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**Towards a stronger
relationship between
national social dialogue
and the European
Semester?**



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Towards a stronger relationship between national social dialogue and the European Semester?

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Introduction

The relationship between trade unions and the European Union is 'contested terrain' (Hyman 2005). On the one hand, the free movement of goods and services, capital and labour, which constitutes the very heart of the 'positive' constitutional freedoms envisaged in the European treaties, aims to promote economic integration processes, often reflecting a neo-liberal logic, which threatens the viability of systems of employment regulation resting on purely national foundations (Boyer 2000; Ferrera 2005). Indeed, since the economic freedoms, as well as the macro-economic rules governing the Economic Monetary Union (EMU) area, are well entrenched in the European treaties, whereas the 'European social dimension' is often only evoked (in vague terms), scholars have highlighted the structural asymmetry of labour and capital in the European institutional architecture. Employers work with the grain of entrenched EU policy, while trade unions, if they are to influence the European institutions to obtain their goals, need to introduce major institutional changes (Copeland and Daly 2015; de la Porte and Heins 2015). At the same time, long ago it was also emphasized that the European market could bring about the economic growth necessary to revive the Keynesian dream. Promoting a 'social' Europe can also be regarded as a potential mechanism of 'collective defense' of the existing architecture of social regulation in the Member States, in the face of external 'global' pressures to dismantle workers' rights at national level (see Grahl and Teague 1997). More recently, scholars have outlined that the 'new' European Semester (ES) provides a better political environment for social actors (Zeitlin and Vanhercke 2018), also because the content of the EU recommendations has gradually increased its emphasis on social and employment issues (Bekker 2016; Vesan and Corti 2019; Crespy and Vanheuverzwijn 2016).

Against this background, the INVOTUNES project investigates national trade unions' attitudes and strategies vis-a-vis the European Semester (Spasova et al. 2020; see also Kirov and Markova 2020), a topic still significantly under-researched in the comparative political economy literature (but see Erne 2018; Sabato et al. 2017). Indeed, in a pioneering article, Richard Hyman (2005) was one of the first to recognize that national trade unions have always had an ambiguous – and nationally differentiated – position regarding the European integration project; he outlined the existence of four different positions of national trade unions regarding Europe. The first of these, 'No, because', is the most negative on the spectrum, mostly held by the unions that saw the creation of the internal market as a process shaped by international capital. The second position, still negative, and embraced mostly by Nordic trade unions, which have been more skeptical than those in the South, was 'No, unless'. The third position, 'Yes, if', was common to trade unions that supported European integration but with a critical perspective, while the last, 'Yes, and', expressed practically unconditional support accompanied by a sort of 'wish list' (Hyman 2005: 20).

While between the mid-1980s and early 2000s trade unions moved mostly from the former end of the spectrum to the latter (Hyman 2005; Martin and Ross 1999), the onset of the Recession and the

gradual structuring of a new 'European governance system' have created new trade-offs. The establishment of the EMU, the new treaties from Maastricht to Lisbon, the launch of the Europe 2020 strategy as well as the creation during the crisis of new agencies (such as the European Stability Mechanism) and decision-making procedures (for example, through the so-called Six-Pack and Two-Pack) have created and strengthened new procedures governing the multi-level relationship between Member States and the European institutions. This is very likely to have caused new differences between national trade union strategies vis-a-vis the European project.

In this paper, we aim to investigate such differentiated preferences within the labour movement, and to identify conditions providing positive (and/or negative) incentives to actively participate in the European Semester. Particular attention is given to the mutual interdependencies and conflicts between national social dialogue and the European Semester, with a specific focus on social and employment policies, including wage-setting. To examine these issues, we systematically compare trade union strategies in relation to involvement in the European Semester between 2014-2018 in eight European countries: Belgium and Germany in Continental Europe; Finland and Sweden in the Scandinavian countries; Italy and Portugal in Southern Europe; and Bulgaria and Hungary in Central-Eastern Europe. In these countries, a qualitative comparative analysis was carried out by the INVOTUNES country teams who developed detailed case studies ⁽¹⁾. The latter are based on a systematic examination of key documents (e.g. National Reform Programmes and Country-specific Recommendations), national legislation and almost 120 interviews with representatives of governments, European institutions, trade unions and employer associations.

The paper is structured as follows. Section 1 introduces our analytical framework concerning trade union participation in the European Semester, with a particular reference to its interrelation with the specific features of national social dialogue. Section 2 describes whether, in recent years, the themes of the European Semester have matched the themes of national social dialogue in the selected countries. Section 3 provides an analytically oriented description of the different strategies followed by national trade unions in the ES, while the last one concludes, outlining the emergence of different country profiles in terms of the relationship between the national social dialogue and the European Semester.

1. Albert (2019), Jansson *et al.* (2019), Kangas (2019), Kraemer (2020), Pavolini and Natili (2019), Peña-Casas and Ghailani (2019), Perista and Perista (2019), Tomev *et al.* (2019).

1. Why could trade unions be interested in the European Semester? Exploring the determinants of trade union strategies in Europe

There can be little doubt that the past decade witnessed dramatic changes in the political and economic development of the EU. In the wake of the financial and sovereign debt crises, a new governance architecture for socio-economic policy co-ordination was created in 2010, the ES, as part of a number of far-reaching measures aimed at reinforcing EU surveillance of Member State budgetary policies and enhancing EU sanctioning authority in case of non-compliance – such as the so-called ‘Six-Pack’, ‘Two-Pack’ and ‘Fiscal Compact’ (de la Porte and Pochet 2014; Verdun and Zeitlin 2018). The ES is a recursive cycle of budgetary and policy coordination. In the ‘first part’, running approximately from November to June, the European Commission (EC), the Council and the European Council set priorities for the EU, review national performance and reform strategies, and issue annual Country-specific Recommendations (CSR) to monitor and coordinate domestic economic policies across the EU. In the second part, roughly from July to October, the Member States are asked to incorporate these recommendations into National Reform Programmes that are again assessed by the EC and the Council (Papadopoulos and Piattoni 2019; Rathgeb and Tassinari 2018).

There is a lively debate on whether this new European economic governance architecture is detrimental to trade unions’ power resources, as it inherently privileges business actors over their social counterparts (e.g. Copeland and Daly 2015; Crespy and Menz 2015; de la Porte and Heins 2015; Erne 2015 ; Rathgeb and Tassinari 2018), or, conversely, whether it provides a window of opportunity for social actors to defend EU social objectives through a more integrated process (see Zeitlin and Vanhercke 2018). Nevertheless, few have carefully investigated national trade unions’ preferences and strategies within the European Semester.

In this regard, there may be contradictory theoretical expectations. On the one hand, trade unions may have good reasons to oppose the new economic governance structure and to call on their members to oppose the European integration project, refusing to participate in the (costly) procedures of the ES. On the other hand, labour organizations may find it convenient to invest resources in changing European procedures and mechanisms ‘from within’, in order to reach their long-term organizational and political goals. In this working paper, against this background, we investigate trade unions’ reasons and strategies for active participation in the European Semester. We emphasise that trade unions have different incentives depending on their power and/or institutional resources and, accordingly, can adopt different strategies *vis-a-vis* the European institutions.

For this reason, in the following sections we introduce a number of factors that need to be taken into consideration when discussing trade unions’ participation in the ES. Notably, first, particular attention needs to be given to the main features of the national social dialogue, which we define

here, in line with the ILO description, as ‘all types of negotiation, consultation or simply exchange of information between, or among, representatives of governments, employers and workers, on issues of common interest relating to economic and social policy’. Indeed, since trade unions are primarily embedded in the national social dialogue, it seems reasonable to expect that their interest in participating in the Semester depends on the degree of correspondence of the latter with the former. The idea here is that the involvement of national TUs in the ES will be more likely if there is a strong correspondence between the themes of the European Semester and the themes of national social dialogue. This is because trade unions will have a greater incentive to participate actively in the ES if it is strongly associated with the themes of the national social dialogue, as their ‘logic of influence’ and their ‘logic of membership’ would tend to converge. Indeed, in this case, trade unions would have institutional incentives to participate in the European policy-making process, as they could act in the interest of their members, representing them in the discussion with the European Commission.

Obviously, we should not solely examine the degree of correspondence of issues in order to assess trade union strategies within the ES. Rather, we consider it important to include in our framework at least two other drivers: a) trade unions’ short-term policy-specific interests and preferences; and b) labour organizations’ long-term interests concerning their institutional role in the national policy-making process.

On the short-term interests, if trade unions are already, in the national political arena, negotiating reforms in line with European proposals, they may have stronger incentives to participate actively in the European Semester, in order to reach an agreement with the employer organizations and/or the government. In this case, the European Semester can be used as a **‘lubricant for national reforms’** – i.e. using European recommendations to legitimize their demands and thus facilitate the introduction of a reform in line with their objectives. Similarly, if the trade union short-term goals are in line with EU demands, but there are national actors opposing such reforms, the European Semester can be used as a sort of **‘policy sword’**, to overcome possible ‘blockages’ at the national level (i.e. when it is not possible to influence the national government, on a specific issue or at all). For example, trade unions could refer to the Country Reports and CSRs to put pressure on the national government and employers’ organisations.

With regard to long-term goals, we build on the insight of Menz (2003) that trade unions’ response strategies to the Europeanization of labour and social policy are conditioned not only by trade unions’ policy preferences, but also by their relative organizational strength, and in particular by their access to the government and national policy-making process. In particular, trade unions may be interested in participating in the Semester, not so much to put forward their preferred policy initiatives, but rather to block initiatives that are detrimental to their organisational power. In this regard, participation in the European Semester can be useful to pursue a **‘prevention of policy problems’**

(or as a 'containment') strategy. Indeed, trade unions could have longer-term incentives to engage in the European Semester, to protect their autonomous role in collective bargaining and to influence the overall development of social issues within the Union in line with their policy preferences. This is because trade unions might want to participate in order to 'defend themselves against the European Semester', often perceived as neo-liberal, wishing to alter the type of EU Commission requests to national governments.

2. The correspondence between the European Semester and the themes of national social dialogue

Our analysis starts by looking at whether the involvement of national TUs has been more likely if, in recent years, the themes of the European Semester – or, more precisely, of the CSRs – have corresponded closely to the themes of national social dialogue. Table 1 reports the situation in each country studied in the INVOTUNES project. Importantly, it shows that there is no common single pattern among the eight countries.

Table 1: Correspondence between the labour, social policy and education themes of the European Semester and those of national social dialogue (years 2014-18)

	Themes in the national social dialogue	Themes of the CSRs	Correspondence between the themes
Sweden	Social security, jobs and inequality; education and training	Inequality (integration of migrants and the widening educational performance gap between pupils from different socioeconomic backgrounds)	Partial overlap
Finland	Pensions, social and health care reform	Pensions, social and health care reform	Strong overlap
Belgium	Wage-setting; labour law and work regulation	Wage-setting; labour market policies; education policies	Partial overlap
Germany	Digitisation, labour shortage, industrial policies, labour market integration/education policies, pensions	Part time employment, labour market integration and education policies, conditions of wage growth	Limited overlap
Portugal	Pension sustainability, minimum wage, adequate minimum income, labour market segmentation	Pension sustainability, minimum wage, adequate minimum income, labour market segmentation	Strong overlap
Italy	Social Assistance	Pensions, collective bargaining, Active Labour Market Policy (ALMP), social assistance, education.	Limited overlap

Hungary	No national social dialogue	ALMP, adequacy of social assistance; education; promotion of social dialogue	Not applicable
Bulgaria	Pensions, Vocational education, ALMP, Minimum wage, Informal economy	Pension sustainability, education, minimum wage, social assistance and ALMP Informal economy	Strong overlap

Source: authors' own analysis of INVOTUNES Country case studies (2019).

Finland, Portugal, Bulgaria: a strong overlap between the issues considered in the national social dialogue and the ES.

In *Finland*, the themes taken up in the ES correspond closely to national policy priorities (Kangas 2019). The CSRs which Finland received in the 2010s mostly revolved around economic policies, reducing budget imbalances, controlling the expansion of public debt, combating the sustainability deficit, and improving employment rates and the competitiveness of the economy. Finnish politicians and decision-makers have been well aware of these problems and the issues are high on the national political agenda. In fact, Finnish experts often discuss the problems with the representatives of the EU Commission. The CSRs related to social policy issues have focused on institutional questions like pension reform (on the agenda up to the 2014 Semester Report) and recently the social and health care reform (*SOTE*), which three consecutive governments have tried to implement. The reform is one of the most important topics on the national political agenda, and the EU fact-finding missions have been very well aware of that. The *SOTE* is also constantly raised in CSRs. The *SOTE* exemplifies the way in which the CSRs have become a sort of dialogue: so much so that the former Prime Minister Alexander Stubb and the European Commission Vice-President Valdis Dombrovskis once, in a panel discussion, described the European Semester process between the Commission and Finland as sending love letters to each other (EAPN Finland 2018). Thus, the strongly dialogue-based nature of the ES guarantees that the themes are very much the same in national social dialogue and in the ES.

Also in *Portugal*, the key themes of the ES correspond, largely, to the key themes addressed in national social dialogue. Out of the four, only the issue of unemployment decreased in importance over the period, in parallel to the fall in the unemployment rate. This is reflected, for example, in the CSRs. After specific recommendations between 2014 and 2017, the CSRs for 2018 did not include this issue. National social dialogue followed the same lines, and unemployment gave way to labour market segmentation, culminating in a tripartite agreement reached in the CPCS, in June 2018, focusing on the fight against precarious work and labour market segmentation, and aiming to promote collective bargaining. Indeed, it seems that there is a strong circularity between the themes discussed in the ES and in the national context: the key messages and initiatives of the Semester are very important for Portuguese social dialogue, although, as underlined by Perista and Perista

(2019), the ES has addressed in recent years themes that have long been dealt with in national social dialogue.

Similarly, in *Bulgaria* the government and social partner representatives interviewed generally agree that the themes in the CRs and CSRs largely correspond to the national political agenda and are important for the social dialogue (Tomev *et al.* 2019). Social dialogue has had some success on issues stemming from the CSRs, e.g. the adoption of the pension reform; legislation on education, including vocational education reform; extending the coverage and effectiveness of ALMP; and introducing measures to reduce the extent of the informal economy. However, while employers focus mainly on improvement of the business environment and competitiveness, the trade unions emphasise social issues. The findings of the documentary analysis and interviews reveal that the government and social partners are aware of the ES process and main documents. They believe that many of the messages coming from the ES are largely relevant and correspond to national priorities. The 2018 AGS highlights the new importance attached to the European Pillar of Social Rights (EPSR) as an important milestone in the Semester framework. The EPSR objectives largely match the themes discussed in the national social dialogue. According to the trade unionists interviewed, inclusion of these themes in the CSRs would substantially improve the link between the Semester and the national social dialogue.

Sweden and Belgium: a partial overlap between the issues considered in the national social dialogue and the ES

In *Sweden* there is only limited pressure from the EU within the European Semester on issues of direct concern to the trade unions and employer organisations in the context of national industrial relations (Jansson *et al.* 2019). This is because Sweden is not part of the Eurozone, it is a well-functioning economy and, at least partially, also because it performs well on most indicators of the Social Scoreboard, which are used to compare Member States' performance and which have recently been introduced in the framework of the EPSR. The CSR's have in recent years mostly focused on the macroeconomic imbalances (in particular, overvalued house price levels in combination with rising household debt: this has been the focus of the recommendations every year since the introduction of the ES in 2011). At the same time, if we consider not only the CSRs but also the NRP, there are several overlapping themes in relation to issues concerning education and the fight against inequalities. In particular, in the 2018 Country Report, there are concerns regarding the signs of growing inequalities affecting people with a migrant background, especially women, their integration into the labour market, and the widening educational performance gap between pupils from different socioeconomic backgrounds. Significantly, this implies that there are some thematic overlaps, for instance lifelong learning, between the national social dialogue and the CRs and CSRs. TUs focus on the themes of social security, jobs and equality. Security is the overarching theme, with calls for

improvements in replacement rates in unemployment protection, social security schemes and pensions.

In *Belgium*, CSRs for structural reforms have increasingly focused on issues in which there is a clear tradition of social dialogue (Peña-Casas and Ghailani 2019). Since the start of the EU process, the CSRs on cost competitiveness concerned the core business of Belgian social dialogue: the wage-setting mechanism. However, while almost every key theme in the ES corresponds to themes addressed in national social dialogue, there are some national social dialogue issues, related to labour law and work regulation, not addressed in the ES, and some ES topics never discussed in national social dialogue (such as budgetary issues or education reforms). In the current political context, the social partners have limited social dialogue on active labour market policies, wage formation, mobility challenges and reducing the administrative burden.

Hungary, Germany and Italy: a limited overlap between the issues considered in the national social dialogue and the ES.

The national social dialogue has been relatively weak in recent years in *Italy* (Guillén and Pavolini 2015), in particular on the themes of the European Semester. As argued by one of the interviewees included in the Italian report (Pavolini and Natili 2019): ‘as far as I remember, the last time we have been consulted by the national government for the NRP was when Monti was Prime Minister [between 2011 and 2013]. Since then, no more formal consultation’. The reforms introduced during the austerity years further increased the distance between governments and the TUs. Against this background, the few themes that have been discussed between social partners and the government were also part of the ES. In particular, three issues have been central to the ES and, at the same time, have been discussed to some extent between the Italian government and social partners – although it would be an exaggeration to describe this process as ‘social dialogue’: a) labour market regulation; b) collective bargaining decentralization and its connection to productivity; and c) social assistance and income protection.

According to several analyses (Albert 2019; Labanino 2020; Neumann and Tóth 2018), there is no social dialogue in *Hungary*, so there could not be an overlap with the themes discussed in the ES. This is why the social partners try to influence the ES debate at EU level, to gain EU support and thus influence the national agenda, and not the other way around, as could be expected. Commission fact-finding missions are seen as the main and almost only official opportunities for access to the Semester process, where TUs can express their priorities directly, apart from occasional bilateral meetings arranged with the help of European organisations (ETUC and BusinessEurope), and through the venues available via the ETUC. The most important and recurring Semester themes have been related to the strengthening of public finances, reducing tax burdens, improving tax compliance, strengthening active labour market policies and reviewing/targeting the public works

scheme, improving the adequacy of benefits including unemployment benefit, promoting inclusive mainstream education, preventing early school leaving, and discrimination against the Roma. Despite the willingness of the social partners, these issues were not discussed in the social dialogue institutions as, after 2010, three consecutive FIDESZ-KDNP coalition governments, with prime minister Viktor Orbán, have enforced strong political centralisation of decision-making. This altered political atmosphere provides limited opportunities for the already weakened trade unions (Németh and Girndt 2018). As the White Book entitled 'For the Workers. For their Rights. For their Opportunities' prepared before the 2018 elections states: 'No matter how important is the organisational setup of interest reconciliation, its efficiency is determined... by political culture, the real existence of a partnership relation... a key characteristic of the policy of the current government is to squeeze out non-governmental bodies, including trade unions from policy-making processes and their preparatory phase' (Fehér Könyv 2018: 58, 60 quoted in Albert 2019: 11). Indeed, the perception of the trade unions is that they cannot influence the national policy-making process. To make things worse, Hungarian trade unions have limited financial, institutional and cognitive resources, further hindering the possibility of creating significant linkages between the ES and the national social dialogue against the will of the government. Overall, even if there is no overlap due to the absence of a national social dialogue, TUs in Hungary share the priorities expressed in the EC documents on the ES regarding Hungary.

In *Germany* there is some overlap between the social and labour market policy themes discussed in the national social dialogue and the ES, but they are of low relevance (Kraemer 2020). The reasons for this is that: a) the national social dialogue themes follow a different logic from the EC (because the government's macroeconomic policies follow a different logic from the ES); b) some of the social and labour market policy themes have been on the agenda since the 2000s (or earlier) and are influenced by EU funds rather than by the ES; and c) some meet the employers' interests and others the TUs' interests. Overall, the social and labour market themes are only one part of the CSRs; for the TUs, the fiscal policy themes are of similar or even greater importance and they still see the CSRs more as a potential threat than as an opportunity.

3. National trade unions strategies in the European Semester

As outlined in Section 1, in order to understand trade unions strategies in the ES, it is important to consider the degree of correspondence between the national social dialogue and the themes of the ES, *as well as* the trade unions' short and long-term institutional and policy interests. Six different profiles emerge. Italy and Hungary are countries where there is limited overlap between ES and national social dialogue themes, and where the social dialogue has been weak in recent years. Bulgaria is a country where there is an overlap of issues, but social dialogue is weak. In Belgium there is a partial overlap of issues, but social dialogue is becoming weaker.

Germany shows a limited overlap between the two policy arenas in terms of content, and has a relatively strong national social dialogue, whereas Sweden has a strong social dialogue, matched by a partial overlapping of issues between the ES and the national context. Finally, Portugal and Finland both have an overlap of issues and have had a relatively strong (Finland) or improving (Portugal) social dialogue in recent years.

Table 2: The European Semester and national social dialogue: a typology

		Overlap between ES issues and national social dialogue topics		
		<i>No (limited)</i>	<i>Partial</i>	<i>Strong</i>
<i>Strength of national social dialogue in recent years</i>	<i>Weak</i>	Italy Hungary	Belgium	Bulgaria
	<i>Strong</i>	Germany	Sweden	Portugal Finland

Source: authors' own elaboration of INVOTUNES Country case studies (2019).

Table 3: National trade unions strategies regarding the ES

	The ES as a policy lubricant	The ES as a policy sword	ES participation to prevent policy problems
Finland	Yes, partially	No	No
Belgium	No	Yes, partially	No
Portugal	Yes, partially	No	No
Bulgaria	Yes, partially	Yes, partially	No
Sweden	No	No	Yes
Germany	No	No	Yes
Italy	Yes, partially	Yes, partially	No
Hungary	No	Yes	No

Source: authors' own analysis of INVOTUNES Country case studies (2019).

The European Semester as a lubricant for national reforms

In some countries, the ES plays a role in the themes that are discussed in the national arena, where there is already some agreement among social and political actors, and the ES facilitates the reaching of an agreement. We may expect this lubricant to be more effective in countries where the themes at national level correspond with those of the ES. Therefore, we will consider first the countries where there is a strong overlap: Finland, Portugal and Bulgaria.

The case studies partially confirm our expectations. In particular, this is the case in Finland, Bulgaria and, to some extent/in some areas, in Portugal and Italy.

In *Finland*, there is strong collaboration between the Commission, national governments and social partners (Kangas 2019). All agree on the most important and challenging topics, but less on the solutions to adopt. The 2017 pension reform process is illustrative in many ways. First, the reform was on the national agenda before it ended up in the CSRs. Second, up to the promulgation of the law, the national policy process and the European Semester ran in parallel, which confirms the amalgamation of the Semester process with national policy-making. They went hand in hand. Third, although some elements (e.g. the 'double link': having a lifetime coefficient and linking the retirement age to life expectancy) were on the list of possible options, detailed demands from the Commission increased the probability that that option would be accepted. To sum up, the process was very much in the hands of the social partners, which were in charge of the progress of the reform. The trade unions could utilise their external resources, as they played a key role in the decision-making on the reform.

In *Bulgaria*, social dialogue had some success on issues stemming from the CSRs (pensions, education, ALMPs, etc.). Indeed, the trade unions regularly use the ES messages in the social dialogue for two specific reasons, as outlined by a trade union leader in the Bulgarian case study (Tomev *et al.* 2019: 15). First, because showing trade unions adherence to the macroeconomic framework set by the Commission allows legitimising their request to improve wages and labour market conditions, as well as to reduce poverty. And, second, because it allows showing that starting from the same EU parameters and messages which the government uses when drafting its forecast and state budget, there is room for a more social view of the economy and to propose redistributive measures that would improve the social situation in Bulgaria. However, at the same time, there are not many positive examples of the link between ES messages and the social dialogue. The interviews in the above-quoted case study confirm that in Bulgaria, tripartite social dialogue at national level in recent years has continued to be ineffective and fragmented, and that, to a great extent, the government has used social dialogue primarily as European legitimisation of its policies. Another good example is the social dialogue process for implementation of the CSR on establishing a transparent mechanism for minimum wage-setting (using precise and clear criteria and indicators). This issue has long been on the national social dialogue agenda. The importance of the ES was that the CSR acted as a catalyst for reforms and processes that were already on the social partners' agenda. The in-depth case study on trade union involvement in the social dialogue on establishing a transparent mechanism for minimum wage-setting shows the potential of the ES as a 'lubricant for national reforms'. As reported in Tomev *et al.* (2019: 12): 'The importance of the European Semester for national policy stems from the fact that it is the EU instrument for coordinating policies in order to achieve the European and national Europe 2020 goals [...] the positive Semester

messages have always been our argument in the debates, legislative procedures and, in general, in social dialogue’.

In Portugal, the trade unions have tried to use the ES to facilitate the inclusion of the issues of ‘qualification’ and lifelong learning into the policymaking agenda. On the other hand, however, trade unions were also able to influence the Commission, i.e. to demonstrate that their proposal to strengthen the minimum wage would not damage economic competitiveness, in order to defend the social pact with the government. In other words, national dialogue has sometimes been a lubricant for the Semester rather than the other way around. The statutory minimum wage (RMMG) was frozen between 2010 and 2014, under Portugal’s adjustment programme. In late November 2015, a new government took office in Portugal. A policy debate then emerged leading to an agreement on a phased increase of the minimum wage up to EUR 600/month in 2019. This process was of utmost importance, since in the third quarter of 2015 no less than 32% of Portuguese employees earned EUR 600/month or less. The agreement was monitored within the social dialogue, and reports were issued every three months. Over most of the 2014-2018 period, there was strong EU pressure regarding this issue, with CSRs recommending prudence in setting the minimum wage, to keep it aligned with the objectives of promoting employment and competitiveness. 2018 was a turning point. The 2016 and 2017 Country Reports, and the 2017 CSRs, had already touched on possible positive impacts of an increase in the (minimum) wage on aggregate demand. Both the 2018 Country Report and the document on the 2018 CSRs recognise that minimum wage increases have supported the incomes of low-wage workers and did not seem to have negatively affected job creation, including that of low-skilled workers. Throughout the period under scrutiny, attempts were made via the European Semester to prevent the updating of the minimum wage. Such recommendations were seen by many Portuguese stakeholders as an attempt by the EC – one of the elements of the Troika – to continue ‘bossing the country around’ (Perista and Perista 2019: 22). The negotiations between the government elected in 2015 and the social partners, on phased increases of the minimum wage during the 2015-2019 legislature, supported by quarterly monitoring reports, acted as a counterweight to the arguments presented by the European Commission in the Semester process. One of the trade unionists interviewed argued that ‘The way social partners have discussed, in misalignment with CSRs, shows that, in decisive moments and regarding decisive themes, social partners could reach an agreement even if this agreement was not in line with EU recommendations’ (Perista and Perista 2019). National authorities emphasize that the Semester is starting to be accepted as a normal procedure and constitutes a source of reliable information. In the particular case under study, which regarded minimum wages, it is deemed to have made the discussions even more demanding and technically more robust.

Additionally, it is believed that, if the Semester had not referred to the minimum wage, the Portuguese administration, the government and social partners might not have been so interested in building indicators able to demonstrate that the increase in the minimum wage did not harm

employment growth. For trade union representatives, however, the link was not that valuable as, for the entire period under scrutiny, the recommendations ran counter to their views. This was partly because, as mentioned above, the issue was already entrenched in national social dialogue and preceded the European Semester. Furthermore, the two processes seem to have been kept separate partly due to the notion that national autonomy on this issue should be preserved and respected, especially when data supports arguments contrary to those defended by the EC.

The cases above outline that in the countries where there is partial or limited overlap between the issues considered in the national social dialogue and the ES, the ES is not a lubricant. There is, however, a (partial) exception: the case of Italy.

Indeed, in *Italy* between 2014-2018, no formal or informal consultation processes took place with the government to discuss the National Reform Programme and the national documents, in reaction to European reports or recommendations (Pavolini and Natili 2019). This is because Italian national governments were not particularly interested in exchanging resources with TUs: even the centre-left element in the government that governed Italy during these five years was keen to distance itself from the TUs, especially during the years of the Renzi government. Only in one specific policy field – and at a time (2016-2018) when the Italian government was particularly weak – were Italian TUs able to strike a deal with the government, resulting in the introduction of a minimum income scheme. To do so, however, they had, first, to build a united front with other social actors and, second, to support a policy reform in line with the ES messages. The European process provided the bureaucratic apparatus in Italy with important cognitive resources, giving supporters of the introduction of a MIS in Italy an important institutional ally. TUs delegates preferred not to use the European Union to back their arguments in the negotiating process. Two factors help to explain this outcome. First, the TUs preferences were not always in line with the European Commission requests: while increasing investment in social inclusion services was considered a priority by both actors, they had differing preferences as to how this would be financed. Second, in response to the adoption of restrictive pension and labour market reforms perceived as ‘imposed by Europe’, Italian policy makers did not consider ‘use of Europe’ to be a convenient strategy to justify proposals. At the same time, the introduction of the Inclusion Income (*Reddito di Inclusione*, REI) corresponded closely to the orientations and recommendations of the European Commission. ‘Within the European Semester, poverty was not always present in the European documents, some years we had a CSR, in other it was absent (...). At times, it has been useful politically, but I do not remember that there was such a strong pressure (...). Obviously, if the EC had been contrary or hostile, it would have been extremely complex to introduce the REI. From this point of view, the compatibility of this measure with the framework of the European Semester was useful.’ Indeed, the REI is one of the least expensive minimum income schemes in Europe (Natili 2019) and much attention has been given to ensuring its financial sustainability – although, as underlined, the TUs were able to prevent the REI being financed through cuts to other social programmes. Furthermore, the focus on active inclusion

services and the strong conditionality attached to the benefit reflect the points made in the Country-specific Recommendations in 2013, 2014, 2016 and 2017.

The situation in *Belgium* is more complicated (Peña-Casas and Ghailani 2019). On one hand, TUs have to cope with a situation where governments in recent years have used CSRs as an argument to push unilaterally for reforms affecting the core of trade union activity (collective bargaining, wage-setting, pensions, and social security in general), arguing that 'Europe is calling for it'. On the other hand, the ES offers an opportunity for TUs to speak about the direction of labour market policies. Overall, it does not seem that the ES acts as a lubricant.

Both in *Sweden* and *Germany*, TUs seem already strong enough in the policy arena. The fact that there is partial or limited overlap between the ES and national dialogue themes means that the ES does not play a role in helping to reach agreement between the social partners and the government. In *Germany*, the TUs only agree to some of the CSRs and object to others. Since the CSRs are of low relevance for the national government and for the national dialogue, and since union access to the ES process is limited, the TUs make little effort to raise the level of their involvement.

In *Hungary*, national policy reforms were introduced by the governments in recent years also following some ES recommendations, sometimes in line with trade union preferences, but the absence of national social dialogue made it difficult for trade unions to advocate reforms by appealing to the ES.

The European Semester as a policy sword

In Section 1, we hypothesized that the European Semester could be used in order to try to overcome possible blockages at the national level. *Is this really the case?* Trade unions could refer to the Country Reports and CSRs to put pressure on the national government and employers' organisations.

Our analysis seems indeed to indicate that in countries where there is a partial overlapping of themes between the ES and the national social dialogue, the trade unions have 'used' the European Semester strategically at times when the TUs and government have found it hard to work together.

In *Finland* and *Portugal*, TUs have not used the ES as a 'policy sword'. According to the INVOTUNES case study, in *Finland* there was no need for it (Kangas 2019), while in *Portugal* the mechanism seems the opposite: national dialogue was initially used to oppose ES proposals, and then to 'convince' the Commission of the positive economic consequences of improving the minimum wage (Perista and Perista 2019).

In both *Bulgaria* and *Belgium*, national social dialogue has been going through difficult times, although to different degrees, and the ES policy sword strategy has been partially used. In *Bulgaria*, direct contacts with the EC have been highly valued by the TUs and have been seen as a channel through which they can strengthen their position, overcome national blockages in social dialogue and attract EC attention to important national labour and social issues. The mutual exchange of resources is seen as beneficial by both the trade unions and the EC. Since 2016 this involvement has improved with the appointment of TUSLOs. Indeed, as one of the government officials said: 'Trade unions use the CSRs to solve specific problems and request specific measures within the national social dialogue ... Considering the link between ES and social dialogue, we have to praise the trade unions – the European Semester is monitored by the government and the trade unions alike. They are sometimes even more active – on ALMP, minimum wage (MW) mechanism. Most suggestions, incl. for legislative changes, came from the unions. The pension reform 2014-2015 was adopted also with active trade union involvement' (Tomev *et al.* 2019: 22). The situation becomes more complicated for TUs when they are not satisfied with ES recommendations. The case study on the minimum wage (MW) identifies a rather different mechanism. Since 2011, the government, under pressure from the trade unions and despite fierce opposition from employers, has undertaken successive steps to ensure marked minimum wage annual increases planned up to 2020. This caused the Commission in several successive CSRs and Country Reports since 2014 to warn that raising the minimum wage in the absence of a transparent mechanism for minimum wage-setting could jeopardize employment and competitiveness. While supporting the establishment of the recommended mechanism, the trade unions reacted against these CSR messages, and at meetings with the ESO and EC country desk presented analyses demonstrating that MW increases did not have the negative effects anticipated by the EC and the employers. In more detail, in response to the 2016 CSR ('In consultation with social partners establish guidelines and criteria for minimum wage-setting'), the NRP included measures for its implementation and an expert working group was set up, consisting of representatives of the Ministry of Labour and Social policy, the two trade union confederations and five employers' organisations. CITUB and Podkrepa proposed a Conceptual model for setting the MW (2016), in which the level of the MW amount is negotiated by the social partners. However, no significant progress was achieved in 2016 due to the diverging positions of employers and trade unions, and the inability to reach a compromise settlement. To break the deadlock in negotiations, the social partners decided to base the future mechanism on ILO Convention 131 on minimum wage fixing. Convention 131 defines the criteria for MW setting, thus guaranteeing balance and predictability of MW growth. Under the Convention, the MW setting is based on a number of important social and economic criteria, such as inflation, labour productivity, employment, gross domestic product dynamics, etc. The required transparent mechanism for determining the minimum wage will therefore be established.

In January 2018, Bulgaria ratified Convention 131, which was assessed by the Commission 'as a positive step towards achieving a consensus of the social partners on the development of a

mechanism for MW setting’ (European Commission 2018: 60). According to one of the trade union representatives interviewed, the CSR on MW accelerated the ratification of ILO Convention 131; this was supported by both employers and trade unions, as they are striving to be part of the process of discussion and MW setting, rather than being solely consulted on government decisions (accept or reject), i.e. the Recommendation supports the move from consultations to autonomous negotiations (Tomev *et al.* 2019).

In *Belgium*, although TUs did not agree with parts of the ES recommendations, they have considered the ES to be a useful and valuable source of information, particularly because it is very hard for the government or the employers to reject facts supported by European Commission analyses. Some examples of messages used by the trade unions include the recommendations on greening the economy (e.g. the recommendation to stop subsidizing company cars), the EC remarks on certain government measures potentially risky for social security receipts (e.g. flexi-jobs), others concerning the insufficient targeting of financial measures supporting innovation, or on the taxation of capital income (Peña-Casas and Ghailani 2019). However, when looking at the significant reform of the wage norm in the bargaining process, encouraged by the EC, it seems clear that the ‘policy sword’ strategy had its limits. From 2011 to 2015, CSRs were addressed to Belgium each year concerning the need to reform the wage-setting and indexation mechanisms in order to make wage-setting responsive to trends in productivity and competitiveness with neighbouring countries. These CSRs were used by the government to unilaterally foster reforms not welcomed by TUs.

In the countries where there is limited overlap between the issues considered in the national social dialogue and the ES (Italy and Hungary), the ES has only been used as a ‘policy sword’ in countries where national social dialogue is weak.

In *Hungary* and *Italy* trade unions have tried to ‘use’ Europe in order to try to ‘restore’ the social dialogue. In Hungary the social partners consider one of the 2018 CSRs, to ‘improve the quality and transparency of the decision-making process through effective social dialogue and engagement with other stakeholders’, as their success. Unfortunately, ‘it does not guarantee that there is going to be a political will at the national level to actually change the current state of affairs’ (Albert 2019). The government, they believe, ignores CSRs that are not in line with their intentions; however, where a certain issue also appears on their agenda, the CSR is used to support their case (e.g. regarding public works: CSRs called for changes to be made for years before the government modified its policy – not necessarily because it was recommended, but more because the labour shortage in the country made it necessary).

Italian TUs have been eager to participate in the various phases of the European Semester, providing written and oral input to both the European Trade Union Confederation and the European Commission, and being in general very responsive to requests from the European institutions

(Pavolini and Natili 2019). Furthermore, they have also been able to overcome their political differences and develop 'common ownership' of the European Semester process. In addition to increasing awareness of the importance of European governance, we see two interrelating factors as crucial to understanding TUs' strategies. First, there is the specific opportunity structure given by the institutional context at both the supranational and the national level. Second, and related to the former point, there is the legitimacy crisis facing the Italian TUs because of the social consequences of the Recession in Italy in the period 2012-2016. In relation to the first aspect, the last decade constituted a critical watershed for Italian TUs, which have lost much of their political power in Italy, and, in some areas, have lost their power of veto (Durazzi *et al.* 2018; Guillén and Pavolini 2015; Regalia and Regini 2018). Partly because of this, the Italian government decided to avoid formal and/or informal consultation with the TUs on the drafting of the National Reform Programme. Significantly, this lack of consultation is referred to only by the TUs, whereas Confindustria is largely satisfied with its degree of involvement in the drafting of the NRP. The loss of national 'institutional' resources (Streek and Hassel 2004) – and the gradual erosion of their well-established favoured relationship with the main centre-left party (Ceron and Negri 2017; Natili and Puricelli 2018) – have caused Italian TUs to look for new strategies to exert influence and show their relevance. In this regard, the opportunity to participate in the European Semester is important for the three main Italian TU confederations, despite shared doubts regarding the constitutional asymmetries and the direction of macro-economic policies pursued by European institutions. This is a point on which all the TUs representatives interviewed agreed.

The second element, strongly interrelated, is a decline in the perceived legitimacy of TUs within Italian society. This element too, reducing the political power of TUs domestically, acted as an incentive for them to look for other channels to increase their sphere of influence, and thus to actively participate in the European Semester process.

In *Sweden* and *Germany*, due to the lack of significant EU pressure, the limited or only partial overlap of themes and the presence of good social dialogue, there have been few incentives for TUs to play an active part in the ES in order to make gains in the national social dialogue. The CSRs for Sweden have rarely been an issue that directly concerned national trade unions. In Germany, in particular, the national government's low compliance with the CSRs – Germany was one of the Member States with the poorest records on CSR-compliance until 2018 – discouraged TUs involvement.

The prevention of policy problems strategy

Trade unions could have longer-term incentives to engage in the European Semester, in order to protect their autonomous role in collective bargaining and to influence the overall development of social issues within the Union.

Again, let us look first at countries where there is a strong link between national and ES themes. In none of the three countries considered have the TUs used the ES to anticipate problems. They seem to have several reasons for this attitude: where there is no national social dialogue, ES involvement helps to address more short-term priorities; where there is a good level of social dialogue, again the implementation of more immediate priorities is considered more important.

The idea of using the ES to prevent policy problems seems to apply only in countries such as *Sweden* and *Germany*, where there is: a) limited or only partial overlap between national social dialogue issues and ES topics; b) a relatively good national social dialogue; c) limited pressure from European Institutions. These seem the best conditions to foster such a medium-term TUs strategy. In the Commission's 2012 CSR for *Sweden*, the third recommendation was that Sweden should take further measures to improve the labour market participation of youth and vulnerable groups by focusing on effective active labour market policy measures, encouraging increased wage flexibility, notably at the lower end of the wage scale, and reviewing selected aspects of employment protection legislation, such as trial periods to ease the transition to permanent employment (Jansson *et al.* 2019). This recommendation was not well received by the Swedish social partners – in particular, the trade unions felt it unacceptable for the Commission to come with recommendations concerning wage bargaining. The trade unions' view was finally supported also by the Minister of Finance, Anders Borg, and this section of the recommendations was amended for the Council's 2012 CSR for Sweden (Martos Nilsson 2012), so that the new recommendations did not mention either wage flexibility or employment protection legislation. The amendment of the CSR was then justified with the argument that the CSR was inappropriate for the wage formation model and the current labour market situation in Sweden (Zeitlin and Vanhercke 2014: 50). Accordingly, this is clearly a case in which the social partners and the government reacted in order to prevent 'intrusion' of the EU in their 'core' policy domains. Relevantly, no recommendation like that made by the Commission in 2012 has come up in any European Semester document since. Furthermore, and consistently with this 'prevention of policy problems' strategy, the social partners' annex to the NRPs states explicitly that the social partners in Sweden safeguard their autonomy as a party and their independence to regulate aspects including negotiation procedures, dispute procedures and development issues on the labour market (Jansson *et al.* 2019).

In *Germany*, as in Sweden, the national government shows little interest in recommendations from the EU Commission (Kraemer 2020). This is because the governments of these two countries (in surplus) believe that they know better than the EU Commission what the national economy needs. In both countries, governments are not worried by macroeconomic imbalances and have little interest in reforming their economy in a way recommended by the EU Commission. In Germany, the trade unions also partially share this view, as they fear intervention in the autonomy of collective bargaining. Their interest is rather in selectively using those CSRs which they support; they prefer,

however, not to make forceful 'use' of the ES, as they expect such a strategy to be ineffective, as the national government has little interest in this process.

In *Italy* and *Hungary*, TUs seem to be unable or unwilling to develop medium-term strategies in relation to ES participation. In particular, given the very limited autonomy and role of trade unions in collective bargaining and in social policy-making in Hungary, it would make no sense to pursue a 'policy pre-emption' strategy. In Italy, the situation is only partially different. TUs recognize that the current macro-economic approach supported by the European Commission runs counter to their policy priorities. At the same time, they support the European Union, and thus aim in the long term to modify the constitutional asymmetry characterizing the European Union institutional framework. So far, they have had limited results, but argue that the European economic governance structure restricts their ability to set the agenda of the Semester: 'The European economic governance is built on specific rules. Fiscal and budgetary constraints prevent greater attention being paid to aggregate demand, investments and consumption. This is obviously reflected also in the European Semester, which is 'the arm' of this economic governance structure. And yet, thanks especially to the participation of the social partners, in the last few years there was a mitigation of at least some of the golden rules of the European Union macro-economic policy' (Pavolini and Natili 2019: 20). Another TU representative made similar statements: 'We noticed a positive change with the shift from the Barroso to the Juncker Commission. There is a greater attention, greater availability to find a moment to discuss, and an overall approach more favourable to the social dialogue. (...) However, what has not changed is the cultural and economic paradigm dominating in these meetings: austerity and requests to introduce cost reduction measures prevail. (...) Today, our opinions are heard, probably they are registered, but then it is difficult to find traces of our feedback in Commission proposals' (Pavolini and Natili 2019:20).

4. National trade unions in Europe: which roads to deal with national social dialogue and the European Semester?

This Research paper has investigated if and how national trade unions use the ES in order to participate in and influence national social dialogue. We have examined the eight INVOTUNES national case studies in order to, first, assess the correspondence between the ES and national social dialogue and, second, to explore patterns concerning the usages of the Semester in national social dialogue, which will need to be analysed and confirmed with reference to a broader set of EU countries in the future.

There are several findings stemming from the paper. First, there is no common single pattern among the eight countries in relation to national trade unions' attitudes and strategies *vis-à-vis* the European Semester.

Second, we analysed whether involvement of national TUs in the ES is more likely if the themes of the European Semester correspond closely to the themes of national social dialogue. Our study shows very differing situations among the eight case studies. In three countries (Finland, Portugal and Bulgaria), there is a strong overlap between the issues considered in the national social dialogue and the ES. In Sweden and Belgium there is a partial overlap, whereas in Hungary, Germany and Italy overlap is limited.

Third, we considered whether the ES can be used by trade unions as a 'lubricant for national reform' strategy. In other terms, can the ES play a role in the national arena by facilitating agreement among social and political actors? We would expect this lubricant to be more effective in countries where the themes at national level correspond with those of the ES. Our analysis of the case studies has partially confirmed this point. In particular, the Finnish, Bulgarian, and, to some extent, Portuguese studies confirm our expectation, as does in a specific period the study on Italy. In the latter case, only when the government started to lose political support and was particularly weak, the Italian TUs, together with other social actors, managed to foster the introduction of a minimum income scheme, partially based on the ES recommendations.

Fourth, national trade unions can also use the ES as a 'policy sword', to try to overcome possible 'blockages' at the national level. Our analysis shows that trade unions have sometimes referred to the Country Reports and CSRs to put pressure on the national government and employers' organisations, when there is limited or partial overlapping of themes between the ES and the national social dialogue. For instance, the ES has been used as a 'policy sword' in countries where national social dialogue was weak (Italy and Hungary).

Lastly, another potential strategy: TUs can use is to participate in the ES as a strategic move, in order to prevent or to contain policy problems. In other words, in countries where TUs have a stable participation in national social dialogue, they may choose to be involved in the European Semester process in order to influence the overall development of social issues in line with their policy preferences. Three of the countries analysed in our study are potentially in such a situation: Sweden, Germany and Finland. The empirical findings show that for two of them (Sweden and Germany) this strategy applies quite well. In both these countries in surplus, there is no strong overlap between national social dialogue issues and the social CSRs, there is a relatively good national social dialogue and limited pressure from the European institutions. These seem the best conditions to foster an ES strategy based on prevention.

Overall, the present study has found evidence of various strategies used to take advantage of the opportunities and to limit the threats coming from the ES for national social dialogue. This research can be developed in the future in two directions.

On the one hand, in order to develop a satisfactory typology of the core strategies which can be adopted by trade unions to use the ES to strengthen national social dialogue, our results will need to be tested, in the future, on a larger sample of countries and over different time spans.

On the other hand, our results do not yet sufficiently examine the reasons why trade unions adopt one strategy (or one set of strategies) instead of others. In our overall approach to the INVOTUNES project (Sabato 2018), we expected that institutional factors (degree of EU pressure, the main properties of the ES and of national social dialogue) and trade unions Semester resources could be relevant (see also table 4).

Our results point to the fact that strong national social dialogue systems could have an opposing impact on whether and how national trade unions choose to participate in the ES in order to influence the national social dialogue. Strong systems could, in fact, facilitate such participation, thanks to the presence of already existing robust ties between the social partners and governments. At the same time, however, where national social dialogue is already strong, social partners may have less interest in being involved in the procedures of the ES.

The degree of EU pressure on Member States can also play a role: countries subject to the 'ordinary' procedures of the European Semester (CSRs only) are deemed to be subject to 'weak' EU pressure; these could have no incentive to use the ES in the national policy domain. Programme countries (or former programme countries), subject to a high level of EU pressure, may be more careful in trying to adopt strategies which use the ES as a way to influence national policy-making.

Finally, as to the availability of adequate resources (i.e. human capital) for trade unions, they may affect the strategic options available for the use of the ES in the national social dialogue – but the opposite is also true: strategy can affect the type and amount of resources used in the ES, as the Swedish case in particular testifies.

Table 4: Institutional characteristics of national cases

Countries	Industrial relations system	Degree of EU pressure	Trade union Semester resources
Finland	Northern	Moderate	Medium
Sweden	Northern	Weak	Medium
Belgium	Central-West	Moderate	High
Germany	Central West	Weak to moderate	Medium
Bulgaria	Central-Eastern	Moderate	High
Hungary	Central-Eastern	Weak to moderate	Medium
Italy	Southern	Moderate to strong	Medium
Portugal	Southern	Moderate to Strong	Medium

Source: Sabato (2018).

However, if we compare the clustering of countries in table 4 (where the potential 'independent' variables are presented), with that in table 2 and 3, we find no perfect match. In other terms, the countries cluster together but not exactly (or always) following the grouping we would expect by considering the 'independent variables' (the same would be true if we introduced a fourth potentially important independent variable – the type of welfare state). Neither the overlap between ES issues and national social dialogue topics nor the strategies adopted by TUs regarding the ES seem perfectly to follow the logic and the patterns we would expect by looking at the independent variables. In relation to industrial relations systems, each dyad in our study (e.g. Finland and Sweden for the Northern model, Italy and Portugal for the Southern one, etc.) is made up of countries that have adopted different strategies. The same is true for the role of the degree of EU pressure and the ES resources that TUs can use.

Two potential explanations can be put forward for such partially odd results. First, the ES is a relatively new process and its level of institutionalization at the national level is still somewhat limited. Therefore, the strategies adopted by national TUs are probably not yet well defined and, in the future, they may be more influenced by the traditional institutional factors. Second, in many countries, the strategies tend to change over time (depending also on the political orientation of national governments) and to vary by policy sector or decision (Italy is a good example of how, in the same country, TUs adopted different strategies in relation to the ES for differing national social dialogue issues, depending on the policy field). Therefore, it would make more sense to use the typology above to analyse not the overall strategy of TUs in terms of the role the ES should play in the national social dialogue, but, rather, their strategy with regard to specific policy fields.

In any case, future research should help us to sharpen our analytical tools when studying the ES and its role in national social dialogue.

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