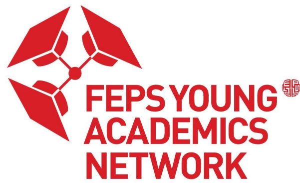

FEPS

Rue Montoyer 40 | 1000 Brussels (Belgium)

Capital and Labour in the post-crisis European context: Distributional, Institutional and Political Considerations

VOLUME 1: Financial Means and Labour

Scott LAVERY

Pim PAULUSMA

Marc VENHAUS

Neil WARNER

Benjamin WILHELM

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FEPS YOUNG ACADEMICS NETWORK

The Young Academics Network (YAN) was established in March 2009 by the Foundation of European Progressive Studies (FEPS) with the support of the Renner Institut to gather progressive PhD candidates and young PhD researchers, who are ready to use their academic experience in a debate about the Next Europe. The founding group was composed of awardees of the "Call for Paper" entitled "Next Europe, Next Left" – whose articles also help initiating the FEPS Scientific Magazine "Queries". Quickly after, with the help of the FEPS member foundations, the group enlarged – presently incorporating around 30 outstanding and promising young academics.

FEPS YAN meets in the Viennese premises of Renner Institut, which offers great facilities for both reflections on the content and also on the process of building the network as such. Both elements constitute mutually enhancing factors, which due to innovative methods applied make this Network also a very unique project. Additionally, the groups work has been supervised by the Chair of the Next Left Research Programme, Dr. Alfred Gusenbauer – who at multiple occasions joined the sessions of the FEPS YAN, offering his feedback and guidance.

This paper is one of the results of the third cycle of FEPS YAN, (the first one ended with three papers in June 2011, while the second one led to five papers in spring 2013), in which six key themes were identified and were researched by FEPS YAN working groups. These topics encompass: *"Precarious employment in Europe*"; "*Full employment: A progressive vision for Europe*"; "*Get the party started: Modernizing progressive politics*"; "*The 2014 European elections*"; "*Enhancing EU enlargement*" and "*Young and easily allured? A comparative analysis on the relationship between populism and youth in Europe*". Each of the meetings is an opportunity for the FEPS YAN to discuss the current state of their research, presenting their findings and questions both in the plenary, as also in the respective working groups. The added value of their work is the pan-European, innovative, interdisciplinary character – not to mention, that it is by principle that FEPS wishes to offer a prominent place to this generation of academics, seeing in it a potential to construct alternative that can attract young people to progressivism again. Though the process is very advanced already, the FEPS YAN remains a Network – and hence is ready to welcome new participants.

FEPS YAN plays also an important role within FEPS structure as a whole. The FEPS YAN members are asked to join different events (from large Conferences, such as FEPS "Call to Europe" or "Renaissance for Europe" and PES Convention to smaller High Level Seminars and Focus Group Meetings) and encouraged to provide inputs for publications (i.e. for FEPS Scientific Magazine "Queries"). Enhanced participation of the FEPS YAN Members in the overall FEPS life and increase of its visibility remains one of the strategic goals of the Network for 2014.

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VOLUME 1: Financial Means and Labour

Keywords: Financialisation, Wage Share, European Economic Governance, European Industrial Relations

Executive summary

Declining or stagnant wages, the attitude of the European Commission and beneficial tax systems for capital lead on several levels to a weakening position not only of middle and lower class interests but also their institutionalized representatives, i.e. trade unions and progressive parties. This is why we need not only an accurate diagnosis on what is actually creating this weakened position of labour in the post-crisis era but also pan-European policy proposals which go beyond the special interests of certain countries or industrial sectors.

This paper approaches these processes from three different perspectives in order to create a better understanding of the drivers of this weakening of the middle and lower classes in Europe. It provides policy proposals for each one of the three perspectives which are aimed at increasing the position of low and middle income earners. The changing relationship between capital and labour can of course be analysed at various levels of abstraction and can focus on different concrete articulations of this relationship in different policy spheres. With this in mind, this volume does not seek to offer a comprehensive analysis of the changing nature of capital-labour relations in Europe. Rather, it seeks to advance a conceptual framework for analysis as well as new empirical material which together draw attention to three distinct areas through which capital-labour relations in Europe in the post-crisis period can be understood, analysed and critiqued. These three distinct areas are identified in the title of this paper, with its focus on *distributional, institutional* and *political* dimensions of the capital-labour relation in Europe.

The first section of the paper places the question of capital-labour relations in its structural context and provides an analysis of changes to the 'wage share' in Europe. It outlines how since the 1980s the wage share has declined in Europe and argues that this process is associated with distributional asymmetry and crisis. Empirically, it provides a 'snapshot' of the wage share across select European countries in the 'core' and the 'periphery' between 2008 and 2015. It is argued that on this measure, uneven development has intensified across Europe as a result of crisis management measures.

The second section of the paper looks at the policy responses of the European Commission in this context. It is argued that the Commission's attitude is most fundamentally geared towards the position and perspective of capital within the economy, rather than the European economy or society as a whole. While the Commission's position has developed somewhat over the course of the crisis, its adaptability is hindered by these fundamental assumptions.

The final section of the paper focuses on the responses of European trade unions to the contemporary conjuncture. The section advances in two steps. First it outlines the present literature on practices of European trade unions. Second, it illustrates one area – the area of financial regulation – where European trade unions can make a difference for labour relations across the European Union. The section concludes with three organisational policy proposals – in short this is common representation, policy expertise, translationary capacities – in order to improve the position of Labour in the EU.

In a final concluding section we synthesise the above arguments and outline some implications of the preceding analysis.

The three chapters – although speaking to distinct aspects of capital-labour relations in the contemporary conjuncture – can nevertheless be understood to be linked as they all contribute to answering the following two research questions:

1. How have capital-labour relations been reconstituted in the post-crisis period in Europe and which actors have served to institute, organise and regulate this process?
2. What alternative strategies might progressive political parties adopt in response to these trends?

Introduction

It becomes clearer every day that the burden of the financial crisis has for the largest part been shifted towards workers, especially within the European Union. Despite the fact that the causes of the crisis were to be found primarily in the financial sector generally and within the faulty macroeconomic architecture of the Eurozone in particular, it has primarily been low and middle paid workers who have paid the price of adjustment.

To be able to put forward proposals which increase the position of workers, especially in the lower and middle classes, it is necessary to create a better understanding of the drivers of this process. That is the aim of this first volume: to try to find answers as to why workers have taken most of the burden of the crisis. For this, we need an accurate diagnosis on what is actually creating this weakened position of labour in the post crisis. Based on that, we will put forward pan-European policy proposals which go beyond the special interests of certain countries or industrial sectors.

The paper consists of three separate parts, which each focus on a specific issue. The first part focuses on what has happened to the position of workers by analysing changes in the wage share. The second part focuses on the role of the economic governance which has been introduced by the European Commission in terms of its crisis management measures. The third part takes a look at the response of trade unions.

In this way, we create a better understanding of what has happened to the position of workers in the EU, how the policy response of the Commission has contributed to that and why trade unions have not been able to formulate a more effective response. Based on each analysis, we will put forward proposals which will lead to the strengthening of the position of workers within the EU.

European labour markets and the falling wage share in the post-crisis period

What is the 'wage share' and why does it matter?

The 'wage share' can be broadly defined as the proportion of overall economic output which accrues to labour as opposed to capital.[1] Over the past few decades, the wage share has declined substantially across Europe. For example in the Euro area, the wage share has fallen from 72.5 per cent in 1982 to 63.3 per cent in 2007 (Stockhammer, 2009). A declining wage share is a key driver of economic crisis, breakdown and instability (Stockhammer, 2013; Onaran, 2010; Palley, 2011). This is because wages have a dual function: they are not only a 'cost of production' but also constitute a source of aggregate demand. If productivity growth consistently outstrips wage growth, then economies are faced with a 'potential realisation problem', where the production of new goods and services is met with structural shortfalls in aggregate demand (Crotty, 2000; Onaran, 2010). In addition, because those lower down the income scale have a higher propensity to consume – that is they are likely to spend a higher proportion of their income on goods and services – a growing concentration of wealth and income in the form of profit acts as a further drag on growth and economic expansion (Kotz, 2009).

In the past thirty years we can identify the development of two distinct yet interdependent responses to this conundrum in Europe. Some countries, such as Germany, have temporarily overcome domestic wage repression through intensifying their export-led growth models (i.e. relying on external demand; largely externalizing crisis effects by means of current account deficits in other countries). Other countries, such as the UK, Spain and Ireland, have developed debt-led growth models, where the absence of wage growth relative to productivity has been compensated for by the expansion of credit in both households and in the corporate sector.

Importantly, over time these distinctive growth models became increasingly interdependent, both relying upon a kind of 'privatised Keynesianism', where ever-expanding private debt provided the fuel for debt-led and export-led growth (Crouch, 2009; Streeck, 2013). Both growth models therefore relied upon and actively encouraged the development of *financialisation* – understood as the 'increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies' (Epstein, 2014). Financialisation led not only to further wage suppression and to greater levels of income inequality; it also has to be seen as an essential cause of the global financial crisis (see e.g. Rajan, 2010; Palley, 2011; Stiglitz, 2012; Lavoie & Stockhammer, 2012; Hein & Mundt 2012). In any case, these financialized models of growth have rendered European economies more susceptible to imbalance and crisis, as the spectre of persistent shortfalls in aggregate demand encourages dependence on ever-expanding private credit, export surpluses and asset-price

[1] The ILO offers a fuller definition of the 'wage share' as follows: "Labour income share... measures the ratio of compensation of employees to gross value added, both measured in nominal terms (unadjusted labour income share). However, the ratio does not capture labour income from the self-employed, which is particularly large in developing countries. Thus, adjustments are often made to reflect the income situation of self-employed (adjusted labour income share) but adjustment methods vary" (ILO, 2015: 10).

inflation. Accordingly, rebalancing and de-financialization are urgently required in order to move to a more sustainable and equitable model of growth (ILO, 2012:8).

What has been the effect of the crisis on the 'wage share' across Europe?

Due to spatial constraints, we have focussed on taking a 'snapshot' of changing wage shares across select European countries over the 'pre' and 'post' crisis periods between 2008 - 2016[2]. We distinguish between 'core' and 'peripheral' countries in the table as well as providing totals for the European Union and the Eurozone as a whole. The representative sample of 'core' countries includes Germany, Netherlands, and Austria. These economies are export-led and have weathered the crisis more effectively than the selected Southern European member states. The 'peripheral' countries are those which have been subject to bail-out deals from the European Central Bank, International Monetary Fund and the European Commission or have come under pressure to pursue rapid fiscal consolidation by other means. This sample includes Ireland, Spain, Portugal, Greece and Italy.

Country	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
European Union	55.51	57.21	56.38	55.88	56.23	56.18	56.11	55.98	55.57
Euro area	55.18	57.04	56.26	55.98	56.28	56.31	56.32	56.17	55.73
Core									
Germany	54.54	56.95	55.87	55.60	56.58	56.75	56.79	56.86	56.51
Netherlands	57.23	59.82	58.35	58.84	60.20	60.49	60.06	60.39	59.79
Austria	53.71	55.44	55.02	54.42	55.05	55.66	56.02	56.25	55.77
Peripheral									

[2] The figures for 2016 are projections from the European Commission.

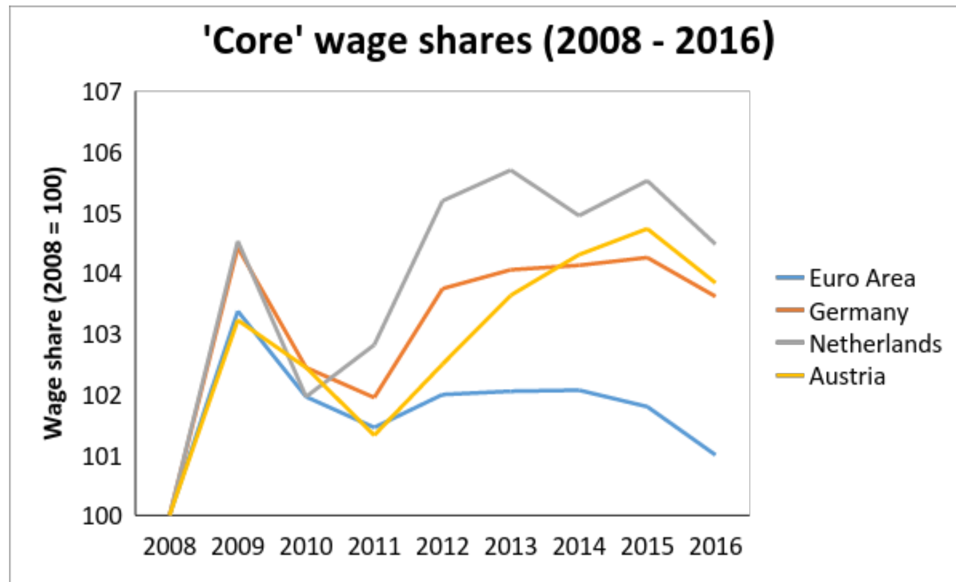
Ireland	53.58	54.33	51.11	49.01	48.60	50.16	49.93	49.46	49.13
Greece	51.41	53.82	53.55	53.05	51.27	48.76	49.24	49.93	50.42
Spain	57.96	58.74	57.71	57.00	55.20	54.50	54.53	54.54	54.29
Italy	52.86	54.22	54.01	53.60	53.60	53.18	53.40	53.31	52.54
Portugal	56.68	57.57	56.49	55.53	53.98	54.13	52.99	52.05	51.33

Source: AMECO (2015)[3]

As detailed in the above table and in the graphs below, we can arrive at the following conclusions. First, the overall wage share across both the European Union as a whole and the Euro area in particular has remained relatively constant between 2008 before the crisis broke and 2016 (projected figures). However, it should be noted that this has been a period of sustained economic stagnation. In such circumstances, wage shares are generally expected to *increase* because they are generally counter-cyclical (Dejuán et al, 2016: 16). In other words, since GDP falls in a recession or in a sustained period of economic downturn it would be expected that the labour income share should increase. That this has not happened suggests that private firms and public sector employers have successfully implemented sustained cuts to real wages over this period across European Union economies. Second, a clear pattern emerges with respect to the wage shares of different European economies once we disaggregate these into the respective 'core' and 'peripheral' states. As detailed in Figure One, the selected 'core' European economies have seen modest increases in their wage shares. All three core countries have seen increases in their respective 'wage shares' increase over this period. Germany, Austria and the Netherlands have all seen their labour share of national income increase by approximately 2 per cent over the pre- and post-crisis period. In contrast, as detailed in Figure Two, each 'peripheral' state has seen a decline in their labour share of income, with the most marked fall of over nearly per cent occurring in Portugal relative to its 2008 level. This suggests that the divergence between 'core' and 'peripheral' economies in terms of their wage shares has been set on a distinctive trajectory in the post-crisis period. A final point to make is that these trends suggest that there has been no reversal in the long-standing trajectory of European wage shares under the neoliberal period which was identified at the start of this section. The crisis has not provoked a progressive break in favour of labour incomes across Europe - rather the dominant pattern remains largely undisturbed with the qualification that the uneven development of labour remuneration across the European political economy has seemingly intensified.

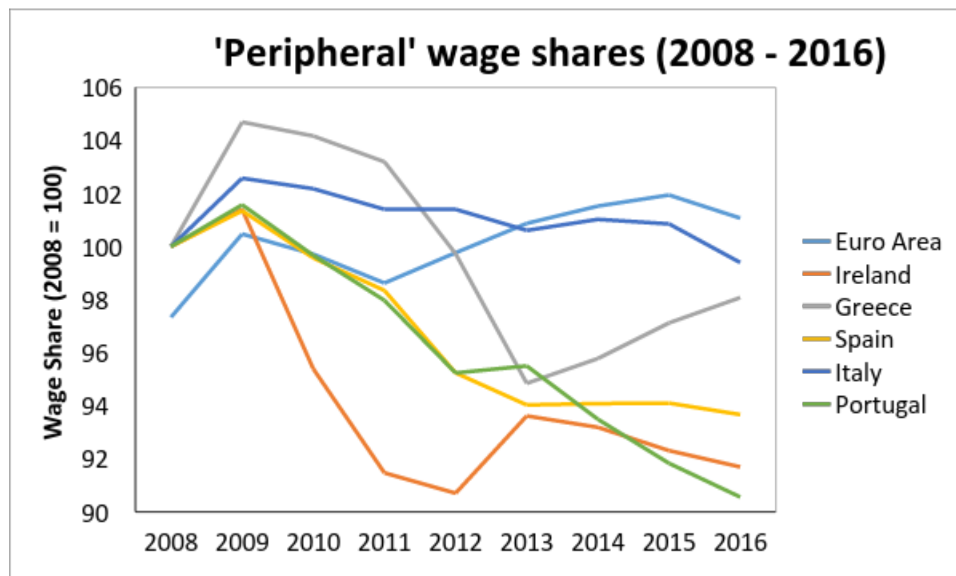
[3] Wage share is calculated as a percentage of GDP at current prices (compensation per employee as percentage of GDP at market prices per person employed).

Figure One



Source: AMECO (2015) Authors' own calculations

Figure Two



Source: AMECO (2015) Authors' own calculations

How has labour market restructuring affected the wage share in Europe?

The erosion of the bargaining power of labour is one of the key drivers of the declining wage share. The determinants of this process are of course simultaneously sociological, historical and political The

following sections will look at two institutional complexes – namely the European Commission and Trade Unions at the European level – and their positionality in the current conjuncture relative to these trends. In what follows we have the more modest aim of sketching-out some of the distributional consequences that this shift is likely to have and offer a review of relevant literature which provides alternative remedies to the current economic situation than that which is currently being pursued in Europe.

A recent FEPS project led by Ozlem Onaran and Engelbert Stockhammer has outlined how the economic policies advocated in the post-crisis context in Europe – and embodied in particular in the Commission's *Europe 2020* strategy and accompanying national 'reform' and 'stability' programmes - have focussed around the objective of securing wage deflation relative to productivity increases. They argue that this is likely to negatively impact on economic growth in the future because as a whole the European economy is 'wage-led', meaning that a 'fall in the wage share equals lower growth' (Onaran and Obst 2015). Specifically, they argue that, "a simultaneous decline in the wage share by 1 percentage point in all countries leads to a decline in the EU15 GDP by 0.30%" (*ibid*). This is because levels of investment and net exports cannot compensate for the loss in demand which occurs when domestic consumption is impacted by a falling wage share. Taking these arguments in combination with the empirical material outlined above, we would argue that the large decreases in the 'wage share' in Europe's periphery and the general stagnation of the 'wage share' across the Eurozone are both likely to undermine future economic expansion if wage deflation is not reversed. The reasons for this are outlined below.

Austerity measures that aim to reduce budget deficits in combination with wage moderation and labour market flexibility (so called 'structural reforms') across Europe mainly affected the wage-dependent middle class as well as the (working) poor and have proven to be widely ineffective if not even counterproductive in regard to generating economic growth or overcoming the problem of secular stagnation. Moreover, the widespread cuts in public social expenditures resemble a reduction in indirect wages that additionally diminish the purchasing power of out-of-work households. At the same time little has been done to better regulate the excesses of the financial sector and thus prohibit an intensification of the process of financialization and a potential future repetition of the global financial crisis.

The concept of wage-led growth is not fundamentally new but - especially among economists working in the Kaleckian tradition (Kalecki 1971) - has seen a recent revival (dos Santos, 2013). One of the most influential contributions in regard to wage-led growth regimes has been made by Marglin and Bhaduri (1990) who argued that growth is basically wage-led when the saving rates of capital-earners exceed those of wage-earners which implies that a shift in the distribution of income in favour of the latter will result in more aggregate demand and higher levels of output (supply side). Such a shift is beneficial for the whole economy as long as it outweighs potential decreases in overall investment. Many scholars show that this is not only the case for specific European countries but for the EU as a whole (Onaran 2014:29; Stockhammer & Onaran 2013).

Since the 1980s, however, most countries and corporations in the EU tend to apply a largely finance-led growth model which is driven by processes of financialization that went hand in hand with labour flexibility and wage moderation (Tridico 2012). However, Bhaduri et al. (2014) convincingly show that finance-led growth models most often either end in 'stagnation or decline on the one hand' or 'highly unstable growth with crisis on the other' and so far have widely failed to produce good outcomes for the real economy and society at large. A central driver of this unsustainable and unstable process is financialization which not only caused a shift in the power relations in favour of capital and at the

expense of labour but also made creditors and (shareholder-value-oriented) global corporations increasingly focus on pure profit-maximization and simultaneous cost-minimization instead of e.g. labour productivity (Boyer, 2000; Hein and Mundt, 2012; Stockhammer, 2013; Onaran, 2014). This, however, turns out to be short-term thinking since in the current beggar-thy-neighbour global environment, wages simultaneously tend to fall all over the world (resembling a finance-driven 'race to the bottom') for which reason short-term advantages in relative price competitiveness by means of suppressed wages are quickly offset.

In addition, compressed wages required to be supplemented by available financial borrowing opportunities and credit, which help the wage-dependent population - at least for a short while - to maintain unstable consumption patterns. Especially in the UK and several countries in the EU periphery households have significantly increased their private debts to uphold former levels of consumption and to compensate for the lacking increase in real wages. Yet, in the long run, this system becomes unsustainable since over-indebtedness in combination with precarious jobs and poor wages forces households to adjust their consumption to stagnating or diminishing incomes which again undermines aggregate demand (Bleaney, 1976; Tridico, 2012).

Last but not least, as Stockhammer (2011) observes, contrary to neoliberal claims, the process of financialization and finance-led policies over the last 30 years have neither increased investment in the productive sector nor did raise wages through the now famous 'trickle-down-effect'. Accordingly, the EU is better advised to now turn its back on the finance-led growth model and return to a path of wage-led growth by encouraging an increase in the wage share and a decrease in the profit share. Such a recalibration will not only trigger more economic activity and growth in the productive instead of the financial sector but will also reduce unemployment and income inequality as drivers of macroeconomic instability.

In line with that, Lavoie and Stockhammer (2013:3) propose that '[t]he wage-led growth strategy requires enhanced trade union bargaining power, a reduction of managerial overheads and of profit claims of financial wealth holders, as well as the downsizing of the profit-intensive financial sector'. This is to say that the influence of labour needs to be strengthened again and financial speculation as well as the short-term orientation of shareholder-value-based corporations have to be restricted in order to realize stable or rising wage shares that again will trigger aggregate demand via increased consumption and may also lead to higher labour productivity through manifold accelerator effects (Stockhammer & Onaran, 2013:18).

To be precise, an increase in average real wages could have positive effects on labour productivity since it 1) puts pressure on companies to technologically innovate with the aim to reduce the overall cost of labour and safeguard profits, 2) improves social relations at the workplace between employees and employers, and, last but not least, 3) results in more aggregate demand which not only helps to overcome the problem of under-consumption (since the marginal propensity to consume out of wages is higher than that out of profits) but also encourages rather than discourages production; i.e. positive supply side effects (Lavoie & Stockhammer, 2013; Storm & Naastepad, 2012). Thus, reversing the fall in the wage share (e.g. by means of introducing minimum wages and the like) could have positive effects in regard to overall productivity whereas putting further constraints on the rise of wages and the wage share per se will lead to a continuously weak performance regarding labour productivity in Europe.

Conclusion

This volume looks at different aspects of the capital-labour relation at the European level. In this first section we have sought to provide a broad picture of the structural and distributional position of capital-labour relations within Europe in the contemporary conjuncture. We have outlined some key features of the 'wage share' and have argued that there has been a secular decline in the wage share throughout the neoliberal period. Furthermore, we outlined how this distributional trend tends to produce asymmetry and crisis in advanced capitalist economies. Empirically, we provide a 'snapshot' of how wage shares have altered in a selection of European member states in the period since the global financial crisis. In this regard, we have shown that whilst the wage share has remained broadly stable at the European level, this has taken place in a period of relatively stagnant GDP which underlines the point that wage repression has been one of the key organising principles of the response to the crisis in Europe. In addition, there has been a marked divergence between 'core' and 'peripheral' member states, with the former seeing an increase in their wage shares with the latter seeing high levels of decline. This underlines the point that uneven development has intensified in Europe in this period whilst real wages have stagnated.

The above analysis is undertaken at a relatively high level of abstraction. Specifically, it identifies a generic structural trend relating to the wage share and provides empirical material outlining how this trajectory has developed since the financial crisis. However, all economic activity is always embedded within a wider socio-institutional context which provides a degree of coherence and stability to economic development over time. In the following sections we trace how two different actors are embedded within this context and how they have (or have not) sought to respond to this picture through strategic action. Specifically, the following section looks at the ideational position of the European Commission in relation to labour markets whilst the third section analyses the relationship between trade unions and financial regulation policies in the post-crisis European context.

Capital, labour and the evolving ideology of the European Commission, 2010-2014

This section examines the economic policy that has been pursued at a European level since the economic crisis by looking at one majorpolicy player - the European Commission. It particular, it examines how the European Commission's outlook relates to the frequently conflicting interests of capital and labour, and how its relationship to those interests has influenced the evolution of its policies.

Most attention on EU economic policy since the crisis has focussed more on the immediate policies that arise from the decision of the European Council, European Central Bank, Eurogroup or Troika. By focussing solely on these areas, however, the issue fo the long-term continuities in EU policy may be lost. The Commission is not necessarily the most important actor in this field. However, its relative institutional continuity and regular and extensive commentaries make it an especially useful source for investigating how underlying understandings of policy in europe have evolved (or do not evolve) over time. What's more, the Commission's ostensible aim of pursuing wider social, as well as purely economic, priorities make it especially interesting to look at how exactly its policies are framed ideologically.

It is argued that the Commission's attitude is most fundamentally geared towards the position and perspective of capital within the economy, rather than the European economy or society as a whole. While the Commission's position has developed somewhat over the course of the crisis, its adaptability is hindered by these fundamental assumptions.

Changes and continuities in the Commission's policies and beliefs are analysed throughthe policy advice that it gives member-states as part of the annual policy coordination process known as the European Semester. The paper looks particularly at the Commission Annual Growth Surveys (AGS), and the draft joint employment report annex to the Annual Growth Survey, and also to a lesser extent at its annual Alert Mechanism Report, country-specific recommendations, policy initiatives and assessments of the Europe 2020 process.

The common thread which runs through the Commission's various recommendations and analysis is that it perceives Europe's economic problems as either requiring greater accommodation of capital or greater restrictions on labour. The rigidity of its observations as evident in the earliest growth surveys has been gradually relaxed. But much of this seems to have been at the cost of inconsistency, as its basic assumptions and the overall paradigm within which it operates have not changed.

Unless this is resolved, the result may be a growing incoherence and impotence in European Commission policy.

Economic policy in the European Union during the crisis

Many commentators have noted the peculiarity of Europe's economic approach since 2008 as compared to other developed economies and international organisations (Pisani-Ferry 2011; Blyth 2013; Krugman 2014). The policies and rhetoric advocated not only in the Commission but also through the European Council, Eurogroup and European Central Bank, have mostly amounted to a combination of wage suppression, active labour market policies, social protection reform, more 'flexible' labour regulations, and fiscal consolidation. In the process other features of the economy that are likely to be hindering growth and employment , such as low inflation and the imbalance between the economies of Eurozone's core and periphery, have largely been ignored. There appears to have been a certain amount of cautious change from this policy, particularly over the last year - with growing recognition in particular of the problems of deflation, Europe's internal trade imbalance and under-investment. Yet as this paper argues, this shift is very much a partial one in many respects and its implications and meaning are not yet clear.

The place of the Commission in European policies

The extent to which the European Commission influences economic policy is disputed and often difficult to discern (Hartlapp, Metz and Rauh, 2014). However, it does have the ability to at least influence Europe's economic policy direction through a number of mechanisms which, at least according to some accounts, is growing (Bauer and Becker, 2014). Firstly, and most traditionally, it has an influence through the guidelines and recommendations which it provides the coordination of national policies on the basis of criteria agreed by governments for the Europe 2020 Strategy and the Euro Plus Pact. Secondly, following the agreement of the Stability and Growth Pact and the six-pack, it now has power of surveillance of the economic and fiscal situations of member-states provide by the Excessive Deficit Procedure and the Macroeconomic Imbalance Procedure. Thirdly, it currently also has an influence through conditionality of the financial stability loans that have been given to particular countries. Even to the extent that economic policy in Europe originates from bodies other than the Commission – whether national governments and the European Council or the European Central Bank – the doctrines which drive the Commission's policies may also be revealing about the general assumptions which guide Europe's policy-making elite.

Its first and most traditional role - the policy advice which it makes through the Annual Growth Survey, Alert Mechanism Report and country-specific recommendations as part of the European Semester process – continue to be the most consistent and expansive available indicator of how the Commission understands the European economy on a regular basis. They therefore form the main basis for the material used in this study.

Changing Commission interpretations of Europe's economic situation

As Europe's economic situation has developed since 2010, so naturally has the Commission's interpretation of it. However, much of its interpretation of the primary requirements for growth and employment in the economy has remained fairly similar.

The Annual Growth Survey 2011, published in the same manner as subsequent annual growth surveys at the end of the previous year, 2010, is remarkably self-congratulatory – not least when it is considered that it was published after the first Greek bailout and the Irish bailout and a few months before the bailout of Portugal. It asserts that 'the EU has taken decisive action to deal with the crisis' and was now primarily held back by weak productivity growth' (p. 2). It nonetheless promoted the crisis as an opportunity for the consolidation of what could be called a capital-biased economic system. It emphasised how 'price and cost competitiveness remain problematic…Therefore the EU needs to use this crisis to address decisively the issue of its domestic competitiveness' (p. 3).

As the sovereign debt crisis worsened, the 2012 survey assumed a more urgent tone – noting that 'economic recovery has come to a standstill' (p. 3) - and since then, even as the sovereign debt crisis has been mitigated, the language and structure of the Commission's has become to a certain extent more nuanced. The tone with which its describes the importance of 'reforms' and the context of the economic crisis arguably becomes almost apologetic to some extent, though the proposals themselves show much less change –asserting rather more defensively in its 2013 survey that 'Structural reforms are an essential part of restoring Europe's competitiveness' but cautioning that attention to fairness in terms of impact on society will be 'very important in sustaining the momentum for reforms' (p. 1)

The essential diagnosis remained the same at least until the last year. In 2014 there is something of a more marked shift at least in diagnosis. This seems to have accelerated somewhat with the transition from the Barroso to the Juncker Commission. The new Commission has promoted the transition as 'the right moment for a fresh start' and re-focussed greater attention on the problem of under-investment – proposing a new €300 billion euro investment package (AGS 2015, pp 6-9). It is important not to over-emphasis this change however, not least since large parts of the change amount to a new emphasis on similar previous themes, combined with more traditional themes such as fiscal consolidation and structural reforms (see for example AGS 2011, pp 7-8).

Wages and inflation

Wages and inflation are possibly the areas where the Commission's attitude has become most ambivalent, albeit with its attitude shifting rather late in the day compared to many external observers. Most of the change has taken place over the last year, as European institutions and policy-makers in general have become much more conscious of the problem posed deflation for the European economy. The Commission's Annual Growth Survey 2014, published at the end of 2013, still merely noted the fact that 'inflation is expected to remain subdued' as one of the positive signs for European economy. However, in what Ronald Janssen noted at the time was a significant break from previous appraisals, by February of 2014 it was noting in its Winter Forecast that 'the present very low inflation… could exacerbate the risk of protracted lacklustre growth if it becomes entrenched (Janssen 2014; EC Winter Forecast 2014 p. ix).

But the Commission has still given no particularly clear indication so far of what the difficulties of low inflation can mean for the policy approaches which it recommends (see for example AGS 2015).

In terms of wages, for example, the change has been less substantial. The Commission's default approach revealingly seems to understand wages as a drain on growth and competitiveness, generally expressed in the euphemistic language of ensuring that 'wages [should] move in line with productivity developments' (Employment Reports, 2011-2015). Nevertheless, it has come somewhat belatedly to acklowledge the need for a different approach with respect to export surplus countries such as Germany whose wage stagnation has been recognised as a problem for the balance of the European economy as a whole for a number of years (Stockhammer 2011). Whereas the country-specific recommendation on wages for Germany into 2012 remaineda strictly orthodox one of wage of suppression 'in line with productivity developments', recommendations since 2013 have increasingly come to recognise the value of wage increases, beyond the level of productivity increases, for domestic demand (CSRs Germany 2012 p. 4; 2013 p. 5; 2015 p. 5).

On the whole, however, wage and price deflation generally still do not seem to be seen as related. In fact, there continues to be an intriguing disconnect between its acknowledgment of deflation as a problem and its wider ramifications for the Commission's traditional policy. Wages, prices and labour market regulations all continue to be seen largely as separate, rather than connected, issues (see for example AGS 2015).

Since the employment report for 2014 – the last of the Barroso Commission - the Commission has also recognised growing income inequality as a concern. But inequality as an observed problem in fact stands out for the glaring absence of any proposed solutions. While identifying phenomena such as wage polarisation, less redistributive tax and benefits systems and fiscal consolidation as causes of rising inequality, it nonetheless simultaneously continues to make recommendations for just those policies elsewhere in its reports (Employment Reports 2014, 2015).

The Commission's understanding of the nature and purpose of employment

The targets and measurements with which the problem of employment is approached are in themselves revealing of particular value judgments (Walters 2000; Whiteside 2013). The Commission has a long-running policy of prioritising the proportion of the population in 'employment' as opposed the number of people who are registered as being 'unemployed' (European Council 2000; Kok 2004; European Commission 2010).

Obviously there are some good reasons for this – it tackles inconsistencies in the measurement of unemployment by different member-states and better indentifiesgender inequalities in labour market participation where many women are involved in home or care-work and therefore not 'unemployed' (ILO 2011).

Nonetheless, by historically prioritising measurement of 'employment' rather than 'unemployment', the Commission implicitly identifies supplying the economy with labour – as opposed to inverse of providing gainful employment to people with the capacity to supply labour to the economy – as its main aim. In other words, the demands of employment policy are oriented towards the growth needs of the economy rather than the support needs of the people within the economy.

The practical implications of this approach can be seen, for example, in the Commission's long-running policy on the age of employment. It regularly mentions the need to looking at increasing the retirement age in European countries – which would increase the supply of labour to the economy but would at least potentially and in some circumstances narrow the pool of jobs available to the unemployed (for example AGS 2013, p.5; Employment Report 2015, p. 34) .

Over the last few years however, 'unemployment' in and of itself has come to take greater precedence than previously. By 2013 'tackling unemployment and the social consequences of the crisis' had become a key priority (p. 9).

While using both figures, Commission surveys prior to 2013 generally gave a far greater of precedence to 'employment' rates. Theemployment report accompanying AGS 2014 published in November 2013, however,placed a new and strikingly pre-eminent attention to 'unemployment' as opposed to 'employment' levels as a whole – with the opening sentence that 'unemployment has reached unprecedented levels in the EU-28' (p. 1). This is an order which has so far maintained since then (see Employment Report 2015). On the other hand, the Commission's March 2014 review of the Europe 2020 strategy not only emphasises the 'employment' rate but fails to mention unemployment at all (EC Europe 2020 review 2014, p. 12).

The Commission's view of what drives employment and what holds it back

Much of the Commission's approach to promoting employment and tackling the barriers to employment could be summarised as amounting to a kind of labour theory of deficiency.

Its main identified barriers to employment could be summarised as either inadequacies in the supply of labour such as skills mismatches, weak investment in 'human capital' or excessively lenient social welfare cushions; excessive accommodations of labour such as high wages, overly centralised wage bargaining or job protections; or failures to adequately accommodate capital such as high tax burdens, incomplete marketization or inadequate research & development (Employment Reports 2011-2015).

The extent of this imbalance is perhaps best driven home in a section of the 2012 employment report entitled 'how to make work more attractive'. Despite the title the section makes no reference at all to wage rates but instead turns to the issues of the tax burden on wages anddisincentives to work in the social welfare system (pp 9-10).

At least at the beginning of the period under review, there is also a failure to give much notice to either the possibility of deficiencies in capital-side demand for labour or in the overall structure of private markets. Nor is any significance to the level demand in the economy as a whole.

An awareness of both the importance of economic demand and potential problems on the capital side of European industry gradually entered the Commission's discourse. The Commission shifted its terminology from 'fiscal consolidation' in AGS 2011 to 'differentiated growth-friendly fiscal consolidation' from AGS 2012 onwards (p. 4). Yet the meaning of the potentially contradictory term is not really elaborated upon. AGS 2014 does note the contingent value of internal domestic demand for some countries, while the Commission came to recognise low inflation as a potential problem shortly after that (AGS 2014 pp 4-5; EC Winter Forecast 2014). The early months of the Juncker Commission and AGS 2015 have been marked by a significant increase in emphasis of the problem of under-investment and inadequate fixed capital formation (pp 6-9).

On the other hand, details of the Commission's labour market recommendations show a much smaller degree of change. In its employment survey annexfor 2015, the Commission describes unemployment in Europe as primarily driven by 'negative labour demand shocks' on top of its standard explanation of 'growing skills mismatch'. Yet its recommendations have remained largely the same, based on what appears to be the reasoning that unemployment 'hysteresis' as a result of the crisis hasalready established a higher level of structural unemployment (pp 10-11).

The financial system and the European economy

In spite an apparent keenness in the European Union to learn the lessons of the financial crisis, as evident in the establishment of the Macroeconomic Imbalance Procedure, the Commission nonetheless often shows little conception of any general connection between the financial system and the labour market. The Commission's primary concern with respect to the financial has system has been, as the mandate for the annual Alert Mechanism report puts it, to detect and prevent 'imbalances that hinder the smooth functioning of the economy' (Alert Mechanism Reports 2011-2015). In other words, the financial side of the economy is seen as something to be mainly monitored for potentially distracting deviations or excessive exuberance – rather than being particularly noteworthy in terms of its overall size, structure or relationship with the real economy.

Capital and labour in the ideology of the European Commission

A dominant thread runs through most of the approach taken by the Commission. It generally seeks solutions through means which suit the interests of capital or which restricts the position of labour.

It has been widely argued that the European Commission to a large extent operates a neo-liberal and capital-biased economic perspective reinforced by similarly oriented legal frameworks and treaty

obligations (Hartlapp, Metz and Rau 2014, p.). How exactly this perspective works in practice and how to explain it is less clear – though it seems plausible that legally entrenched asymmetry which promotes 'negative' market integration (Scharpf 2009), power and proximity of business interests in lobbying (Gill 1998; Chari and Kritzinger 2006), and ideological inheritances (Bonefeld 2012) all play some kind of role .

It would of course be extremely crude to say that the Commission is simply in favour of the interest of capital and against labour. The ideal policy for the Commission seems most often one which suits capital while also providing general social benefits and some kind of real opportunities or capabilities for individual members of the labour force. This fits within the Commission's and the European Union's general attitude and structure which frequently orient it by its consensual/cross-partisan nature and working practices such as 'collegiality' and the 'community method', towards some sort social compromise or at least agreement on the lowest common denominator if at all possible (Nugent 2001). So, for example, correction of skills imbalances, education and training and initiatives such as the Youth Guarantee are likely to benefit both employers in need of improved supply of labour for businesses while also potentially benefitting individual members of the labour market themselves. Where conflict between capital and labour or capital and the wider population is starker however – as in the question of fiscal consolidation or wage increases – the interests of capital are normally given precedence. The financial system is seen largely seen as problematic only to the extent that it threatens the interests of financial capital as a whole, or at least threatens the stability of the wider capital-driven economy. Wider distortions from the financialisation of the economy as a phenomenon in and of itself is not given the same attention.

This could be described as a kind of hegemonic compromise in which the interests of the dominant classes are established in such a way as to incorporate enough of the interests of subordinate classes as to attain a certain equilibrium between them. To the extent that there is a coherence to the Commission's most recent policy shifts, they may also indicate an uncertain and faltering move towards an attempt at an updated form of hegemonic compromise – again very much on terrain that is primarily in the interests of capital. This is evident in the 'integrated approach' recently proposed by the Juncker Commission of combining 'a coordinated boost in investment' and 'a renewed commitment to structural reforms' (AGS 2015). The underperformance of Europe's stagnating economy is to be tackled with an investment package, together with other innovations such as a new concern with inflation (in which the solution seems nonetheless to be left to the ECB and its quantitative easing) and proposals to boost domestic demand and wages in some export-surplus economies. Increased investment is potentially beneficial to the economy as a whole, including to the interests of capital. Resolution of inflation is to be left to a mechanism that is intrinsically skewed towards primarily benefitting financial capital. A compromise may be made with labour in countries such as Germany where it is least costly and most necessary. At the same time, the novelties are used to re-launch the Commission's traditional project in areas where there are more fundamental social conflicts – namely structural reforms and fiscal consolidation.

A tough paradigm meets tougher problems

Yet in many respects the growing disconnect between the Commission's traditional policy approach, on the one hand, and its need to respond to disquiet and underperformance in the European economy on the other, continues to contribute to a growing incoherence and confusion. The overall pattern seems to be that rigidity inlarge parts of the Commission's perspective in the earliest growth surveys has been gradually, though often marginally, relaxed. But much of this seems to have been at the cost of inconsistency, particularly between many of its observations and the detail of the recommendations it continues to make. The general effect is often a mixture of contradictions, truisms, ineffectiveness and hedging of bets. While it gives a sense of immediate crisis in its descriptions of the European labour market, for example, the vast majority of prescriptions are long-term, as well as being vague and indirect. Its concerns with respect to weak demand,deflation and inequality now directly contradict much of its orthodox advice. Yet the orthodox advice still takes centre stage when it comes to the detail of policy recommendations.

To an extent, the Commission is probably circumscribed by its own institutional inertia – for example its procedural inability to, as yet, escape from the fundamental assumptions and constraints of the common goals of the Europe 2020 agenda - which by some accounts has many of these biases and contradiction built into it (Daly 20212). But it seems doubtful as to how much it would want to escape from those constraints if it could and when it can.

More fundamentally, the Commission seems to developing its response to the immediate problems in the economic environment without any kind of equivalent change in its paradigm. This is a dilemma which is reinforced by the fact that in this case it is not merely working with a social-scientific paradigm in the sense of an established and inflexible pattern of thinking,. Rather it is a hegemonic paradigm -an established pattern of thinking explicitly designed around the pattern of power relations within economy and society

Ultimately, between this inappropriate ideology built on an increasingly dysfunctional system and the accumulation of anomalies arising out of that dysfunction, something will have to give.

European Trade Unions, European Politics: Interest formation in industrial relations

Declining or stagnant wages, beneficial tax systems for capital on several levels lead to a weakening position not only of middle and lower class interests but also of their institutionalised representatives, i.e. trade unions and social democratic parties. This is why we need not only an accurate diagnosis on what actually creates this weakened position of labour in the post crisis era but also pan-European policy proposals which go beyond the special interests of certain countries or industrial sectors.

Within a scenario of a low growth era it seems that social policies cannot be based on future expectations of an increasing income for everyone but it has to be built on a fair re- and pre-distribution of the resources presently available, i.e. to build a sustainable, adaptive and well off society now. Therefore we have to prescribe what industrial relations mean in the 21st century and how we tackle their European dimension, i.e. labour policies do increasingly take place through state governance and less on the actual bargaining table. In order to highlight the structural economic and regulatory conditions of the European Union for labour relations, the focus of this paper is directed at European trade unions and their role for European politics.

European trade unions are more than ever confronted with regulatory preconditions set on the European level. These areas go beyond the "bread and butter" responsibilities of trade unions' practices concerning employers. Finance, Trade, Social Standards or Insurances not only have a different political quality when discussed on the European level. For trade unions it is also difficult to translate these policy fields into their interest formation. The still increasing centrality of the European level for political decision-making, affects nationally based interest formation, which cannot just be copied for to the European level.

This section argues in two steps. First it outlines the present literature on practices of European trade unions. Second, it illustrates one area – the area of financial regulation – where European trade unions can make a difference for labour relations across the European Union. The section concludes with three organisational policy proposals – in short this is common representation, policy expertise, translationary capacities – in order to improve the position of Labour in the EU.

Practices of European Trade Unions

In contrast to networks between employers' representations on the EU level (e.g. Kahancová, 2010) as well as to transnational bargaining (Dufresne, 2012, Ales and Dufresne, 2012) there is little research on transnational networks of trade unionism. One exception is the focus on cross border agreements in the EU (Platzer und Müller, 2009, Schroeder, 2014, Rüb et al., 2013, van Klaveren et al., 2013). On the

national level, we know about the strategies of trade unions (e.g. Schulten et al., 2008). This however should not cover the need for more specific knowledge about specific European strategies for trade unions and their positioning in European industrial relations (Reutter and Rütters, 2014).

The specificity of translational bargaining and trade union practices (Bieler and Lindberg, 2011) provides for a more focused engagement with the present constellation in the European Union. In contrast to the more formal side of cooperation and bargaining (Bianchi, 2003, Hyman, 2005, Sisson and Marginson, 2006, Traxler, 2002) like the Doorn initiative starting in 1998 (Schulten, 2002, Keller and Platzer, 2003), has the informal side only exceptional coverage. This contributes to the missing links when we want to understand European industrial relations and their implications for the social, political, and economic setting in the EU (Hyman, 2011).

In addition to output oriented studies on strikes, manifestos as well as declarations (Larsson, 2013) and the impact of transnational agreements (Papadakis, 2011). There is little knowledge about the actual processes, which would provide Trade Unions with best practices to transnationally organise labour for policy change in the EU. Even if several studies focus on information exchange between Unions (Furåker and Bengtsson, 2013) how information is generated and how they become relevant is rather missed with only a few exceptions (Pulignano, 2009).

Out of the structure of this research field, there is a need to transnationalise the knowledge we have about the national qualities of internal trade unions organisation (Streeck, 1996). This however has to take into account the specific quality of the EU level. The following section further illustrates the need for better EU level cooperation along the policy field of financial regulation between 2009 and 2014.

European Trade Unions and the area of financial regulation

It seems rather a far step, for example, to be concerned with financial regulation as it is not in the first place a policy field where trade unions seem to be affected. Indeed they might share this remoteness with national policy makers in the respective parliaments, openly stating that e.g. the nitty gritty of banking regulation is far too complex in order to understand each of its aspects and implications not being a professional in the specific field.

The financial crises brought to the foreground that financial practices do not only affect the social and political basis of societies across Europe in times of crises (Botsch, 2010) but financial regulation is a core instrument in order to regulate basic economic interaction combined with restrictions and possibilities for certain social spheres. Here labour relations are not only concerned when it comes to economic downturns and related pressures on wages and job perspectives. It goes much further in the sense that the regulatory context provides for the normal daily life conditions for workers in terms of wage increases, job security, pensions, family planning or housing.

This however does not take place without context. Negotiations take place within a realm of possibilities, which are in turn restricted by 'externalities' not directly taken into consideration at the negotiation

table. These restrictions, such as the lacking knowledge on the concrete effects on labour relations through financial regulation, provide however for the missing understanding of economic dynamics around labour relations.

After the financial crises, some new institutions had been set in place in order to create a counter weight to the banking lobbyists leading the regulatory discourse in banking. This discourse is still marked by complexity, technicality as well as neutrality relating to the wider public interest of financial stability. Indeed, banking regulation is deeply inscribed into social and every-day routines. Credit, financing contracts, leasing, mortgages or pensions – to name only a few instances – are not possible within the present financialized world without a long chain of financial intermediation.

Without opening this black box in order to consider political implications for trade unions, the discussion is forwarded to experts, professionals and regulators. They assume that there are problems of these chains, which have to be solved in order to improve financial markets by creating the level playing field, transparency and accountability. At the same time, the increasing regulatory output as a result of these demands brings about more and more possibilities to make finance more global, faster and more detached from state authority hence regulatory possibilities for labour relations. Hence, leaving finance to financial engineers is the making of a parallel world apart of democratic decision-making and workers representation.

Conclusion and policy proposals

What the financial crises impressively and fatally enough showed was that the financial machine is not an autonomous system but it structures social live. Here, labour relations seem to be one of the most affected fields not only in terms of unemployment and wage pressures as a result of financial crisis but also in terms of what labour actually means, how the relation of capital and work is being changed and what kind of social stratification takes place as a result. In order to enable trade unions to take part in the regulatory discussion, advancement in three areas are needed: a) focusing on European wide regulatory proposals and taking part in their constitution through common representation; b) generating policy expertise within trade unions it order to contribute adequately to the discussion; and most importantly c) improving the organizational capacities in order to render regulatory discussion relevant for trade union members and therefor the broader society.

a) Common representation: Up until today there is no institutionalised representation at the European level specifically concerned with European Regulation and its mediated effects on industrial relations. Trade unions representatives hardly participate in hearings regarding the technical aspects of pension reforms, financial regulation or insurance schemes.

b) Policy expertise: Only an institutionalized hence permanent and well-funded entity on the European level is able to provide for the necessary policy expertise and ability to take effectively part in these policy processes in order to generate better standards for labour. Such experts have to be responsible to

cover the competencies of the European Commission in order to provide knowledge on each policy field, i.e. clarifying the respective relevance and consequences of European policies for trade unions.

c) Translationary capacities: In order to enable trade unions to actively organize political pressure for good governance on the European level there is a need to adequately translate European policies not only to the national level but also to the daily life needs and work of trade union members and representatives. Therefore expertise has to be connected to communicative strategies, which entail translationary capacities in order to make European policies concrete and relevant.

Conclusion and Policy Proposals

In the opening section of this paper, two principal research questions were proposed:

1. How have capital-labour relations been reconstituted in the post-crisis period in Europe and which actors have served to institute, organise and regulate this process?
2. What alternative strategies might progressive political parties adopt in response to these trends?

In this brief conclusion we will summarise the key points of the above paper and draw out some of the political implications of the analysis.

Analysis

- Capital-labour relations can be understood at a variety of different levels of abstraction. In particular, in order to understand the contemporary conjuncture in post-crisis Europe, it is crucial to take stock of three inter-related but nonetheless distinct levels of analysis: *distributional, institutional and political.*
- Since the 1980s, 'wage shares' have declined across all European political economies. This process is associated with asymmetry, stagnant growth and crisis for a variety of reasons outlined above.
- As the empirical material shows, in terms of Europe's post-crisis response, whilst the wage share across both the EU15 and the Eurozone has broadly remained flat, this (a) has taken place in a context of stagnant GDP growth, suggesting that wage deflation has been widespread in this period and (b) conceals an unevenness between different European political economies located on the core and the periphery of the Eurozone.
- This structural trend is of course mediated by institutional actors who have pursued particular strategies and consolidated these distributional trends.
- Empirically, our analysis of the European Commission's response to the crisis suggests that its approach has displayed a *wage deflationary bias* which privileges capital over labour and which therefore is likely to deepen the trend towards a falling wage share. The role of the Commission relative to other institutional actors at the European level should not be overstated, but it nevertheless provides an important litmus test of the ideas and strategies which inform contemporary European economic policymaking at the macro-political scale.
- Whilst the Commission's approach has evolved somewhat throughout the crisis, its basic approach to wages, inflation, employment and financial regulation are strongly conditioned by ideas which promote fiscal orthodoxy and facilitate capital- namely the pursuit of balanced budgets and labour market 'competitiveness' - which all militate against alternative crisis

responses, not least those proposed by Onaran and Stockhammer in a recent FEPS project, which emphasised the *wage-led* nature of the European political economy. As the Commission's position evolves but its basic assumptions remain the same, this is moreover likely to add to the incoherence and ineffectiveness of its policies.

- It is widely acknowledged that two political preconditions must be in place to reverse labour's current position relative to capital, expressed in terms of the 'wage share': (i) the political power of organised labour must be enhanced and (ii) the political power of financial forms of accumulation must be restrained.
- One key area in this regard must be to look at the way in which financialisation serves to infiltrate and condition everyday life and everyday labour practices.
- In this regard, our analysis of Trade Unions at the European level suggests that these groups do not at present have the resources or institutional capacity to effectively analyse, critique and ultimately counteract the creeping financialisation of European workplaces.
- As such, we are left with a fairly bleak assessment of the contemporary conjuncture in distributional, institutional and political terms: the trend towards a falling 'wage share' has not been reversed but has in fact intensified across a range of European countries , elite actors at the Commission are set in pursuit of a policy orientation which displays a wage deflationary bias which continues to privilege capital over labour, and alternative bases of organisation in the European Trade Union movement lack the institutional resources at present to counteract the continuing financialisation of the workplace.

Policy Proposals

- European socialists need to recognise that growing inequality between capital and labour is not the price that has to be paid for international 'competitiveness'. Through constraining aggregate demand and undermining the purchasing power of labour, declining wage shares actually undermine economic growth and render economies more susceptible to recession and financial crisis.
- In recognition of this fact, European socialists should be at the forefront of discursively emphasising labour's role as a *source of demand* as well as *cost of production.* Too often European socialists have been complicit with defining labour's function in terms of the latter whilst failing to advance a 'wage-led' conception of growth emphasising the former.
- Distributional dynamics do not unfold purely through 'market' channels: distribution is at all times a *political* question which is conditioned by the relative balance of social forces. As such, the only way to reverse the contemporary trajectory of the 'wage share' is to tip the balance of power in favour of organised labour against capital, in particular in its financialised or liquid form.
- This, however, need not be presented or pursued in terms of a 'zero-sum' game. Rather, in order to advance an effective hegemonic strategy, European socialists should emphasise the way

that reversing the contemporary distributional trajectory is in the interests of a broad swathe of civil society - not least low-to-middle income earners, small and medium sized firms, various fractions of productive capital and marginalised social groups who have been at the receiving end of crisis management measures.

- In the medium term, European socialists therefore need to adopt a strategy to counter-act the wage deflationary bias of the European Commission as well as empower the transnational coordinating capacity of Trades Unions to influence the trajectory of financial market development in the years ahead.

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