly) became the Italian Minister of Labor" *IZA Journal of European Labor Studies*, 2(1): 20.

Fraile, L. (2009). *Blunting Neo-Liberalism: Tripartism and Economic Reforms in the Developing World*. London: Palgrave.

Franzese Jr, R. J., and Hays, J. C. (2006) "Strategic interaction among EU governments in active labor market policy-making: Subsidiarity and policy coordination under the European employment strategy". *European Union Politics*, 7(2), 167-189.

Franzosi, P.; Marone, F. and Salvati, E. (2015). "Populism and Euroscepticism in the Italian Five Star Movement". *The International Spectator* 50 (2): 109-124.

Frege, C. M., and Kelly, J. (2003) "Union revitalization strategies in comparative perspective" *European Journal of Industrial relations*. 9(1): 7-24

Freire, A., Lisi, M., Andreadis, I., and Viegas, J. M. L. (Eds.). (2017). *Political representation in times of bailout: evidence from Greece and Portugal*. Routledge.

Fusaro, C. and Bull, D. (2011) "The Formation of the Monti Government and the Role of the President of the Republic" *Italian Politics*, Vol. 27, From Berlusconi to Monti (2011), pp. 78-97

Gajewska, K. (2009). *Transnational labour solidarity: mechanisms of commitment to cooperation within the European trade union movement*, *Routledge advances in European politics*. London; New York: Routledge.

Garrett, G. (1998). "Shrinking states? Globalization and national autonomy in the OECD". *Oxford Development Studies*, 26 (1): 71-97.

Gentile, A.; Tarrow, S. and Tilly, C. (2009). "Globalization, and labor's citizen rights". *European Political Science Review* 1 (3): 465-493.

George, A. and Bennett, A. (2005). *Case Studies and Theory Development in the Social Sciences*. Cambridge: MIT Press: 73-88.

Gerring, J. (2006). *Case study research: Principles and practices*. Cambridge: Cambridge University Press.

Ghellab, Y. and Papadakis, K. (2011). “The politics of economic adjustment in Europe: State unilateralism or social dialogue? The global crisis: Causes, responses and challenges”. *International Labour Office (ILO)*, Geneva.

Giavazzi, F., and Spaventa, L. (Eds.). (1988). *High public debt: the Italian experience*. CUP Archive.

Glassner, V., and Keune, M. (2010) “Negotiating the crisis? Collective bargaining in Europe during the economic downturn” *Dialogue working paper*, 10.

Gocaj, L. and Meunier, S. (2013) “Time Will Tell: The EFSF, the ESM, and the Euro Crisis”, *Journal of European Integration*, 35:3: 239-253, DOI:10.1080/07036337.2013.774778

Goda, T., Onaran, Ö. and Stockhammer, E. (2017). “Income inequality and wealth concentration in the recent crisis”. *Development and Change*, 48 (1): 3-27.

Goetschy, J. (1999). “The European Employment Strategy: Genesis and Development”. *European Journal of Industrial Relations*, 5(2): 117-137.

González Fernández, Á. (2010) “Confrontación y consenso: la concertación social y el juego de intereses en España (1977-2010)”. *Pasado y Memoria: Revista de Historia Contemporánea*, (9): 101-128.

González Begega, S. and Balbona, D. L. (2014). “¿Adiós al corporatismo competitivo en España? Pactos sociales y conflicto en la crisis económica”. *Revista Española de Investigaciones Sociológicas (REIS)*, 148(1): 79-100.

González Begega, S. and Luque Balbona, D. (2015). “Crisis económica y deterioro de los pactos sociales en el sur de Europa: Los casos de España y Portugal”. *Revista Internacional de Sociología* 73 (13). DOI:10.3989/ris.2014.03.17.

González Begega, S.; Luque Balbona, D. and Guillén Rodríguez, A. M. (2015). “Gobiernos y sindicatos ante la reforma del estado del bienestar. ¿Ruptura del diálogo social en la periferia de la eurozona?”. *Revista de Economía Crítica* 20.

Grande, E. (1996) “The state and interest groups in a framework of multi-level decision-making: The case of the European Union”, *Journal of European Public Policy*, 3:3, 318-338, DOI: 10.1080/13501769608407037

Grande, E. (1995). "Forschungspolitik und die Einflusslogik Europäischer Politikverflechtung". In *Europäische Integration*, edited by M. Jachtenfuchs and B. Kohler-Koch. Opladen: Leske and Budrich.

Graziano, P. and Vink, M. P., eds. (2007). *Europeanization: new research agendas*. Basingstoke: Palgrave Macmillan.

Graziano, P. R. and Halpern, C. (23 February 2015) "EU governance in times of crisis: Inclusiveness and effectiveness beyond the 'hard' and 'soft' law divide" *Comparative European Politics*, advance online publication. doi:10.1057/cep.2015.6.

Guillén, A. M. and León, M., (eds.) (2011). *The Spanish welfare state in European context*. Ashgate Publishing, Ltd.

Gumbrell-McCormick, R. and Hyman, R. (2015) "International trade union solidarity and the impact of the crisis". *European Policy Analysis*: 1.

Gumbrell-McCormick, R. (2013) "The International Trade Union Confederation: from two (or more?) identities to one" *British Journal of Industrial Relations*, 51(2), 240-263.

Hall PA. "Varieties of Capitalism and the Euro Crisis". *West European Politics*. 2014; 37 (6):1223-43.

Hall, P. A. (2012). "The Economics and Politics of the Euro Crisis". *German Politics* 21:4: 355-371.

Hall, P. A. (2001) "Organized market economies and unemployment in Europe: Is it finally time to accept liberal orthodoxy". *Unemployment in the new Europe*, 52-86.

Hall, P. A. and Soskice, D., (eds.) (2001). *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press.

Hamann, K. (2012a). "Analyzing the dynamics of union inclusion in Spain under Zapatero". Prepared for delivery at IPSA.

Hamann, K. (2012b) "The Politics of Industrial relations. Labor unions in Spain". Routledge.

Hamann, K. and Kelly, J. (2007). "Europe Party Politics and the Reemergence of Social Pacts in Western". *Comparative Political Studies* 40: 971.

Hancké, B., and Rhodes, M. (2005). "EMU and labor market institutions in Europe: The rise and fall of national social pacts". *Work and occupations*, 32(2), 196-228.

Haas, E. B. (1958). *The uniting of Europe: Political, social, and economic forces, 1950-1957*, no. 42. Stanford: Stanford University Press.

Hassel, A. (2015). "Trade unions and the future of democratic capitalism" in *The Politics of Advanced Capitalism*, edited by Pablo Beramendi, Silja Häusermann, Herbert Kitschelt, Hanspeter Kriesi. Cambridge: Cambridge University Press.

Heipertz, M., and Verdun, A. (2010). *Ruling Europe: The politics of the stability and growth pact*. Cambridge: Cambridge University Press.

Heins, E. and De la Porte, C. (2015). "The sovereign debt crisis, the EU and welfare state reform". *Comparative European Politics*, 13 (1): 1-7.

Helle, I. (2015). "A new proletariat in the making? Reflections on the 14 November 2012 strike and the movements of 1968 and 1995". *European Review of Labour and Research* 21: 229-242. DOI: 10.1177/1024258915573388.

Hemerijck, A. and Ferrera, M. (2004). "Welfare reform in the shadow of EMU". In *Euros and Europeans. Monetary Integration and the European Model of Society*, edited by Andrew Martin and George Ross, 248-278. Cambridge: Cambridge University Press.

Hix, S. (2005). *The Political System of the European Union*. Palgrave Macmillan.

Hix, S. (2008). "Towards a partisan theory of EU politics". *Journal of European Public Policy* 15:8: 1254-1265. DOI: 10.1080/13501760802407821.

Hodder, A., and Edwards, P. (2015) "The essence of trade unions: understanding identity, ideology and purpose" *Work, employment and society*, 29(5): 843-854.

Hodson, D. (2013). "The little engine that wouldn't: supranational entrepreneurship and the Barroso Commission". *Journal of European Integration* 35 (3): 301-314.

Hodson, D., and Maher, I. (2001) "The open method as a new mode of governance: the case of soft economic policy co-ordination". *JCMS: Journal of Common Market Studies*, 39(4), 719-746.

Hooghe, L., and Marks, G. (1997). "Contending models of governance in the European Union" in *Europe's Ambiguous Unity: conflict and consensus in the post-Maastricht era*. Boulder. Edited by In A. Cafruny and C. Lankowski. Lynne Rienner Publishers.

Horwitz, L. and Myant, M. (2015) "Spain's Labour Market Reforms: The Road to Employment-Or to Unemployment?" Brussels: ETUI.

Huber, E., Ragin, C., and Stephens, J. D. (1993) "Social democracy, Christian democracy, constitutional structure, and the welfare state" *American journal of Sociology*, 99(3), 711-749.

Hübscher, E. (2016) "The politics of fiscal consolidation revisited". *Journal of Public Policy*, 36(4): 573-601.

Hyman, R. (2010). *Social dialogue and industrial relations during the economic crisis: Innovative practices or business as usual?* International Labour Organization.

Hyman, R. (2007). "How can trade unions act strategically?" *Transfer: European Review of Labour and Research*, 13(2): 193-210.

Hyman, R. (2005) "Trade unions and the politics of the European Social Model". *Economic and Industrial Democracy*, 26 (1): 9-40.

Hyman, R. (2001). *Understanding European trade unionism: between market, class and society*. London: SAGE Publications.

Hyman, R. and Gumbrell-McCormick (2010). "Trade unions, politics and parties: is a new configuration possible?" *European Review of Labour and Research* 16: 315.

Jensen, C. S. (2013). "Neo-functionalism". In *European Union politics*, edited by M. Cini and N. P. S. Borragán, 60-68. Oxford: Oxford University Press.

Jepsen, M. and Serrano Pascual, A. (2005). "The European Social Model: an exercise in deconstruction". *Journal of European Social Policy* 0958-9287, 15 (3): 231–245.

Jessoula, M. and Locatelli, S. (2009) "Recalibrating the Italian welfare state: a politics too weak for a "necessary" policy?" *Italian Politics*, 25(1): 204-222.

Jessoula, M. and Pavolini, E. (2011) "Annual National Report 2011: Pensions, Health Care and Long-term Care". *Asisp*.

Jessoula, M. (2013). "The "vincolo esterno" thesis revisited: irresistible forces, movable "objects" in Italian pension reforms". Paper presented at the 20th International Conference of Europeanists-Crisis & Contingency: States of (In) Stability.

Jessoula, M. (2013) "Italy: Social partners involvement in the reforms of pension systems" *Eurofound*.

- Keller, B., and Sörries, B. (1999) “The new European social dialogue: old wine in new bottles?” *Journal of European social policy*, 9(2), 111-125.
- Kenneally, I. (2009). “Technocracy and populism”. *The New Atlantis*, (24): 46-60.
- King, G.; O. Keohane, R. and Verba, S. (1994). *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Princeton, NJ: Princeton University Press.
- Kittel, B., and Obinger, H. (2002). “Political parties, institutions, and the dynamics of social expenditure in times of austerity”. MPIFG discussion paper
- Kowalsky, W. and Scherrer, P. (2011). “Trade unions for a change of course in Europe – The end of a cosy relationship”. Brussels: ETUI.
- Köhler, H. D., and Jiménez, J. P. C. (2014). Conflicto laboral y movimiento sindical en España. ¿Qué queda del movimiento obrero? *Anuario del Conflicto Social*.
- Köhler, H.; González Begega, S.; and Luque Balbona, D. (2012, 2013). “Sindicatos, crisis económica y repertorios de protesta en el Sur de Europa”. *Anuario del Conflicto Social*.
- Krasner, S. D. (1982). “Structural causes and regime consequences: regimes as intervening variables”. *International organization* 36 (02): 185-205.
- Kriesi, H. et al. (2005): “Globalization and the transformation of the national political space: Six european countries compared”, TranState working papers, No. 14
- Kuhnle, S. (Ed.). (2003). *The survival of the European welfare state*. New York: Routledge.
- Ladi, S. and Graziano, P. R. (2014). “‘Fast-Forward’ Europeanization: Welfare State Reform in Light of the Eurozone Crisis”. In *Europeanization and European Integration: From Incremental to Structural Change Pages*, edited by Ramona Coman, Thomas Kostera and Luca Tomini, 108-126. (Springer link)
- Lavdas, K. A. (2005). “Interest groups in disjointed corporatism: Social dialogue in Greece and European ‘competitive corporatism’”. *West European Politics* 28 (2): 297-316.
- Leeds, B. A. (1999) “Domestic political institutions, credible commitments, and international cooperation”. *American Journal of Political Science*, 979-1002.

Lehndorff, S., Dribbusch, H. and Schulten, T. (2017). *Rough waters European trade unions in a time of crises*. Brussels: ETUI.

Lehndorff, S. (Ed.). (2014). *Divisive integration. The triumph of failed ideas in Europe—revisited*. Brussels: ETUI.

Leitão Marques, MM and Casimiro Ferreira, A. (1991) A concertação económica e social: a construção do diálogo social em Portugal. *Revista Critica de Ciencias Sociais* (31)

León, M.; Pavolini, E. and Guillén, A. M. (2015). “Welfare rescaling in Italy and Spain: political strategies to deal with harsh austerity”. *European Journal of Social Security* 17 (2): 182-201.

Lévesque, C., and Murray, G. (2010) “Understanding union power: resources and capabilities for renewing union capacity”. *Transfer: European Review of Labour and Research*, 16(3): 333-350.

Levy, J. S. (2008). “Case studies: Types, designs, and logics of inference”. *Conflict Management and Peace Science* 25 (1): 1-18.

Lisi, M. (2010) “The Renewal of the Socialist Majority: The 2009 Portuguese Legislative Elections”, *West European Politics*, 33:2, 381-388, DOI: 10.1080/01402380903539011

Lobera, J. (2015) “De movimientos a partidos: la cristalización electoral de la protesta” *Revista Española de Sociología*. 24: 97-105.

Locke, R. M., and Baccaro, L. (1999) “The resurgence of Italian unions?”. *Perspectives on Work*, 18-22.

Losada, F. (2016) “Institutional Implications of the Rise of a Debt-Based Monetary Regime in Europe”. *European Law Journal*, 22(6): 822-837.

Luque Balbona, D. (2012). “Huelgas e intercambio político en España”. *Revista Internacional de Sociología* (2012).

Luque Balbona, D., and González Begega, S. (2015) “Austerity and welfare reform in south-western Europe. A farewell to corporatism in Italy, Spain and Portugal?”. *European Journal of Social Security*, 17 (2).

Maatsch, A. (2014) “Are we all austerians now? An analysis of national parliamentary parties' positioning on anti-crisis measures in the Eurozone”, *Journal of European Public Policy*, 21:1, 96-115, DOI: 10.1080/13501763.2013.829582

- Macartney, H. (2013). *The debt crisis and European democratic legitimacy*. Basingstoke: Palgrave MacMillan.
- Magone, J. M. (2014) “Portugal is not Greece: policy responses to the sovereign debt crisis and the consequences for the Portuguese political economy”. *Perspectives on European Politics and Society*, 15(3): 346-360.
- Magone, J. M. (2011) “Centre-Periphery conflict in the European Union? Europe 2020, the Southern European Model and the euro-crisis” in Ágh (ed.), *European Union at the crossroads: The European perspective after the global crisis 2011*, 71-122. Together for Europe Series.
- Mahoney, J. and Goertz, G. (2006). “A tale of two cultures: Contrasting quantitative and qualitative research”. *Political analysis*: 227-249.
- Majone, G. (2014) “From regulatory state to a democratic default”. *JCMS: Journal of Common Market Studies*, 52(6), 1216-1223.
- Martin, A., and Ross, G. (Eds.). (2004). *Euros and Europeans: monetary integration and the European model of society*. Cambridge University Press.
- Martín, I. and Urquizu-Sancho, I. (2012). “The 2011 General Election in Spain: The Collapse of the Socialist Party”. *South European Society and Politics* 17: 347–363. doi:10.1080/13608746.2012.708983.
- Matthijs, M. (2016) “Powerful rules governing the euro: the perverse logic of German ideas”. *Journal of European Public Policy*, 23(3), 375-391.
- Matthijs, M., and Blyth, M. (2017). “When Is It Rational to Learn the Wrong Lessons? Technocratic Authority, Social Learning, and Euro Fragility”. *Perspectives on Politics*, 1-17.
- Meardi, G. (2012) “Employment relations under external pressure: Italian and Spanish reforms in 2010-12”. *International Labour Process Conference, Stockholm*: 27-29.
- Meyenberg, Y., and Corrochano, D. H. (2015) “Los alcances de un nuevo proyecto socialdemócrata La primera legislatura de José Luis Rodríguez Zapatero”. *Revista mexicana de ciencias políticas y sociales*, 60(224), 163-185.
- McAdam, D.; Tarrow, S. and Tilly, C. (2004). *Dynamics of contention*. Cambridge: Cambridge University Press.

- Molina, Ó. (2011). "Policy Concertation, Trade Unions and the Transformation of the Spanish Welfare State". In *The Spanish Welfare State in European Context*, edited by A.M. Guillén and M. León, 77-96. Ashgate: Farnham.
- Molina, O. (2006) "Trade union strategies and change in neo-corporatist concertation: A new century of political exchange?" *West European Politics*, 29(4): 640-664.
- Molina Romo, Ó. (2005). "Political Exchange and bargaining reform in Italy and Spain". *European Journal of Industrial Relations*, 11: 7-26.
- Molina, Ó. and Miguélez, F. (2013). "From negotiation to imposition: Social dialogue in austerity times in Spain". International Labour Organization, Working Paper no. 51.
- Molina, Ó. and Rhodes, M. (2002). "Corporatism: the past, present and future of a concept". *Annu. Rev. Polit. Sci.* 5: 305-31.
- Moravcsik, A. (1998). *The choice for Europe: social purpose and state power from Messina to Maastricht*. New York: Cornell University Press.
- Moravcsik, A. (1997). "Taking preferences seriously: a liberal theory of international politics". *International Organization* 51 (4): 513-53.
- Moravcsik, A. (1993). "Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach". *Journal of Common Market Studies* 31 (4): 473-524.
- Morlino, L. and Raniolo, Francesco (2017) *The Impact of the Economic Crisis on South European Democracies*. Switzerland: Palgrave Macmillan.
- Mosley, HG (1990) "The Social Dimension of European Integration". *International Labour Review*; 129 (2).
- Moury, C., and Freire, A. (2013). "Austerity policies and politics: The case of Portugal" *Pôle Sud*, (2): 35-56.
- Moury, C. and Standring, A. (2017). "'Going beyond the Troika': Power and discourse in Portuguese austerity politics". *European Journal of Political Research*. DOI: 10.1111/1475-6765.12190
- Moury, C. and Standring, A. (2015). "Aren't there any alternatives? Power and Discourse in Portuguese Austerity Politics". Paper presented at the 111th Annual Meeting of the American Political Science Association, San Francisco, EUA.

- Murteira, M. C. (2008). “A Reforma de 2007 do Sistema Público de Pensões em Portugal: Uma análise crítica das escolhas normativas implícitas”. *Notas económicas*: 56-75
- Natali, D. (2009). “The Open Method of Coordination on Pensions: Does it De-politicise Pensions Policy?” *West European Politics* 32:4: 810-828. DOI: 10.1080/01402380902945490.
- Natali, D., and Pochet, P. (2009). “The evolution of social pacts in the EMU era: what type of institutionalization?” *European Journal of Industrial Relations*, 15(2), 147-166.
- Natali, D. and Pritoni, A. (2014). “Parties and interest groups in Italy: the case of pensions policy”. *Contemporary Italian Politics*, 6(3): 249-260.
- Natali, D., and Stamati, F. (2014). “Reassessing South European pensions after the crisis: Evidence from two decades of reforms”. *South European Society and Politics*, 19(3), 309-330.
- Nedergaard, P. (2013). “The Influence of Ordoliberalism in European Integration Processes - A Framework for Ideational Influence with Competition Policy and the Economic and Monetary Policy as Examples”. MPRA Paper No. 52331.
- Nowak, J. and Gallas, A. (2014). “Mass Strikes Against Austerity in Western Europe—A Strategic Assessment”. *Global Labour Journal*, vol. 5, no. 3.
- Oliet Palá, A. (2004). *La concertación social en la democracia española: crónica de un difícil intercambio*. Valencia: Tirant Lo Blanc.
- Papadakis, K. and Ghellab, Y., eds. (2014). “The governance of policy reforms in Southern Europe and Ireland: social dialogue actors and institutions in times of crisis”. Edited by *International Labour Office*, Geneva.
- Panitch, L. (1977). The development of corporatism in liberal democracies. *Comparative Political Studies*, 10(1), 61-90.
- Pastor, J. (2013). “El movimiento 15m en Madrid, 2012”. *Anuario del conflicto social* 1 (1): 205-214.
- Pasture P. (1996) “Conclusion: Reflections on the Fate of Ideologies and Trade Unions”. In: Pasture P, Verberckmoes V, and De Witte H (Eds) *The Lost Perspective? Trade Unions between Ideology and Social Action in the New Europe*, Vol. 2. Aldershot: Avebury, 377-403.
- Patxot, C. (2013). *Pensions, health and long-term*. ASISP country document.

Petmesidou, M. and Guillén, A. M. (2015). “Economic crisis and austerity in Southern Europe: threat or opportunity for a sustainable welfare state?” OSE Research Paper no. 18.

Philine ter Haar, B. and Copeland, P. (May 2010). “What are the Future Prospects for the European Social Model? An Analysis of EU Equal Opportunities and Employment Policy”. *European Law Journal* vol. 16, no. 3: 273–291.

Pierson, P. (1996). “The New Politics of the Welfare State”. *World Politics* 48 (2): 143-179.

Pisani-Ferry, Jean (2012): The Euro crisis and the new impossible trinity, Bruegel Policy Contribution, No. 2012/01

Pochet, P. and Natali, D. (2005). “European Networks on Pensions: The Participation of Organised Interests in the EU Policy-making Process”. *Revue Belge de Sécurité Sociale*, no. 2: 307-335.

Pochet P.; Keune, M. and Natali, D., eds. (2010). “After the euro and enlargement: social pacts in the EU”. ETUI and OSE.

Puetter, U. (2012). Europe's deliberative intergovernmentalism: the role of the Council and European Council in EU economic governance. *Journal of European Public Policy*, 19(2), 161-178.

Puetter, U. (2007) “Intervening from outside: the role of EU finance ministers in the constitutional politics”, *Journal of European Public Policy*, 14:8, 1293-1310, DOI: 10.1080/13501760701656460

Puetter, U. (2004) ‘Governing informally: the role of the Eurogroup’, *Journal of European Public Policy*, 11(5): 854–70.

Putnam, R. D. (1988). “Diplomacy and domestic politics. The logic of two-level game”. *International Organization* 42 (3): 427-460.

Quinn, J. (2012) “Debt crisis: Spain bows to €100bn bank bailout” (9 June 2012). *The Telegraph*.

Radaelli, CM. (2008) “Europeanization, Policy Learning, and New Modes of Governance”, *Journal of Comparative Policy Analysis: Research and Practice*, 10:3, 239-254, DOI: 10.1080/13876980802231008

Ramos de Almeida, J. and Carvalho da Silva, M., Ferreira, A.C and and Costa, H (2016) *Concertação Social: A atividade da CPCS de 2009 a 2015 - ecos das políticas europeias*. Cadernos do Observatório 9.

Regalia, I. (2012). "Italian trade unions: Still shifting between consolidated organizations and social movements?" *Management revue*, vol. 23 (4) (2012).

Regini, M. (1997). "Still engaging in corporatism? Recent Italian experience in comparative perspective". *European Journal of Industrial Relations*, 3(3), 259-278.

Reuter, H. R. (2010). "Vier Anmerkungen Zu Philip Manow Die Soziale Marktwirtschaft Als Interkonnessioneller Kompromiss? Ein Re-Statement." *Ethik Und Gesellschaft*, no. 1/2010.

Rhodes, M. (1998). "Globalization, labour Markets and Welfare states: A Future of 'competitive corporatism?'. In *The future of European welfare*, 178-203 edited by Rhodes, Martin and Yves Mény.178-203. London: Palgrave Macmillan.

Rhodes, M. (2001). "The Political Economy of Social Pacts: Competitive Corporatism and European Welfare Reform". In *The New Politics of the Welfare State*, edited by Paul Pierson, 165-194. Oxford: Oxford University Press.

Rhodes, R. A. W. and Dunleavy, P. (1995). *Prime Minister, Cabinet and Core Executive*. London: Macmillan.

Richards, A. J. (2008). *El sindicalismo en España*. Madrid: Fundación Alternativas.

Rodríguez Zapatero, J. L. (2013). *El Dilema: 600 días de vértigo*. Barcelona: Planeta.

Rodrick, D. (1989). Promises, promises: Credible policy reform via signaling. *The Economic Journal*, 99(397), 756-772.

Rokkan, S. (1966) "Norway: Numerical Democracy and Corporate Pluralism" in Dahl, R.A. (ed.) *Political Oppositions in Western Democracies*. 70-117. Yale: Yale University Press.

Röpke, W. (2002). *The Moral Foundation of Civil Society*. New Brunswick: Transaction Publishers.

Royo, S. (2001). 'Still the Century of Corporatism?' Corporatism in Southern Europe. Spain and Portugal in Comparative Perspective, CES Working Paper, no. 75.

Rüstow, A. (1932/1963). “Die Staatspolitischen Voraussetzungen des wirtschaftspolitischen Liberalismus”. In A. Rustow, Rede and Antwort. Ludwigsburg: Hoch.

Ryner, M. (2015). “Europe's ordoliberal iron cage: critical political economy, the euro area crisis and its management”. *Journal of European Public Policy* 22:2: 275-294. DOI: 10.1080/13501763.2014.995119.

Sacchi, S. (2015). “Conditionality by other means: EU involvement in Italy’s structural reforms in the sovereign debt crisis”, *Comparative European Politics* 13 (1): 77–92.

Sánchez-Cuenca, I. (2017). From a Deficit of Democracy to a Technocratic Order: The Postcrisis Debate on Europe. *Annual Review of Political Science*, 20: 351-369

Savage, J. D. and Verdun, A. (2016). “Strengthening the European Commission's budgetary and economic surveillance capacity since Greece and the euro area crisis: a study of five Directorates-General”. *Journal of European Public Policy*, 23(1), 101-118. ISO 690

Suarez Corujo, B. (2014). *El sistema público de pensiones: crisis, reforma y sostenibilidad*. Valladolid: Lex Nova, Thomson Reuters.

Scharpf, F. W. (2011). Monetary union, fiscal crisis and the preemption of democracy. LEQS Paper No. 36/2011

Scharpf, F. W. (2010). The asymmetry of European integration, or why the EU cannot be a ‘social market economy’. *Socio-economic review*, 8(2), 211-250.

Scharpf, F. W. (2002). “The European Social Model: Coping with the challenges of diversity” MPIfG Working Paper, no. 02/8.

Schimmelfenning, F. (2015a). “Liberal intergovernmentalism and the euro area crisis” *Journal of European Public Policy*. 22 (2): 177-195.

Schimmelfenning, F. (2015b). “What’s the news in ‘new intergovernmentalism’? A critique of Bickerton, Hodson and Puetter”. *Journal of Common Market Studies* 53 (4): 723-730.

Schmidt, V. A. (2015). “The forgotten problem of democratic legitimacy in *The future of the Euro*. Edited by Matthijs, M., & Blyth, M. 90-117. New York: Oxford University Press.

Schmidt, V. A. (2013). "Democracy and legitimacy in the European Union revisited: Input, output and 'throughput'". *Political Studies*, 61(1), 2-22.

Schmidt, V. A. (2010). "Taking ideas and discourse seriously: explaining change through discursive institutionalism as the fourth 'new institutionalism'". *European political science review* 2 (01): 1-25.

Schmidt, V. A. (2009). Re-Envisioning the European Union: Identity, Democracy, Economy. *JCMS: Journal of Common Market Studies*, 47(s1), 17-42.

Schmidt, V. A. (2008). "Discursive institutionalism: The explanatory power of ideas and discourse". *Annu. Rev. Polit. Sci.* 11: 303-326.

Schmidt, V. A. (2005). "National patterns of governance under siege: the impact of European integration". In *The Transformation of Governance in the European Union*, edited by R. Eising and Beate Kohler-Koch, 155-173. Routledge.

Schmidt, V. A. (2002). Europeanization and the mechanics of economic policy adjustment. *Journal of European Public Policy*, 9 (6), 894-912.

Schmidt, V. A. and Thatcher, M., eds. (2013). *Resilient Liberalism in Europe's Political Economy*. Cambridge: Cambridge University Press.

Schmitter, P. (1974). "Still the century of corporatism?" *The Review of Politics* 36 (1): 85-131

Schnyder, G and Siems, M (2013) *The Ordoliberal Variety of Neoliberalism*, in Schnyder, G, Siems, M; Konzelmann, S J. and Fovargue-Davies, M (eds.) *Banking Systems in the Crisis: The Faces of Liberal Capitalism*, Abingdon: Routledge pp. 250-268

Schulten, T. and Müller, T. (2012). "A new European interventionism? The impact of the new European economic governance on wages and collective bargaining". *Social developments in the European Union*: 181–213.

Schuknecht, Ludger; Moutot, Philippe; Rother, Philipp; Stark, Jürgen (2011) : The Stability and Growth Pact - crisis and reform, ECB Occasional Paper, No. 129

Sgherri, S. and Zoli, E. (2009) "Euro Area Sovereign Risk During the Crisis" *IMF Working Papers*, pp. 1-23, 2009. Available at SSRN: <https://ssrn.com/abstract=1490223>

Sims, Christopher (1999). "The Precarious Fiscal Foundations of EMU," *De Economist*, Volume 147(4), pages 415-436.

- Stoleroff, A. (2013). Employment relations and unions in public administration in Portugal and Spain: From reform to austerity. *European Journal of Industrial Relations*, 19(4), 309-323.
- Stoleroff, A. (1988). “Sindicalismo e relações industriais em Portugal”, *Sociologia Problemas E Práticas* (Lisboa) 4: 147-164.
- Streeck, W. (2015). Heller, Schmitt and the Euro. *European Law Journal*, 21(3), 361-370.
- Streeck, W. (2011). “The crises of democratic capitalism”. *New left review*, (71), 5-29.
- Streeck, W. (1999). “Competitive solidarity: Rethinking the European social model”. MPIfG Working Paper, no. 99/8.
- Streeck, W. (1991). “From national corporatism to transnational pluralism: European interest politics and the single market”. Kellogg Institute Working Paper, no. 164.
- Streeck, W., & Schmitter, P. C. (1991). From national corporatism to transnational pluralism: organized interests in the Single European Market. *Politics & Society*, 19(2), 133-164.
- Streeck, W. and Hassel, A. (2003) “Trade unions as political actors” in *International handbook of trade unions*. Edited by John T. Addison and Claus Schnabel. Cheltenham: Edward Elgar Publishing.
- Streeck, W. and Schäfer, A. (2013) *Politics in the Age of Austerity*. Cambridge: Polity Press.
- Tansey, O. (2007). Process tracing and elite interviewing: a case for non-probability sampling. *PS: Political Science & Politics*, 40(4), 765-772.
- Tashakkori, A., & Teddlie, C. (Eds.). (2010). *Sage handbook of mixed methods in social & behavioral research*. Sage.
- Tarrow, S. (1993). “Cycles of collective action: Between moments of madness and the repertoire of contention”. *Social Science History* 17 (02): 281-307.
- Theodoropoulou, S. and Watt, A. (2011). “Withdrawal symptoms: an assessment of the austerity packages in Europe”. Brussels: ETUI Working paper 02.
- Tilly, C. (1978). *From Mobilization to Revolution*. New York: McGraw-Hill.

- Tilly, C. (2006). *Regimes and repertoires*. Chicago: University of Chicago Press.
- Tilly, C. and Tarrow, S. (2015). “Contentious politics”. Oxford: Oxford University Press.
- Traynor, I (2012) “ECB introduces unlimited bond-buying in boldest attempt yet to end euro crisis” (6 September 2012) *The Guardian*.
- Treib, O. (2014) “The voter says no, but nobody listens: causes and consequences of the Eurosceptic vote in the 2014 European elections, *Journal of European Public Policy*, 21:10, 1541-1554, DOI: 10.1080/13501763.2014.941534
- Traxler, F. (2010). “Corporatism(s) and pacts: changing functions and structures under rising economic liberalism and declining liberal democracy”. In *After the euro and enlargement: social pacts in the EU*, edited by P. Pochet, M. Keune and D. Natali, 44-72. Brussels: ETUI.
- Triantafillou, P. (June 2013). “Reflections on where the theory of neo-corporatism in Greece has stopped and where the praxis (or the absence?) of neo-corporatism may be going”. Paper presented at the 1st LSE PhD Symposium on Modern Greece, Hellenic Observatory-LSE (vol. 21).
- Urban, H. (2012). “Crisis corporatism and trade union revitalization in Europe”. In *A triumph of failed ideas: European models of capitalism in the crisis*, 219-243. Brussels: ETUI.
- Vandaele, K. (2016). “Interpreting strike activity in western Europe in the past 20 years: the labour repertoire under pressure”. *European Review of Labour and Research* 22 (3): 277-294.
- Verdun, A. (2015). “A historical institutionalist explanation of the EU's responses to the euro area financial crisis”. *Journal of European Public Policy* 22:2: 219-237. doi: 10.1080/13501763.2014.994023.
- Verdun, A. and Zeitlin, J. (2018) “Introduction: the European Semester as a new architecture of EU socioeconomic governance in theory and practice, European” *Journal of Public Policy*, 25:2, 137-148, DOI: 10.1080/13501763.2017.1363807
- Verge, T. (2012). Party strategies towards civil society in new democracies: The Spanish case. *Party Politics*, 18(1), 45-60.
- Waddington, J. (2005). “Trade unions and the defence of the European Social Model”. *Industrial Relations Journal* 36 (6): 518-540.
- Watson, Sara E. (2017) *The Left Divided*. New York: Oxford University Press

Watt, A (2009) Assessment of financial stimulus packages by EU Member States in response to the economic crisis. Working Paper 2009.05 for ETUC conference, Paris, 27-28 May 2009

Weaver, R. K. (1986). "The Politics of Blame Avoidance." *Journal of Public Policy* 6 (4): 371-98.

Wilkinson, M. A. (2015). Authoritarian liberalism in the European constitutional imagination: Second time as farce?. *European Law Journal*, 21(3), 313-339.

Weske, U., Leisink, P., and Knies, E. (2014). "Local government austerity policies in the Netherlands: the effectiveness of social dialogue in preserving public service employment". *Transfer: European Review of Labour and Research*, 20(3), 403-416.

Whyman, P., Baimbridge, M., & Mullen, A. (2012). *The political economy of the European Social Model* (Vol. 26). Routledge.

Wolf, K. D. (2005). "Defending state autonomy: intergovernmental governance in the European Union". In *The Transformation of Governance in the European Union*, edited by R. Eising and Beate Kohler-Koch, 231-249. Routledge.

Zeitlin, J. and Vanhercke, B. (2015). "Economic governance in Europe 2020: socializing the European Semester against the odds?". In *Social policy in the European Union: state of play 2015*, edited by D. Natali and B. Vanhercke, 65-95. Brussels: ETUI.

Media

Portugal

ASJP (11 June 2010) Pressão para mudar leis laborais parte Governo Available at <http://www.asjp.pt/2010/06/11/pressao-para-mudar-leis-laborais-parte-governo/>

Currencies Direct (11 January 2011) "Euro remains under pressure"

Diario de Notícias (23 March 2011) Oposição unânime na rejeição do PEC"

Diario de Notícias (6 November 2010) Censura a Sócrates na mão da esquerda

Expresso (24 January 2017) TSU. Uma taxa que já abriu crises no Governo e pôs o povo na rua

Expresso (23 April 2012) UGT mantém acordó de concertação social

Expresso (7 April 2015) Teixeira dos Santos recorda pedido do resgate. “O dia mais longo e mais difícil”

Europa Press (4 November 2010) “Primera huelga general conjunta desde 1988 en Portugal”

Ferreira, C (17 May 2012) “O dia em que Sócrates pediu a Cavaco para o salvar da Troika”. *Publico*.

Fontevicchia, A (23 March 2011) “Portuguese parliament rejects austerity plan, PM Sócrates resigns”. *Forbes*.

Globo.com (24 March 2011) “Governo de Portugal ainda rejeita plano de resgate”

Graner and Nakagawa (25 January 2011) Déficit em conta corrente em 2010 é o maior da série histórica. *Estadao*.

Govan, F (26 November 2010) “Portugal approves austerity measures. *The Telegraph*.

Inman, P (6 July 2011) “European debt crisis: Portugal is latest domino to fall” *The Guardian*.

Inman, P (26 April 2011) “Greece and Portugal debts worse than expected”. *The Guardian*.

Jornal de Notícias (12 December 2011) “UGT garante que nao aassinará acordó tripartito”

Jornal de Notícias (9 March 2011) Ministra saúda vontade da UGT e CIP em continuar diálogo

Khalip, A and Goncalves, S (5 April 2013) “Portugal Court rejects some government austerity measures” *Reuters*.

Peres Jorge, R (12 August 2011) “Troika e governo nao chegama acordo sobre TSU”. *Negocios*.

Publico (21 February 2011) “BCE voltouao mercado e comprou 711 milhoes de dívida europeia”

Publico (6 April 2011) “Cronologia: como Portugal chegou ao pedido de resgate”

Queirós, LM (1 May 2011) As vindas do FM Inos anos 70 e 80recordadas pelos lideres sindicais. *Publico*.

Rattner, J. (15 December 2010) “Em meio a crise, governo do Portugal propoe reforma trabalhista”

Rowley, E (30 November 2010) “Portugal Banks face ‘intolerable’ risk unless austerity measures are implemented”. *The Telegraph*.

Spiegel (7 April 2011) Portugal forced to request EU bailout

Tvi24 (26 June 2013) “Teixera dos Santos: Sócrates resistiu mais que pôde”

Tvi24 (30 November 2010) “Portugal ‘deve’ reformar: despedimentos mais rápidos e baratos”

Spain

20 minutos (6 September 2012) Mariano Rajoy y Angela Merkel se reúnen en la Moncloa con los ojos puestos en el BCE

20 minutos (17 November 2014) “PSOE-A defiende que la reforma de la Constitución incluya la revisión del artículo que fija el techo de gasto”

20 minutos (15 February 2012) Rubalcaba a Rajoy: "Le resumiré su reforma: o aceptas la bajada de salarios o ahí tienes la puerta”.

Álvarez Patallo, JÁ. (1 June 2012) “La reforma de la jubilación anticipada, de la jubilación parcial y de la prolongación de la vida activa tras la jubilación” *Elderecho.com*

Bravo Cuiñas, A. (6 September 2012) UGT y CCOO: 'El rescate pone a la sociedad al servicio de los acreedores' *El Mundo*.

Business recorder (15 march 2013) “Spanish debt hits record 84.1pc of GDP”

Caro, LL. (25 November 2014) “Sánchez ve ahora un «error» el pacto constitucional por el techo de gasto”. *ABC*.

CCOO (20 February 2012) “Se constituye la Plataforma en defensa del Estado de Bienestar y los Servicios Públicos” Available at https://www.feccoocyl.es/index.php?option=com_k2&view=item&id=14975:se-constituye-la-plataforma-en-defensa-del-estado-de-bienestar-y-los-servicios-p%C3%BAblicos&Itemid=281

Clancy, R. (10 October 2012) “S&P downgrades Spain's credit rating” *The Telegraph*.

Collado, A. (28 November 2011) “Rajoy urge a patronal y sindicatos a una reforma laboral o “el Gobierno gobernará” *El Confidencial*.

Cruz, M. (9 April 2012) “El Gobierno recortará 10.000 millones en Sanidad y Educación”. *El Mundo*.

Cué, CE. (30 December 2011) “Rajoy aprueba el mayor recorte de la historia y una gran subida de impuestos” *El País*.

Cúneo, M. (2 June 2015) “¿Aguantan CC OO y UGT la crisis de legitimidad?” *Diagonal*

De Barrón, I. (13 May 2012) “Así fue la caída del coloso” *El País*.

De las Heras, P. (26 November 2011) “No es auto justificación; no había alternativa a los ajustes” *Laverdad.es*

Diario de avisos (5 August 2011) “La UE aconseja a Zapatero que culmine con firmeza las pensiones”.

Diario Crítico (25 January 2012) “Sindicatos y Patronal firman una 'paz' salarial: vea los puntos de acuerdo.

El Confidencial Digital (10 August 2011) “La explicación de Zapatero de por qué decidió adelantar las elecciones.” *ECD El Confidencial Digital*.

Eldiario.es (28 August 2012) “CCOO, UGT y otros miembros de la Cumbre social concretarán el día 10 más protestas contra los recortes”

El Economista.es (17 October 2013) “Vaeriano Gómez critica la reforma de pensiones de Rajoy que ‘desprecia’ el diálogo social”.

El Economista.es (18 June 2010) “Zapatero quiere que el Pacto de Toledo acelere la reforma de las pensiones”.

El Mundo (31 October 2013) “El Congreso tumba los vetos a las pensiones y la oposición pide volver al Pacto de Toledo”.

El Mundo (4 April 2012) “El recorte, tijeretazo a tijeretazo”.

El País (15 March 2013) “CCOO y UGT creen que la reforma de las pensiones ‘burla el pacto de Toledo’”.

El País (16 June 2011) “Los sindicatos presentan más de un millón de firmas para cambiar la reforma laboral”

El País (3 February 2011) “Merkel reconoce que España "ha hecho los deberes y va por muy buen camino"2.

El País (28 January 2009) “La economía española entra en recesión por la caída del consumo”

El País (11 April 2008) “Zapatero es investido por mayoría simple”.

Europa Press (24 August 2014) “Rajoy y Merkel recorren un tramo del camino de Santiago antes de abordar el reparto de cargos en Europa”.

Europa Press (3 December 2012) PSOE y sindicatos piden "diálogo" ante la "deriva" del Gobierno, que "ni negocia ni escucha"

Gómez, MV. And Garea, F. (30 November 2012) “Las pensiones pierden poder adquisitivo” *El País*.

Garea, F. (29 July 2011) “Zapatero convoca el 20-N para que ‘otro Gobierno dé certidumbre’” *El País*.

Informacion.es (25 June 2013) “Los sindicatos, poco optimistas ante la Cumbre Europea”.

Knight, L. (28 September 2012) “Spain's regional governments: How they got into trouble”. *BBC*.

Legaltoday.com (11 June 2012) “De Guindos y sus Reales Decretos-Ley ponen la banca a temblar”.

Mendoza, A. (28 January 2011) “La reforma inyecta oxígeno a Zapatero a una semana de la visita de Merkel” *El Confidencial*.

Mendoza, A. (18 June 2010) “‘No hay crisis’: Europa da aliento a zapatero en su momento más crítico” *El Confidencial*.

Money.com (2 may 2010) “Greece accepts bailout package”

Pérez, C. (24 June 2008) “Zapatero asume ya la crisis” *El País*.

Pérez, C. and Doncel, L. (10 June 2012) España pide un rescate de hasta 100.000 millones para la banca. *El País*.

Pérez, C. and Pérez-Lanzac, C (19 December 2014) “El BCE publica el cruce de cartas entre Trichet y Zapatero” *El País*.

Pop, V. (6 December 2013) “Merkel denies pressuring Spain on bailout” *Euobserver.com*

Público (24 August 2014) “Merkel y Rajoy recorren un tramo del Camino de Santiago”

Público (20 November 2013) “El PP aprueba hoy la reforma de las pensiones sin apenas aceptar cambios”

Público (18 May 2011) “El sindicalista español Toxo elegido presidente de CES con un 90 por ciento de votos”.

Público (20 October 2010) “Valeriano Gómez se manifestó en la Huelga General del 29-S”

Ortiz, F. (3 February 2011) “UPDATE 1- Germany strongly backs Spain’s crisis measures” *Reuters*.

Radiocable.com (27 July 2012) “El Gobierno reconoció la reunión con los sindicatos tras la información de radiocable.com”

Romero, JM. (17 May 2010) “Dos minutos que cambiaron a España” *El País*.

Romero, J. (27 September 2010) Zapatero ofrece a los sindicatos diálogo y les pide "responsabilidad". *Público*.

Romero, A. (9 June 2012) “Guindos defiende que es un crédito en “condiciones favorables” y no un rescate”. *El País*.

RTVE (9 March 2012) “Los sindicatos convocan huelga general el 29 de marzo contra la reforma laboral.

RTVE (25 July 2012) “La Cumbre Social convoca una marcha hacia Madrid el 15 de septiembre contra los recortes”.

RTVE (2 February 2011) “Gobierno, los sindicatos y la patronal firman solemnemente el ansiado pacto social”

RTVE 8 (22 June 2010) “El diputado Antonio Gutiérrez se abstiene en la reforma laboral y el PSOE lo sancionará”

Sanz, LA. (15 September 2012) “Una 'marea' social pide un referéndum sobre los

recortes y el posible rescate”. *El Mundo*.

Segovia, C. (24 November 2013) “La asombrosa página 354 del libro de Solbes (era consciente)” *El Mundo*.

Segovia, C. and Cruz, M. (6 September 2012) Merkel pide a Rajoy 'hacer los deberes' tras el anuncio del BCE. *El Mundo*.

Smith, A. (22 November 2011) “Spanish bonds signal tough road ahead” *CNN*.

Strupezewaki, J. (22 April 2010) “Greek 2009 deficit revised higher, euro falls”. *Reuters*.

Tercera información (23 August 2011) “Voces críticas dentro del PSOE contra la reforma constitucional planteada por Zapatero”

Toyer, J. and Gonzalez, a. (12 December 2012) “Exclusive: Spain plans deeper pension reform to meet EU demands” *Reuters*.

Traynor, I. (26 march 2010) “Angela Merkel agrees on Greece rescue package-but wants new euro rules” *The Guardian*.

Vilaseró, M. (27 September 2010) “Zapatero reclama a los sindicatos más responsabilidad y propuestas” *El Periódico*.

Volkery, C. (29 June 2012) “How Italy and Spain Defeated Merkel at EU Summit”. *Spiegel online*.

Watts, WL. (2 August 2011) “Italy, Spain bond yields jump, CDS spreads widen”. *Marketwatch.com*

Wearden, G. (5 may 2010) “Greece debt crisis: timeline” *The Guardian*.

Yárnoz, C. (17 November 2013) “Zapatero y yo teníamos una percepción distinta de la crisis” *El País semanal*.

Italy

Amato, R. (4 April 2009) “La gente della Cgil invade Roma "Al Circo Massimo 2,7 milioni"La Repubblica.it

BBC (4 July 2012) Italy's budget deficit widens in first quarter of 2012

BBC (13 November 2011) “Italy crisis: Silvio Berlusconi resigns as PM”

Bei, F. (3 November 2011) Berlusconi processa Tremonti "Dipendesse da me saresti già fuori" *Repubblica.it*

Bianchini, E. (10 November 2011) "Bersani sosterrà Monti, ma la base del partito vuole le elezioni (e applaude Di Pietro)" *IlFattoQuotidiano.it*

Boeri, T. (4 October 2011) Papi's tax. *VOX*.

Caporale, a. (12 November 2011) 9 Novembre 2011, Monti nominato senatore a vita: per Berlusconi è finita. *IlFattoQuotidiano.it*

Cerretelli, A. (4 June 2012) "Con la gradualità resta il discrimine" *Il Sole 24 ore*

Cisl Brescia (4 November 2011) "La crisi, l'Italia, l'Europa. Per la Cisl solo le parti sociali possono salvare il Paese"

Corriere della Sera (2 June 2008) Corriere: Epifani a Draghi: età pensionabile sì all'aumento ma non per legge

Corriere della Sera (4 April 2012) Monti: «Lavoro, riforma storica per l'Italia»
Fornero: «Non blindare i lavoratori al posto »

Corriere della Sera (16 July 2009) Riforma pensioni, il sindacato si spacca
La Cgil al governo: «Daremo battaglia»

Corriere della Sera (28 November 2008) Sì al pacchetto anticrisi da 80 miliardi

Dinmore, G. and Atkins, R. (29 September 2011) "ECB letter shows pressure on Berlusconi". *Financial Times*.

Faiola, A. (7 November 2011) "Italy's debt costs soar as pressure builds on Berlusconi". *The Washington Post*.

FILCa CISL (23 January 2009) "Firmato l'accordo quadro per la riforma degli assetti Contrattuali"

FLC CGIL (28 November 2008) "Sciopero generale 12 dicembre 2008: il Paese vuole guardare Avanti"

Hall, E. (12 July 2011) Italy, Spain on centre stage in EU debt crisis. *The World Today*.

Hooper, J. (13 November 2011) Silvio Berlusconi: a story of unfulfilled

Promises. The Guardian.

Il tempo (8 May 2011) La Cgil «decapita» Berlusconi.

La Repubblica.it (18 November 2008) Governo illiberale, vuole escluderci ma Cisl e Uil non gli basteranno'

La repubblica.it (28 November 2011) Ocse: nel 2012 Italia in recessione, Pil -0,5%
Fmi: nessuna trattativa per piano aiuti

La Repubblica.it (6 September 2011) In piazza Pd, Idv, SeL e Verdi
Bonanni: "Uno sciopero demenziale"

La Repubblica.it (27 June 2012) Lavoro, la riforma è legge metà del Pdl non la vota

La Repubblica.it (24 October 2011) Le pensioni spaccano il governo Scontro Pdl-Lega:
niente accordo

La Repubblica.it (3 June 2010) Pensioni, nuovo ultimatum della Ue "Equiparare dal 2012
età donne nell a P.A."

La Repubblica.it (16 July 2009) Pensioni, Sacconi "soddisfatto" Cgil: "Norme del tutto
inaccettabili"

La Repubblica.it (24 November 2011) Merkel e Sarkozy incontrano Monti
"Impressionanti sue riforme strutturali"

La Repubblica.it (30 August 2011) Manovra, Berlusconi soddisfatto
Insorgono Cgil e magistrati

La Repubblica.it (25 May 2010) Manovra, colpiti i dipendenti pubblici le donne più tardi
in pensione

La Repubblica.it (4 April 2012) Monti vara la riforma: "Svolta storica" Art. 18, torna il
reintegro per motivi economici

La Stampa (22 October 2013) Eurostat: nel 2012 il debito pubblico italiano
secondo soltanto a quello greco

Mania, R. (15 February 2009) Epifani: "Cisl e Uil con Berlusconi
e il Pd torni in mezzo ai lavoratori" *Repubblica.it*

Nicola, D. and Orecchio, D. (30 August 2011) Camusso: dopo il golpe sulle pens sciopero sacrosanto. *Rassegna sindacale*.

Pisa, N (26 October 2011) 'Beleaguered Berlusconi agrees to step down' as part of coalition deal on pension reforms. Daily Mail online.

Piscioneri, F. and Jones, G. (28 November 2008) "Italy approves stimulus plan but analysts sceptical". *Reuters*.

Povoledo, E. (27 October 2011) "For Italy, Berlusconi Is a Problem but Also a Solution" *The New York Times*.

Rooney, B. (9 November 2011) "Italian bonds flashing warning signs" CNN.

Rowley, E. (14 July 2011) Silvio Berlusconi v. Giulio Tremonti: a clash that spooked the markets. *The Telegraph*.

RQuotidiano (30 October 2012) Cgil: "Sciopero generale il 14 novembre". Cisl e Uil: "Buttato via percorso unitario"

RQuotidiano (17 November 2011) In Senato solo la Lega nord vota contro Monti: non è il governo dei poteri forti

RQuotidiano (23 July 2012) "Andamento spread Btp-Bund, dal picco di novembre a oggi2

Spiegel, P. and Dinmore, G. (3 November 2011) "Berlusconi under pressure at G20 and in Rome" *Financial Times*.

Svaluto Moreolo, C (2015) Interview With Elsa Fornero "Easing Italy's pain" *Investment&pension in Europe*

Telegraph (11 November 2011) "What are Italy's fresh austerity measures?"

The economist (10 December 2011) "Saving Italy"

The Guardian (15 November 2011) "Eurozone crisis: Italian bond yields hit 7% again on 'most worrying day'"

Wintour, P. and Elliott, L. (4 November 2011) "G20 leaders press Italy to accept IMF checks on cuts programme"

Documents and institutional sources

European Union

European Commission (2015) “The Euro plus pact” EPSC strategic notes. European political strategy centre. Issue 03/2015. Available at https://ec.europa.eu/epsc/sites/epsc/files/strategic_note_issue_3.pdf

European Commission (2015) Commonly agreed position on Flexibility in the Stability and Growth Pact. ECOFIN 888

UEM 422

European Council (2010) Regulations council regulation (eu) no 407/2010 of 11 may 2010 establishing a European financial stabilisation mechanism

European Council (2010) press release 3020th council meeting economic and financial affairs Luxembourg, 8 June 2010 10689/10 PRESSE 162 PR CO 7

European Council (2010) press release extraordinary council meeting economic and financial affairs Brussels, 9/10 may 2010 9596/10 (PRESSE 108)

European Council (2010) press release 3030th council meeting economic and financial affairs Brussels, 7 September 2010 13161/10 PRESSE 229 PR CO 14

European Union (2010) Statement by the heads of state or government of the European Union. Brussels, 11 February 2010

European Union (2010) Statement by the heads of state or government of the European Union. Brussels, 25 march 2010

European Union (2010) statement by the heads of state or government of the European Union. Brussels, 7 may 2010

European Union (2011) conclusions of the heads of state or government of the euro area of 11 march 2011

European Union (2011) conclusions of the heads of state or government of the euro area Brussels, 21 July 2011

European Union (2011) conclusions of the heads of state or government of the euro area Brussels, 26 October 2011

European Union (2011) European council in 2010. Luxembourg: publications office of the European union, 2011 www.european-council.europa.eu

European Union (2011) Conclusions of the European Council 24/25 March 2011)

European Union (2012) Conclusions of the heads of state or government of the euro area
Brussels, 29 June 2012

European Union (2012) European council in 2011. Luxembourg: publications office of
the European union, 2011 www.european-council.europa.eu

European Union (2013) European council in 2012. Luxembourg: publications office of
the European Union, 2011 www.european-council.europa.eu

European Central Bank (2010) decision of the European central bank of 14 may 2010
establishing a securities markets programme (ECB/2010/5) (2010/281/EU)

European Commission (2008) communication from the commission to the European
council a European economic recovery plan Brussels, 26.11.2008 COM (2008) 800 final

Spain

European council (2011) council recommendation
of 12 july 2011 on the national reform programme 2011 of spain and delivering a council
opinion on the updated stability programme of spain, 2011-2014 (2011/c 212/01)

European council (2012) council recommendation on the national reform
programme 2012 of Spain and delivering a council opinion on the stability programme
for Spain, 2012-2015 (11273/12)

European council (2013) Council Recommendation of 9 July 2013 on the national reform
programme 2013 of Spain and delivering a council opinion on the stability programme of
Spain, 2012-2016 (2013/c 217/20)

IMF (2010) Spain: 2010 Article IV Consultation—staff statement; staff supplement; staff
report; statement by the executive director for Spain; and public information notice on
the executive board discussion. IMF Country Report no. 10/254

European commission (2009) recommendation for a Council recommendation to Spain
with a view to bringing an end to the situation of an excessive government déficit.
Brussels, 24.3.2009 sec (2009) 562 final

European commission (2009) Commission opinion on the existence of an excessive
deficit in Spain. Brussels, 24.3.2009 sec (2009) 560 final

European commission (2010) communication from the commission to the council
assessment of the action taken by Belgium, the Czech republic, Germany, Ireland, Spain,
France, Italy, the Netherlands, Austria, Portugal, Slovenia and Slovakia in response to the

Council recommendations of 2 December 2009 with a view to bringing an end to the situation of excessive government deficit. Brussels, 15.6.2010. COM (2010) 329 final

European Council (9/10 May 2010) Extraordinary Council meeting Economic and Financial Affairs. Press release.

European Council (24/25 March 2011) Conclusions EUCO 10/1/11 REV 1

European Council (2012) Council recommendation with a view to bringing an end to the situation of an excessive government deficit in Spain. 12171/1 ECOFIN 669/UEM 252

European Commission (2012) Commission staff working document. Analysis by the Commission services of the action taken by Spain in response to the Council recommendation of 10 July 2012 with a view to bringing an end to the situation of excessive government deficit Brussels, 14.11.2012 SWD (2012) 390 final

European Council (2013) Council recommendation of 21 June 2013 with a view to bringing an end to the situation of an excessive government deficit in Spain (2013/c 180/02)

European Council (2013) Council opinion of 10 December 2013 on the economic partnership programme of Spain (2013/c 368/01)

Spain (2013) Economic partnership programme. Available at http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/30_edps/other_documents/2013-10-01_es_-_epp_en.pdf

Spain (7 June 2013) Informe del Comité de Expertos sobre el factor de sostenibilidad del sistema público de pensiones.

European Commission (2016) evaluation of the financial assistance programme Spain, 2012-2014. European economy institutional papers 019. Available at http://ec.europa.eu/economy_finance/publications/.

European Commission (2012) Libro Blanco. Agenda para unas pensiones adecuadas, seguras y sostenibles Bruselas, 16.2.2012 COM (2012) 55 final

Spain (2012) Spain memorandum of understanding on financial-sector policy conditionality 20 July 2012

Spain (2010) Real Decreto-ley 8/2010, de 20 de mayo, por el que se adoptan medidas extraordinarias para la reducción del déficit público. *Boletín Oficial del Estado*. núm. 126 sec. i. pág. 45070

Spain (2011) Ley 2/2011, de 4 de Marzo, de economía sostenible. *Boletín Oficial del Estado* Núm. 55 sábado sec. i. pág. 25033

Spain (2011) Ley 27/2011, de 1 de Agosto, sobre actualización, adecuación y modernización del sistema de seguridad social. *Boletín Oficial del Estado* núm. 184 sec. i. pág. 87495

Spain (2011) Real Decreto-ley 20/2011, de 30 de diciembre, de medidas urgentes en materia presupuestaria, tributaria y financiera para la corrección del déficit público. *Boletín Oficial del Estado*.

Spain (2012) Programa Nacional de Reformas

Spain (2011) Programa Nacional de Reformas

Spain (2013) Programa Nacional de Reformas

Spain (2009) Actualización del Programa de Estabilidad (2009-2013)

Spain (2012) Real Decreto-ley 2/2012, de 3 de Febrero, de saneamiento del sector financiero. *Boletín Oficial del Estado*. Núm. 30 sec. i. pág. 9889

Spain (2010) Ley 35/2010, de 17 de septiembre, de medidas urgentes para la reforma del mercado de trabajo. *Boletín Oficial del Estado*. Núm. 227 sec. i. pág. 79278

European Commission (2012) The financial sector adjustment programme for Spain. *Occasional papers 118*. |

Portugal

Eurogroup (2010) Eurogroup Statement Portugal (30 September 2010)

European Commission (2010) statement by the Eurogroup and ECOFIN ministers memo/11/227. Brussels, 8 April 2011.

European Council (2011) Council approves aid to Portugal, sets out conditions. Brussels, 17 May 2011/10231/11/ PRESSE 132.

Portugal (2011) Portugal Memorandum of Understanding on specific economic policy conditionality 17 may 2011.

Portugal (2011) statement by the EC, ECB, and IMF on the First review mission to Portugal MEMO/11/555 Lisbon, 12 august 2011.

Portugal (2011) Statement by the EC, ECB, and IMF on the Second review mission to Portugal MEMO/11/793 Brussels, 16 November 2011.

Portugal (2011) Statement by the EC, ECB, and IMF on the third review mission to Portugal memo/12/142 Brussels, 28 February 2012.

European Commission (2012) Statement by the EC, ECB, and IMF on the fourth review mission to Portugal.

European Commission (2012) Statement by Vice President Rehn following the conclusion of the Fifth review mission to Portugal.

European Council (2011) Council implementing decision of 30 may 2011 on granting union financial assistance to Portugal (2011/344/EU)

European council (2011) Council recommendation of 12 July 2011 on the national reform programme 2011 of Portugal (2011/c 216/01)

European council (2012) Council recommendation on the National Reform Programme 2012 of Portugal and delivering a Council opinion on the Stability Programme of Portugal, 2012-2016

European Council (2009) Council decision of 19 January 2010 on the existence of an excessive deficit in Portugal (2010/288/EU)

European Commission (2009) commission opinion on the existence of an excessive deficit in Portugal. Brussels, 11.11.2009 SEC (2009) 1526 final

European Commission (2010) Communication from the Commission to the Council assessment of the action taken by Belgium, the Czech Republic, Germany, Ireland, Spain, France, Italy. Brussels, 15.6.2010. COM (2010) 329 final

European Commission (2012) Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in Portugal. Brussels, 27.9.2012 COM (2012) 566 final

European Commission (2013) Council Recommendation with a view to bringing an end to the situation of an excessive government deficit in Portugal Brussels, 29.5.2013 COM (2013) 394 final

European Commission (2013) Analysis by the commission services of the budgetary situation in Portugal following the adoption of the council recommendation to Portugal of 9 October 2012 with a view to bringing an end to the situation of an excessive government deficit. *Commission staff working document*.

Portugal (2010) Projecto de resolução n. ° 73/xi Iniciativas emprego 2009 e 2010.

Portugal (2011) Portugal 2020. Programa nacional de reformas

Portugal (2010) Programa de Estabilidade e Crescimento (2010-2013)

Portugal (2012) Documento de Estratégia Orçamental (2012-2016)

Portugal (2011) Programa de Estabilidade e Crescimento (2011-2014)

Portugal (2010) Orçamento do Estado para 2010.

Portugal (2010) “Acordo Tripartido para a Competitividade e Emprego”. Comissão Permanente de Concertação social. Conselho económico e social.

Portugal (2008) Acordo tripartido para um novo sistema de regulação das relações laborais, das políticas de emprego e da protecção social em Portugal (Lisboa, 25 June 2008)

Italy

European Commission (2009) Italy: macro fiscal assessment an analysis of the February 2009 update of the stability programme Brussels, 11 march 2009 ECFIN/f1/rep 50719/09-en

European commission (2010) Italy: Macro fiscal assessment. An analysis of the January 2010 update of the Stability Programme. Brussels, 31 march 2010 ECFIN/f1/ARES(2010)171751

European Council (2010) COUNCIL DECISION of 19 January 2010 on the existence of an excessive deficit in Italy(2010/286/EU)

European Council (2009) Council opinion of 10 march 2009 on the updated stability programme of Italy, 2008-2011 (2009/c 70/01)

European Commission (2010) Equality: Commission takes further legal action against Italy on discriminatory pension age. IP/10/674

European Commission (2009) Recommendation for a council opinion in accordance with the third paragraph of article 5 of Council regulation (EC) no 1466/97 of 7 July 1997 on the updated stability programme of Italy, 2008-2011 Brussels, 25.2.2009 sec(2009) 233 final

European commission (2009) Report from the Commission Italy report prepared in accordance with article 104(3) of the Treaty Brussels, 7.10.2009
SEC (2009) 1271 final

European Commission (2009) Commission opinion on the existence of an excessive deficit in Italy application of article 104(5) of the treaty establishing the European community Brussels, 11.11.2009 SEC (2009) 1523 final

European Council (11 November 2009) COUNCIL DECISION on the existence of an excessive deficit in Italy SEC(2009) 1524 final

European Council (2010) council decision of 19 January 2010 on the existence of an excessive deficit in Italy (2010/286/EU)

European council (2009) Council recommendation to Italy with a view to bringing an end to the situation of an excessive government deficit. ECOFIN 768/UEM 294

European Commission (2010) Communication from the Commission to the council assessment of the action taken by Belgium, the Czech republic, Germany, Ireland, Spain, France, Italy, the Netherlands, Austria, Portugal, Slovenia and Slovakia. Brussels, 15.6.2010/ COM(2010) 329.

European commission (2013) recommendation for a council decision abrogating decision 2010/286/EU on the existence of an excessive deficit in Italy Brussels, 29.5.2013
COM(2013) 385 final

European council (2013) Council decision of 21 June 2013 abrogating decision 2010/286/EU on the existence of an excessive deficit in Italy (2013/314/EU)

European Commission (2013) European economy occasional papers 138 | April 2013
ISSN 1725-3209

Italy (2013) Documento di economia e finanza 2013. National Reform Programme

Italy (2011) economic and financial document. National Reform Programme

Italy (2012) economic and financial document. National reform programme

Italy (2008) Italy's stability programme.2008 update

Italy (2009) Italy's Stability programme.2009 update

Italy (2009) Accordo interconfederale 15 aprile 2009 per l'attuazione dell'accordo-quadro sulla riforma degli assetti contrattuali del 22 gennaio 2009

Italy (2011) documento di Economia e finanza 2011 Programa di Stabilità dell'Italia

Italy (2012) 2012 economic and financial document Italy's stability programme

Italy (2013) 2013 economic and financial document Italy's stability programme

Italy (2010) Legge 30 luglio 2010, n. 122 conversione in legge, con modificazioni, del decreto-legge 31 maggio 2010, n. 78, recante misure urgenti in materia di stabilizzazione finanziaria e di competitività economica (gu n. 176 del 30-7-2010 - suppl. ordinario n.174)

List of interviews

Experts

23.10.15 (Madrid) Philippe Pochet, General Director of the European Trade Union Institute (ETUI)

05. 03.16 (Brussels) Marco Cilento, Adviser to the European Trade Union Confederation (ETUC)

27.01.16 (Coimbra) Hermes Augusto Costa, Professor Sociology and Labour Organisations (FEUC)

Elite interviews

European Union

16.03.16 (Brussels) Bernadette Ségol, Former General Secretary of the ETUC (2011-2015)

Spain

18.11.15 (Madrid) Ignacio Fernández Toxo, General Secretary of the Spanish Workers Commissions (CCOO) and President of the European Trade Union Confederation

18.11.15 (Madrid) Technical staff UGT. Department of labour market

18.11.15 (Madrid) Technical staff UGT. Department of pensions

18.11.15 (Madrid) Technical staff UGT. Department of International relations

14.02.16 (Madrid) Borja Suarez, Social policy Advisor to the PSOE and Professor of Labour Law and Social Security (UAM)

16.02.16 (Barcelona) Celestino Corbacho, Former Minister of Employment and Immigration (2008-2010)

25.02.16 (Madrid) Valeriano Gómez, Former Minister of Employment and Immigration (2010-2011)

26.02.16 (Madrid) Antonio González González, Former Chief of Staff of Ministry of Employment and Immigration and advisor in the Economic Office of the President (2008-2010)

20.11.2017 (Madrid) Carlos Bravo, Executive Committee CCOO, Secretary of Public policy and social security

20.11.2017 (Madrid) Juan Luis Gimeno, Director of Statistics and Social and labour analysis, Ministry of Employment

21.11.2017 (Madrid) Dolores Santillana, Executive Committee CCOO, Secretary of Employment and Professional qualification

23.11.2017 (Madrid) Miguel García, General Director of Social Security, Ministry of Employment and Social Security

Portugal

25.01.16 (Lisbon) Manuel Carvalho, Former General Secretary of General Confederation of Portuguese Workers (1986-2012) (CGTP-IN)

26.01.16 (Lisbon) Armenio Carlos General Secretary of CGTP-IN

29.01.16 (Lisbon) Joao Proença, Former general Secretary of Portuguese general Union of Workers (UGT-P)

Access to *ad verbatim* transcripts of 35 interviews realised by Prof. Catherine Moury to political leaders, trade unionists and public officials

Italy

27.04.16 (Milan) Elena Lattuada, Regional General Secretary of CGIL-Lombardia

28.04.16 (Rome) Fausto Durante, European Responsible of CGIL-National

04.05.16 Giacomina Cassina, Former Responsible of European Politics of the CSIL

09.05.16 Raffaele Bonanni, Former General secretary CISL (2006-2014)

08.07.16 Luigi Angeletti, former General Secretary UIL (2000-2014)

27.11.2017 Marco Leonardi, Democratic Party. Economic Adviser to former Prime Minister Mateo Renzi

29.11.2017 Former Minister of Labour Elsa Fornero

13.12.2017 Tommaso Nannicini, Democratic Party

18.12.2017 Enrico Giovannini, Former Labour and social policy Minister (2013-2014)

APPENDIX: LIST OF FIGURES AND TABLES

Tables

Table 1. A chronology of the EU responses to the Eurozone crisis.....	27
Table 2. Changes introduced by the Six Pack.....	31
Table 3. Main changes of the new European economic governance.....	34
Table 4. The European Semester timeline.....	35
Table 5. European regime change.....	50
Table 6. National responses and two-level games.....	58
Table 7. Timid compliance and concertation.....	65
Table 8. Explaining trade union's strategies.....	68
Table 9. Units of analysis: national governments.....	83
Table 10. Units of analysis: trade unions.....	84
Table 11. Financial pressures over Portugal the weeks before the bailout.....	114
Table 12. Chronology of the Portuguese bailout (2011).....	120
Table 13. Memorandum of Understanding for Portugal (17 May 2011).....	121
Table 14. Reform episodes during the PS government (2010-2011).....	122
Table 15. Tripartite Agreement of Competitiveness and Employment.....	127
Table 16. Measures to reform the labour market included in the NRP 2012.....	140
Table 17. Reform episodes during the PSD-CDS government (2011-2013).....	142
Table 18. Labour market measures included in the NRP 2013.....	146
Table 19. Budget consolidation measures announced on 12 May 2010.....	163
Table 20. Spanish commitments in the Euro Plus Pact.....	164
Table 21. Reform episodes during the PSOE government (2010-2011).....	166
Table 22. Trade unions' strategies during the PSOE government.....	176
Table 23. Spanish National Reform Programme 2012.....	186
Table 24. Reforms of the financial system previous to the European Financial assistance.....	188
Table 25. Reform episodes during the PP government (2012-2013).....	191

Table 26. Trade unions strategies' during the PP government.....	196
Table 27. Structural reforms included in the letter of the BCE.....	208
Table 28. Italian National Reform Programme 2011.....	213
Table 29. Reform episodes during PDL-NL government 2008-2011.....	216
Table 30. Country-specific recommendations 2012- Euro Plus Pact commitments.....	229
Table 31. Reform episodes during the Mario Monti government (2011-2012).....	234
Table 32. Monti-Fornero labour market reform Law no.92.....	240
Table 33. Market discipline and structural reforms.....	251

Figures

Figure 1. Portuguese Unemployment rate (2008-2011).....	110
Figure 2. Government Gross Debt in Portugal (2008-2011).....	112
Figure 3. Portuguese GDP Growth Rate (2011-2014).....	133
Figure 4. Portuguese government debt to GDP (2010-2015).....	133
Figure 5. Portugal Unemployment Rate (2011-2014).....	135
Figure 6. Portuguese Government Bond 10Y.....	138
Figure 7. Spain GDP Growth Rate (2006-2011).....	153
Figure 8. Spain government debt to GDP (2008-2012).....	155
Figure 9. Spanish Employment Protection legislation index in 2003.....	157
Figure 10. Spain GDP growth rate (2012-2013).....	181
Figure 11. Trimestral evolution Spanish public debt (2011-2013).....	182
Figure 12. Italian General Government debt, total % of GDP, 2009.....	202
Figure 13. Italy unemployment rate (2008-2011).....	206
Figure 14. Italy GDP Growth Rate (2011-2014).....	227
Figure 15. Italy Government bond 10Y (2010-2015).....	232

Boxes

Box 1. The divisions of the Portuguese Socialist Party.....	119
Box 2. The Portuguese Constitutional Court as a veto player.....	146

Box 3. The role of Angela Merkel in Spain during the Eurozone crisis.....	183
Box 4. Conditionality and credibility in Spain.....	189
Box 5. Fiscal consolidation measures of the Decree Law No.112 of 2008.....	211
Box 6. Country-specific recommendations 2013 for Italy.....	230
Box 7. The Fornero pension reform (Law no. 214 of 2011).....	237