

# Europeanisation of Employment Policy in the European Semester: Labour Pains?

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Author: J.W. Kramers

First Supervisor: Dr. V. Junjan

Second Supervisor: Dr. M.R.R. Ossewaarde

## Abstract

The European Semester is a cycle of economic and fiscal policy coordination within the EU and is part of its economic governance framework. It potentially allows EU institutions to exercise their influence in policy formulation, supervision, and guidance on issues touching upon virtually the entire spectrum of Member States' economic and social policies. This influence is studied in the field of employment policy to determine whether the creation of the European Semester has led member states to further Europeanise their policies by analyzing the extent to which member states implement the relevant European Semester recommendations from 2011-2016. This extent varies across member states but has overall been fairly constant over time. Due to the reduction in recommendations issued, the relevance of the European Semester has declined, and it suffers from consistent problems of legitimacy.

## List of Abbreviations

AGS = Annual Growth Survey

ALMP= Active Labour Market Policies

AMR = Alert Mechanism Report

CSR = Country-Specific Recommendation

ECB = European Central Bank

EDP = Excessive Deficit Procedure

EES = European Employment Strategy

EFSF = European Financial Stability Fund

EIP = Excessive Imbalance Procedure

EU = European Union

EMU = Economic and Monetary Union

EPL = Employment Protection Legislation

EPP = Europe Plus Pact

ESM = European Stability Mechanism

IMF = International Monetary Fund

MIP = Macroeconomic Imbalance Procedure

NRP = National Reform Programme

SCP = Stability or Convergence Programmes

## Table of Contents

List of Figures.....	<b>Fout! Bladwijzer niet gedefinieerd.</b>
1 The European Semester and Employment Policy .....	8
1.1 Introduction: the European Semester .....	8
1.2 Research Question .....	10
1.3 Thesis Structure.....	12
2 The European Semester: Practical Features and Theoretical Framework.....	14
Chapter introduction.....	14
2.1 What is the structure of the European Semester? .....	14
2.2 How is employment policy made in the European Semester? .....	19
2.3 How does the theory of Europeanisation apply to the European Semester? .....	25
2.4 What does the previous research on the European Semester say? .....	30
2.5 What kind of policy is contained within the European Semester?.....	34
2.6 Concluding remarks.....	36
3 Research Design, Data Collection and Data Analysis .....	37
3.1 Research Strategy.....	37
3.2 Research Design .....	39
3.3 Data Collection .....	42
3.4 Method of data analysis: Categorisation and organisation of data.....	45
3.5 Advantages and Limitations of the Research.....	52
3.6 Chapter Summary.....	56
4 Findings of the Research .....	57
4.1 Status Quo Ante results 2011.....	57
4.1.1 European Context of the recommendations .....	57
4.1.2 Content of the 2011 CSRs.....	59
4.1.2 Implementation record of the CSRs.....	60
4.1.3 To what extent did member states implement the recommendations at the start of the European Semester?.....	62
4.2 Development over time (2012-15).....	65
4.2.1 European Context of the recommendations .....	65

4.2.2 Content of the CSRs from 2012-15 .....	67
4.2.3 Implementation of the CSRs from 2012-15 .....	69
4.2.4 How has the degree of implementation of the Recommendations developed over the course of the Semester? .....	71
4.3 Compliance by the end of the research period.....	74
4.3.1 European Context of the recommendation .....	74
4.3.2 Content and implementation of CSRs in 2016 .....	75
4.3.3 How did member states implement the European Semester recommendations by the end of the research period? .....	76
4.4 The overall picture.....	78
5 Conclusion .....	83
5.1 Has the European Semester contributed to more Europeanisation? .....	83
5.2 What are the implications of the conclusion for the theory discussed? .....	84
5.3 What do the research results suggest for further research? .....	87
5.4 How should the European Semester be reformed? .....	88
References.....	90
Appendices .....	97
Recommendations for 2011 .....	97
Recommendations for 2012 .....	100
Recommendations for 2013 .....	104
Recommendations for 2014 .....	108
Recommendations for 2015 .....	112
Recommendations for 2016 .....	115
Implementation Progress Codings 2015.....	117

## List of Figures

1 European Semester Calendar	17
2 Interaction of policy instruments in European Semester	31
3 List of included CSRs	48
4 Subpart Recommendations issued 2011	59
5 Implementation of subpart recommendations in 2011	61
6 Implementation Progress by policy area in 2011	62
7 Macroeconomic imbalances 2012-15	66
8 Types of subpart recommendations addressed to member states 2012-15	67
9 Overview types of recommendations issued 2012-15	68
10 Implementation Progress 2012-15	69
11 Implementation of MIP recommendations 2012-15	70
12 Type and implementation of recommendations in 2016	75
13 Subpart recommendation implementation 2016	75
14 Recommendations per member state 2011-16	78
15 Type of recommendations issued per year 2011-16	79
16 Implementation Progress per member state 2011-16	80



# 1 The European Semester and Employment Policy

## 1.1 Introduction:the European Semester

This thesis is about how the EU influences employment policy in its member states. The topic of employment policy is exceptionally important, because unemployment rates in the EU have been extremely high in the decade since the crisis of 2008. Both the young and the long-term unemployed are especially affected (Boeri and Jimeno 2015). The high unemployment rates as a result of the Great Recession caused a major social crisis in many member states and undercut support for the EU, particularly among the young (Gomez 2015). High unemployment creates distrust in national and European institutions and contributes to the rise in support for populist parties (Algan, Guriev et al. 2017). Where the Treaty on European Union, calls on the EU to aim for full employment and social progress, it is clearly failing in that ambition.

Well-functioning labour markets are also important for the success of the EU's Economic and Monetary Union (EMU). Within EMU, member states can no longer compensate for differing unit labour costs by devaluing their currencies. Persistent price differences and differences in productivity between countries have resulted in the build-up of imbalances that have macroeconomic consequences (Thimann 2015). Member states with poorly functioning labour markets become uncompetitive and thus run up large current account deficits, which translate into debt. Conversely, member states successfully pursuing wage moderation policies run up large current account surpluses which end up financing that debt and creating bubbles, a problem which lay at the root of the European sovereign debt crisis that erupted in 2009.

Wage costs also make up a large share of public sector budgets, and the austerity policies adopted by the EU to combat the debt crisis therefore also focus on influencing wage developments downwards, for instance through wage cuts and freezes or restrictions imposed on collective bargaining as a condition for financial aid (Schulten and Müller 2014). Policies on employment and wages therefore have significant economic consequences.

Labour market policy is consequently an issue of major political, social, and economic importance to the EU and has increased in relevance since the crisis. Up until 2011 though, the EU had very few formal powers with which to affect employment policies in the member states. The EU Treaties granted it only a harmonising competence, which permitted for instance the adoption of common rules on maternal leave but not wholesale EU-directed reforms of labour market structures or employment laws. The EU could only influence the member states through its powers of soft coordination: creating the conditions for policy diffusion through learning and the exchange of knowledge, backed up by peer pressure mechanisms to reach common targets under the European Employment Strategy (EES), in place since 1997 and now subsumed into the EU's Europe 2020 strategy for 'smart, sustainable, and inclusive growth', a



reference framework for activities at EU and at national and regional levels. The harmonising competence was modified in the Lisbon Treaty to a 'coordinating competence', which in the fields of economic and employment policy permits the EU to "provide arrangements within which EU member states must coordinate policy". Fabbrini (2016) suggests that this new competence empowers the EU to take legislative action in the field of macro-economic governance, and that the EU's competence is therefore broader than appears at first sight. Outside of the regular EU structures (at least initially), EU institutions have also been empowered to require member states to reform labour market structures and wage bargaining systems as a part of the conditionality associated with financial assistance programs for Greece, Ireland, Portugal, and Cyprus.

The EU member states put the new competence to 'provide arrangements for policy coordination' into practice and created a new economic governance framework. This "European Semester" combines the existing rules of the Stability and Growth Pact and the policy coordination system of the Europe 2020 Strategy with new and strengthened rules and procedures designed to "detect, prevent, and correct problematic economic trends which can stunt growth and put economies at risk". To that end, the European Semester adds a new Macroeconomic Imbalance Procedure (MIP) to the existing Excessive Deficit Procedure. This MIP extends the ability of the EU to affect member state economic policies by allowing for the imposition of fines if member states do not address their economic problems to the EU's satisfaction, in addition to the existing capacity to take action in the field of fiscal policy.

The European Semester integrates the EDP, the MIP, and the Europe 2020 strategy into a single yearly cycle. Before the start of the year member states jointly agree their economic priorities, submit their budgetary and economic plans for ex ante evaluation to the European Commission and the Council, and in response receive a number of Country-Specific Recommendations (CSRs), the implementation of which is monitored by the Commission. The European Semester thus makes EU institutions a regularized part of the policy cycle, potentially allowing them, according to Costamagna (2013), 'to exercise their influence in policy formulation, supervision, and guidance on issues touching upon virtually the entire spectrum of Member States' economic and social policies'. This influence then should also be apparent in the field of employment policy. Indeed, the 2015 Five Presidents' Report authored by the most important EU officials affirms that "for EMU to succeed, labour markets and welfare systems need to function well and in a fair manner in all euro area Member States. Hence, employment and social concerns must feature highly in the European Semester" (Juncker 2015). The issue at the base of this thesis therefore is whether the new economic governance framework translates to greater EU influence on member state employment policies.

## 1.2 Research Question

In terms of European integration theory, the question of the influence of European frameworks on member state policies implies an investigation into whether member state policies are becoming more 'Europeanised'. Radaelli (2003) defines the concept of Europeanisation as "processes of (a) construction (b) diffusion and (c) institutionalization of formal and informal rules, procedures, policy paradigms, styles, "ways of doing things" and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures and public policies." Saurugger (2005) describes Europeanisation as a circular process, where national actors, ideas, policies, and structures affect the European level as much as vice versa. Member states both try to 'upload' their policy preferences to the European level so that EU policy most closely matches their own preferences, and 'download' whichever policy gets adopted at the EU level, though not always willingly and fully. This research takes the perspective of 'top-down Europeanisation', which looks at how member states 'download' policies once they have been adopted at the EU level and need to be translated into policy action at the level of the member state. This leads to the following research question:

***To what extent has the introduction of the European Semester led to a further Europeanisation of employment policy in the EU?***

In order to provide an answer to the research question, it is necessary to describe why and how the European Semester should be expected to lead to a further Europeanisation of employment policy. As per Radaelli's definition, Europeanisation involves the institutionalisation of formal and informal rules. As such, it is also necessary to elaborate both the formal rules and the informal processes and mechanisms at work in the European Semester that may serve to further solidify the role of EU public policy into the political logic and the policies of the member states in general, and specifically for employment. Additionally, in the perspective of 'top down Europeanisation', this process is presumed to be the result of 'adaptational pressures' resulting from a lack of fit between the policies adopted at EU level and those prevalent in the member states, where member states face a greater pressure to reform if their policies or institutions differ more from the EU model. Implicit to the research question is the idea that a greater degree of pressure can be generated not just by a greater lack of fit, but may also be inherent to the nature of the new rules themselves which may effectively grant more control to the European level. Additionally, the indirect consequence of the crisis of the euro is that member states facing financial difficulties may find themselves under pressure to implement reforms to get better treatment from their creditors and the EU institutions supervising the financial assistance programs in case they need a bailout. This may effectively create a 'shadow of hierarchy' (Héritier and Lehmkuhl 2008).

By investigating this particular research question, the ambition is to determine whether more Europeanisation is indeed taking place and whether the increased pressure on member states does indeed give European institutions more influence on policy-making. It is certainly not a given that this greater influence will be universally present. Member states differ in political and economic power, as well as in their domestic institutions. The research could therefore illuminate national differences in how much Europeanisation takes place, and demonstrate to what extent member states in practice resist the hypothesised adaptational Europeanisation pressures. Europeanisation in employment policy has also been studied rather extensively and this research could also contribute to that literature by looking at the impact of the new governance framework on diffusion of ideas in employment policy.

A further practical reason to study the presence of Europeanisation and the European Semester is that despite the obvious importance and political salience of labour market policies, the role of the European Semester attracts little attention in the media. For instance, in a Google search of major Dutch newspaper the *Volkskrant*, the European Semester gets only 9 hits since 2011, and none since 2014. In another respected newspaper, *NRC Handelsblad*, a search yields only 7 results<sup>1</sup>. Nevertheless, it is a framework through which policy ideas get spread to the member states, and which can indirectly affect people in their daily lives if, for instance, it leads to the adoption of different policies on employment protection legislation, to making unemployment benefits conditional on the activities of job seekers, or to changing taxes on labour thus people's incomes. It is therefore worth investigating where these ideas come from and how much they are spread through the EU's economic governance framework.

In addition to this, at the time of writing the perceived role of the EU in dictating models to follow is often challenged by populist political parties, not least due to failing response of the EU to the economic crisis that hit many countries (Kriesi and Pappas 2015). Determining to what extent the EU really is influential, or not, may therefore be a useful contribution to the political debate. Also, for actors in the member states such as employer organisations and labour unions, it can be very useful to know where 'Europe' is influential, and where therefore their lobbying activity should take place.

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<sup>1</sup> Search conducted on November 15, 2018, with the search parameters as site:volkskrant.nl "europees semester" and site:nrc.nl "Europees Semester".

## 1.3 Thesis Structure

The research question is going to be answered over the course of the next four chapters which are organised as follows. Chapter 2 is devoted to the practice and the theory of the European Semester to create the theoretical framework. The chapter explains first the formal rules and procedures which are incorporated in it. It then zeroes in on the making and diffusion of employment policy in the Semester in particular. Having detailed the formal procedures, the chapter then presents the theory of Europeanisation and how and why the European Semester might contribute to it, and why this process might not be uniform across all member states. A series of research articles on Europeanisation and the European Semester are used to further refine our understanding of its functioning and its likely impact. This review of relevant research assesses the essential nature of the European Semester framework as a possible cause of Europeanisation, and mechanisms through which Europeanisation does or does not take place.

Chapter 3 describes the strategy used to approach the research question, laying out the research design, the choice of data to be used, and the method of the data analysis. The research strategy is to study the presence of Europeanisation based on the degree to which euro area EU member states implement the Country-Specific Recommendations (CSRs) related to employment policy issued as part of the European Semester. The research strategy is to select CSRs based on a number of key concepts relating to employment policy and examine to what extent these were implemented in the member states and what changed over time, in implementation rate and in what kind of CSRs were implemented. This research is done by creating a dataset which consists of all the CSRs issued on employment for euro area member states which did not undergo a bailout process, combined with evaluations of the degree to which the parts relevant to employment policy of these CSRs were implemented, discussed in the context of the EU's general policy direction and the reaction to the European Semester process by the member states.

Chapter 4 presents the research findings, as organised through three subquestions. These subquestions are as follows:

- 1 )To what extent was employment policy Europeanised at the introduction of the European Semester?
- 2) How has the degree of Europeanisation developed over the course of the Semester?
- 3) To what extent was employment policy Europeanised at the end of the European Semester ?

The answers to these subquestions will be placed in the context of the research articles discussed in Chapter 2. By analysing the development of the degree of Europeanisation over

time from the introduction of the European Semester onward it is hoped to give an indication of its impact, and by tracing this impact over a number of years this minimises the effect of external causes for changes in member state employment policies. The findings on the implementation of CSRs are supplemented with an analysis of the European Semester's supporting documents to add confidence that the interpretation of the findings of implementation of recommendations as Europeanisation is the correct one.

Chapter 5, to conclude, analyses the results and offers conclusions on the Europeanisation of employment policy since the introduction of the European Semester. These conclusions form the basis for recommendations for policymakers for whom the European Semester is relevant, as well as providing suggestions for future research. The conclusions are also used for a discussion of the results in the context of the findings from earlier studies by other authors which were used in the theoretical framework. The dataset used for this thesis is provided in the appendix.

## 2 The European Semester: Practical Features and Theoretical Framework

### Chapter introduction

This chapter deals with how the European Semester is constructed, how it functions in the field of employment policy, and explains how the theory of Europeanisation applies to it to create a theoretical framework for the thesis. To that end, the first section gives an overview of how the European Semester as a whole functions, while the second section discusses how employment policy is made within it. The third section elaborates on theories of Europeanisation and how these apply to the European Semester. Section four is devoted to previous research on the impact of the European Semester on the relation between the EU and its member states, providing the views of different authors on what the European Semester's impact is and what kinds of policies are spread through it.

### 2.1 What is the structure of the European Semester?

As explained in the Introduction, the European Semester is a governance framework which combines multiple existing and new procedures. These come in two types: enforceable 'hard law' procedures backed up by fines for non-compliance, and 'soft law' measures such as guidelines, recommendations, declarations and opinions (Hallerberg, Marzinotto et al. 2011), which may influence discourses and agent behaviour but remain non-binding. This subsection discusses the hard law procedures of the Semester; the soft law procedures are covered in the next.

The hard law aspect of the European Semester has two components, the Excessive Deficit Procedure (EDP) and the Macroeconomic Imbalance Procedure (MIP). The EDP is implemented as part of the Stability and Growth Pact: the limit on member states' debt and deficits defined in the Treaties which are monitored by the EU and can be enforced by sanctions if a member state fails to respect the rules. The EDP has a preventive and a corrective arm. In the preventive arm, member states present Stability or Convergence Programmes (SCPs) outlining how they are going to meet their 'Medium Term Budgetary Objectives', assessed on a structural basis (i.e. taking care of the state of the economic cycle). The Commission assesses whether their SCPs are sufficient to do so and drafts Country-Specific Recommendations (CSRs) regarding their budgetary policies if necessary for the approval of the Council. In the corrective arm, when a member state is in persistent breach of the rules on deficits and/or debts, it will receive recommendations setting a deadline for taking action to address the excessive deficit. If the

member state fails to comply, a monetary fine may be imposed by the Council on recommendation of the Commission.

Since 2013, euro area member states subject to the EDP are required to submit draft economic partnership programmes (EPPs), which provide a roadmap for structural reforms considered as 'instrumental to an effective and lasting correction of the excessive deficit.' Enforcement of budgetary surveillance is also strengthened, with the Council having to affirmatively overrule the possibility of sanctions being imposed rather than having to decide on imposing them ("Reverse Qualified Majority Voting"), while surveillance itself has been made more frequent and intrusive. The external Treaty on Stability, Coordination and Governance ("Fiscal Compact") now requires euro area member states to codify into domestic law limits to the allowable general government deficit and structural deficit, as well as to create an automatic correction mechanism in case of deviations from the debt reduction path.

The second procedure allowing the EU to take enforceable decisions on member state economic policies is the MIP, created after the start of the European Semester in 2011 "to identify and address imbalances that hinder the smooth functioning of the economies of Member States, the economy of the EU, and may jeopardise the proper functioning of the economic and monetary union" (Alert Mechanism Report 2016). Since the interpretation of economic data is a matter of judgment, the MIP starts with the publication of an annual scoreboard in the Alert Mechanism Report. The scoreboard includes relevant economic indicators such as the current account, private and public debt levels, housing prices, and indicators on the health of the labour market such as unit labour costs, long-term unemployment and youth unemployment rates, to identify potential economic imbalances in need of policy action.

The MIP, like the EDP, has both a preventive and a corrective arm. Under the preventive arm, if potential imbalances have been identified, the Commission may on the basis of the Alert Mechanism Report decide to conduct In-Depth Reviews (IDRs) of the situation in the relevant member states. IDRs comprise "specific monitoring": fact-finding missions by Commission officials to Member States, and follow-up reports covering economic developments and the implementation of relevant policy measures. The conclusions of the scoreboard and the IDRs form the basis for Country-Specific Recommendations to be issued by the Council on a recommendation of the Commission.

If member states do not take appropriate action to address the identified imbalances, the Council may on the recommendation of the Commission issue more 'intrusive' recommendations and take action under the Excessive Imbalance Procedure (EIP). 'Intrusive' recommendations may address for instance fiscal and wage policies, labour markets, product and services markets or the financial sector. If the procedure is advanced to the corrective phase, member states are required to submit a Corrective Action Plan for evaluation and

endorsement by the Council. Persistent failure to implement these may result in a decision by the Council to impose a fine, based on the recommendation of the Commission which monitors compliance. Here again, reverse qualified majority voting applies. As such, the operation of the EIP mirrors that of the Excessive Deficit Procedure.

The MIP thus complements the existing and new instruments of fiscal policy coordination to prevent member states from undergoing crises like those of 2009-2012, and to protect other member states and the euro area as a whole from the contagion that might occur as a result.

The 'soft law' procedures of the European Semester are based on the Europe 2020 Strategy, the successor to the Lisbon Strategy for Growth and Jobs. Europe 2020 aims to create the conditions for "smart, sustainable and inclusive growth" and sets headline targets in five areas: employment, research and development, climate/energy, education, social inclusion and poverty reduction. As in the Lisbon Strategy, the instruments used in the Europe 2020 strategy do not have any legally binding force; member states are consequently under no formal obligation to achieve the stated targets. Europe 2020 is instead a continuation of the EU's Open Method of Coordination used in various fields, which function through promoting "socialization processes, ideational convergence, learning, and interpretations of policy paradigms and ideas" (Radaelli and Pasquier 2007). OMCs establish guidelines and targets, evaluated through quantitative and qualitative indicators and benchmarks, and derive their power from the presence of periodic evaluations, peer reviews, and the "naming and shaming" of laggards. These guidelines serve not as laws but as norms, and as such theoretically put pressure on member state governments not to fall behind in achieving the OMC's targets. The Europe 2020 strategy is also backed by a series of 7 "flagship initiatives", stimulating member states to pursue particular targets with the promise of EU funding.

Europe 2020 itself functions as a reference framework for activities at EU, national, and regional levels. EU governments set national targets to help achieve the overall EU targets, and are reporting on their plans to reach them as part of their annual National Reform Programmes (NRPs). These NRPs are created by member state governments, ideally but not always created with the input of the social partners (employer organisations and trade unions) and/or civil society, and cover the policies member states plan to implement to achieve their Europe 2020 targets and address the issues that come up in the MIP.

Progress on realisation of the targets is monitored by the EU statistics office, Eurostat, as well as by the European Commission and the relevant Council of Ministers committees. The NRPs, and the Commission's assessment of the adequacy of the measures these contain, serve in turn as the basis for Country-Specific Recommendations. The Country-Specific Recommendations then are the means through which all procedures contained in the European Semester are expressed. These Recommendations are drafted by the Commission in consultation with the



relevant committee at the Council of Ministers and ultimately endorsed by the European Council. There is no formal connection between Recommendations issued under the Europe 2020 strategy and those adopted under the EDP and the MIP, however, as will be discussed later, there are reason to believe that they may be connected in practice.

Both the EDP and the OMC existed before the introduction of the European Semester. Its innovations though, in addition to the MIP, are in the regularisation of these procedures into a single yearly policy cycle and the addition of clearer ex-ante guidance. Theoretically, this is supposed to allow member states to better understand the interaction between for instance fiscal policies and structural reform policies at the domestic level, while at the European level the interaction between the member state economies can be assessed and imbalances, such as rising current account deficits or the formation of financial bubbles, can be addressed and/or prevented.

Figure 1: European Semester calendar shows the timetable used in the European Semester in its current form:

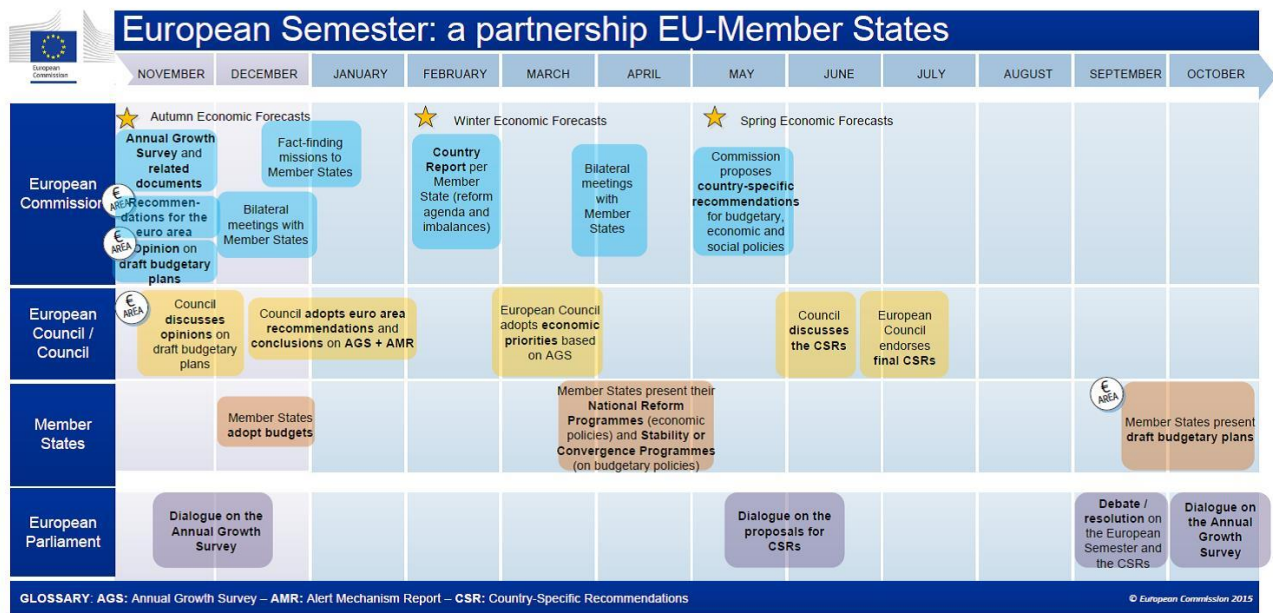


Figure 2 European Semester Calendar

The logic of the calendar is as follows. To improve the coherence and effectiveness of overall EU economic policy, the Semester starts with the publication of the Annual Growth Survey (AGS) by the European Commission, which “sets out general economic and social priorities for the EU and gives member states policy guidance for the following year”. These priorities are based on the Integrated Guidelines for Growth and Jobs adopted by the EU in 2010 and revised in 2015. These Integrated Guidelines are based on Treaty provisions mandating that that Member States are to regard their economic policies and promoting employment as matters of common

concern and coordinate them within the Council. Their current focus is on ‘boosting Europe’s potential for growth and competitiveness’, to which end ten guidelines are currently in force. To stimulate political ‘ownership’ of the AGS priorities, they must be endorsed by the Spring European Council, that is to say, by the heads of government of the member states. The AGS is published simultaneously with the MIP’s Alert Mechanism Report. Additionally, the Commission makes specific Recommendations to euro area member states to be adopted by the Council. Member states are therefore supposed to design their own policy plans in accordance with the policy direction set out in the AGS, the AMR, and Recommendations adopted for the euro area as a whole.

To improve coordination further, the European Semester has two innovations in comparison to previous procedures (Hallerberg, Marzinotto et al. (2011): first, national governments submit the Stability or Convergence Programmes that are part of the reformed Stability and Growth Pact to the EU before they are discussed in national parliaments. Parliaments can therefore take into account the opinion of the EU when deciding whether or not to approve the budget. Second, these programmes have to be submitted at the same time as the member states’ National Reform Programmes. Cacciatore, Natalini et al. (2015) argue that previously, NRPs were created chiefly “ *in order to carry out a loose ex post co-ordination of the national structural reforms already adopted (or not) by the member states*”. The new system should ensure that the new system of ex ante coordination leads member states to more properly assess complementarities and spill-over effects across policy areas as well as across member states

A third innovation in the Semester is that the Country-Specific Recommendations issued as part of the Stability and Growth Pact, MIP, and Europe 2020 are also issued together simultaneously in a single document. The CSRs therefore cover three separate mechanisms with differing legal bases and means of enforcement. While the EDP relies on consistent thresholds to determine whether the rules on debts and deficits have been breached, the MIP necessarily relies on qualitative economic analyses and conclusions based on subjective judgment (Salines, Glöckler et al. 2012), and the Europe 2020 CSRs on respect for norms and peer pressure. It is possible that the CSRs deriving from different procedures acquire more force by virtue of being evaluated together, both at the European and national levels. Bauer and Becker (2014) for instance argue that the role of the European Commission is strengthened because its role in the EDP and the MIP allows it to put more emphasis on its recommendations in the soft law processes.

As shown in figure 1, the European Semester runs for about half the year; the rest of the year is devoted to implementing the CSRs at the national level in the ‘National Semester’. Marzinotto, Wolff et al. (2011) argue that this leaves little time for participation of national parliaments, the social partners (employers organisations and labour unions), and civil society groups in the

process. The role of the European Parliament is also limited. Though it is included in the dialogues on the Annual Growth Survey and the CSRs, the European Parliament is not a part of the decision-making process. The most important roles in the European Semester consequently are reserved for member state governments, the Council, and the Commission.

## 2.2 How is employment policy made in the European Semester?

The next question is how employment policy is made in the EU and how it is embedded in the European Semester. An important feature of the Semester is that while it integrates both instruments of fiscal policy coordination and surveillance and instruments of social and labour market coordination, the former are based on hard law, while the latter have their basis in 'softer' legal instruments like the Open Method of Coordination (OMC). The EU's Europe 2020 and Lisbon Strategies have been based on the OMC, and, most relevantly for the purpose of this paper, so has the European Employment Strategy. The EES has been the principal vehicle for policies relating to unemployment since its creation in 1997 until it was folded into the Europe 2020 strategy and integrated into the European Semester.

The EES functioned through setting non-binding guidelines (the Employment Guidelines), periodic reporting, multilateral surveillance, benchmarking and peer review, and the exchange of best practices to reach commonly adopted objectives. It was supposed to influence member states primarily through mutual learning processes at the political and technical level, backed up by processes of peer pressure and Commission Recommendations for member states as a form of 'naming and shaming'. Domestic policymakers could use the EES as a 'creative resource': a source of inspiration and legitimation for policy reforms, that can be used strategically by actors in negotiations with unions and employers, parliament, subnational governments, or in the public debate (Van Gerven and Beckers 2009). Its usefulness as a resource was strengthened by the availability of financial support by the European Social Fund (ESF) which was effectively conditional on compatibility with the objectives of the EES, and promoted policy learning (Van Gerven, Vanhercke et al. 2014). The EES in this fashion was seen to be particularly useful to national 'core executives', cabinet ministers responsible for member state input to the EES, who have the authority to launch policy proposals and defend these in the public debate (Stiller and van Gerven 2012), and could use the ESF support as leverage

The effectiveness of the EES and the OMC more generally in influencing employment policy in the member states has been much debated. It has been described as a weak governance tool, of questionable effectiveness (Idema and Kelemen 2006, Barnard 2012, Copeland and ter Haar 2013), since member state had extensive input in the drafting of its recommendations and a de facto veto on its final form. Others however found that it has had a "framing effect" for domestic policymakers even in the absence of institutional fit (López-Santana 2006);

contributed to a shift from passive to active labour market policies in the member states (Van Vliet and Koster 2011), while its effectiveness can be amplified when backed up by the European Social Fund (Verschraegen, Vanhercke et al. 2011).

These processes are still present in the European Semester. The European Commission explains the creation of employment policy as it currently structured as follows:

*“In the field of employment, the former European Employment Strategy was folded into Europe 2020. The overall target of Europe 2020 for employment is to raise the employment rate of the population aged 20–64 from the current 69% to at least 75%. According to the European Commission, the implementation of the EES in the European Semester - supported by the work of the [Employment committee](#) - involves the following four steps:*

*[Employment guidelines](#) are common priorities and targets for employment policies proposed by the Commission, agreed by national governments and [adopted by the EU Council](#).*

*The [Joint employment report \(JER\)](#) is based on (a) the assessment of the employment situation in Europe (b) the implementation of the [Employment Guidelines](#) and (c) an assessment of the [Scoreboard of key employment and social indicators](#). It is published by the Commission and [adopted by the EU Council](#).*

*[National Reform Programmes \(NRPs\)](#) are submitted by national governments and analysed by the Commission for compliance with Europe 2020.*

*Based on the assessment of the NRPs the Commission publishes a series of [Country reports](#), analysing Member States' economic policies and issues [Country-specific recommendations](#).”*

The CSRs are the ultimate expression of EU employment policy towards the member states. They are prepared by the European Commission in negotiation with the advisory Employment Committee (EMCO), which also has the right to propose amendments. EMCO is the main advisory committee for the Employment and Social Affairs Ministers in the Employment and Social Affairs Council (EPSCO). Every member state and the Commission appoints two representatives to EMCO, either senior officials or experts in labour market policy. In the context of the European Semester, EMCO is among others responsible for the text of the [Employment Guidelines](#) and the yearly [Joint Employment Report](#). EMCO also prepares the [Conclusions](#) to be adopted by EPSCO Ministers on the [Annual Growth Survey](#), as well as preparing the CSRs in the employment field, while providing an opinion to the Council on the functioning of the Semester and the implementation of the CSRs.

Zeitlin and Vanhercke (2014) describe the process of drafting the CSRs within the Commission as evidence-based, with input both from horizontal policy units and dedicated country teams. The final draft needs to be approved by the full College of Commissioners, who may make changes.

Over the years, the involvement of other players has expanded, and the Commission has accepted more input from the member states and EMCO in the process (Zeitlin 2016).

EMCO, as well as proposing amendments, is also important for its work in monitoring implementation of the EES. It has created a Joint Assessment Framework (JAF) based on commonly agreed indicators to monitor progress towards Europe 2020 targets, and publishes a biannual Employment Performance Monitor together with the Commission to summarise the JAF assessment of employment outcomes and challenges. EMCO also contributes to monitoring the Youth Guarantee implementation (the EU's key initiative in youth employment policy) and participates in the Macroeconomic Dialogue between EU institutions and the social partners on the interaction between wage formation and macroeconomic policy.

While EMCO is staffed primarily by representatives of the EU member states, it is closely linked to the Commission's Directorate-General for Employment and Social Affairs. This DG-EMPL provides the secretariat for EMCO, which prepares all documents to be discussed in committee meetings, drafts opinions, and prepares the agenda with EMCO's chairman. The secretariat also relies heavily on Commission expertise (Jacobsson and Vifell 2007). However, at least prior to the crisis, the primary ideational input for the EES came from the member states (De la Porte 2011). The advantage of this is that through EMCO, member states may provide a level of expert knowledge on their own domestic labour markets that the Commission does not possess.

The CSRs are therefore based on a combination of national input and technocratic input from the Commission and EMCO. Member states themselves make plans for their employment policies, and receive both feedback, expert advice and criticism from the other member states in EMCO and from the Commission. Since the draft recommendations from the Commission are based largely on the NRPs presented by the member states, the member state also has the opportunity to use the European Semester process to get the Commission to issue politically useful recommendations (see for instance Quatremer (2016)). The final document that is discussed in the Council also reflects political input. The CSRs ultimately published may still be amended by the Council, though any differences with the Commission version of the CSR must be explained in a 'comply-or-explain note'.

The CSRs ultimately adopted are published in a document which contains the legal basis for their adoption, an explanation of the economic circumstances of the member state to which they apply and the economic problems they address, and conclude with the recommendation for policy action to be taken. The policy actions recommended may range from the very specific, e.g. passing a law that is already under discussion, to more general recommendations to address a certain issue without specifying through what measures, or to evaluate the effect of laws previously adopted. CSRs are numbered and a specific CSR may by itself contain multiple

different recommendations related to a broader policy field, referred to as ‘subparts’. As an example, a recommendation issued to France in 2011 looked like this:

**CSR 3:** Encourage access to lifelong learning in order to help maintain older workers in employment and enhance measures to support return to employment. Step up active labour market policies and introduce measures to improve the organisation, decision-making, and procedures of the public employment service to strengthen services and individualised support provided to those at risk of long-term unemployment.

This CSR contains three separate subparts (encouraging access to lifelong learning, stepping up active labour market policies, and measures to improve the public employment services); some CSRs contain only one subpart and some contain more, depending on the member state. Recommendation subparts related to employment policy may also be spread over multiple CSRs. The implementation of the CSRs during the National Semester is monitored by the Commission, though the Commission’s assessment of progress in implementation has no formal status outside the steps of the MIP and is not extensively publicised. Depending on the perceived need for certain reforms and the progress in implementation in the member state, CSRs may be repeated year after year.

At first sight, the structure of employment policymaking through the EU appears to be little changed from before the introduction of the European Semester, leaving the member states themselves with the primary role in the making of employment policy. What has changed though is that, as mentioned, employment policy has become a matter of common interest and contention for the euro area member states. Member states will publicly comment on each other’s reform plans at high levels ( see e.g. (Grant 2017)) and the European Semester processes have given those member states a tool to express their interest. The added salience of employment policy is reflected in the macroeconomic imbalance procedure scoreboard, which contains multiple indicators on the labour market and employment, notably unit labour costs, unemployment and long-term unemployment, labour market participation as well as changes in the youth unemployment rate. The latter has been an indicator since 2014, but strong movements in the youth unemployment rate will not by themselves suffice to as a basis for taking steps under the MIP. Since the same year, implementation of the EU’s flagship initiative for youths, the Youth Guarantee, is also part of the CSRs.

The overall effect is that if member state labour markets are seen as dysfunctional, they may end up being required to submit corrective action plans or be subject to potential sanctions. Moreover, sanction decisions are taken through the process of reverse qualified majority

voting, where the Commission Recommendation to impose sanctions is adopted automatically unless a qualified majority of member states disagrees. Member states themselves are therefore unable to block action being taken against them.

In summary, the introduction of the European Semester was a response to a renewed mutual interest on part of EU member states (particularly in the Eurozone) in each other's employment policies. It has added new procedures to the toolbox available to EU institutions to exert their influence resulting in an overall strengthening of budgetary surveillance and a possible strengthening of economic governance through the introduction of the MIP and the possible connection between the MIP, the EDP, and the EU's 'soft law' recommendations.

The nature of the new economic governance system has been heavily disputed, and the lines between 'hard' and 'soft' governance are blurred: there appears to be a constant interplay between 'hard' and 'soft' governance, instead of a hard distinction between two approaches to exerting power and constraint. (Graziano and Halpern 2016). It is therefore useful to investigate what the relation is between the hard law rules of the Stability and Growth Pact on one side and 'soft law' instruments like the EES on the other (Monastiriotes and Zartaloudis 2010, Van Vliet and Koster 2011, Zartaloudis 2013), and thus how effective the European Semester and European economic governance really are as a consequence (Deroose and Griesse 2014, Darvas and Leandro 2015, de la Porte and Heins 2015).

As an additional consideration, member states receiving financial assistance through the European financing mechanisms EFSF and ESM have been subject to an even more invasive regime than the European Semester. The various aid agreements, laid down in Memorandums of Understanding (MoU) have made disbursements to member states conditional on the imposition of fiscal austerity policies, as well as far-reaching labour market reforms to collective bargaining, labour contract law, minimum wages and pensions (Hermann 2014), with compliance being monitored by the Troika of European Commission, ECB and IMF. Both member states in an out of the euro have received financial assistance. The conditions attached to financial assistance have been onerous enough that even the risk of a member state having to apply for financial assistance gave EU institutions leverage to demand structural reforms, in effect creating a form of implicit conditionality (Sacchi 2015). Given that the financial crisis has gradually receded though, the issue is thus whether this leads to reduced influence of the EU or whether there is still a 'shadow of hierarchy' present, where the influence the EU has under hard law when rules on debt, deficits or macroeconomic imbalances in the member state are violated, extends to soft law processes.

Apart from the possible avenues of pressure discussed here, the European Semester also envisages the existence of peer pressure from other member states and pressure from the financial markets as reason why member states should follow the recommendations (European

Commission 2011). In addition to this pressure stick, there is also a carrot of possible rewards. Since 2014, the Commission may make the disbursement of structural funds conditional on the relation of projects to priorities related to the CSRs, or ask member states to 'reprogram' their structural funding to meet new priorities when CSRs change. Some categories of funding may ultimately even be suspended if member states fail to comply with recommendations under the corrective arm of the EDP and/or MIP. Tying CSRs to funding may improve compliance. At any rate, Zeitlin and Vanhercke (2014) cite an interviewee claiming 'The more you need from Brussels, the more weight the CSRs carry'.

Therefore, the EU has gone from a situation where it had no formal powers in regulating member state labour market policy to one where its powers under soft law may have become interrelated with hard law procedures under the European Semester, where in any case it may demand reforms where macroeconomic imbalances are deemed to exist, and where moreover labour market reform may be subject to forms of implicit conditionality. Assessing whether these possibilities exist in practice is the goal of this thesis. The next sections are devoted to the elaboration of the theoretical framework with which this assessment can be made.



## 2.3 How does the theory of Europeanisation apply to the European Semester?

The research into Europeanisation can take a 'bottom-up' or 'top-down' perspective. Top-down Europeanisation is how Europe 'hits home', as argued by Börzel and Risse (2000). The perspective of top-down Europeanisation analyses how policies, rules, or pressures to change emanating from the European level are downloaded to the domestic level of the member state. The 'top-down' perspective identifies Europeanisation as a process that generates adjustment pressure on member states, the impact of which is mediated by domestic institutions and actors (Schmidt 2002). 'Bottom-up' Europeanisation, according to Radaelli (2004), starts with analysing the "system of interaction at the domestic level and, by using temporal sequences, checks if, when and how the EU provides a change in any of the components of the domestic system of interaction". This allows the researcher to determine alternative explanations for domestic policy change.

This thesis uses the perspective of top-down Europeanisation, because the focus of this thesis is the increased (mutual) surveillance of member state economic policies at the EU level through the European Semester, the application of (implicit) policy conditionality, and the 'shadow of hierarchy' created by the threat of sanctions. Thus, the question is how member states 'download' the Country-Specific Recommendations of the European Semester. Knill and Lehmkuhl (2002) suggest three mechanisms by which European adaptational pressures can have a domestic impact, each of which requires its own explanatory approach. These three mechanisms are:

- Institutional compliance: EU prescribes a model with which member states must comply, reshaping and reforming domestic provisions/regulations.
- Changing domestic opportunity structures, altering the distribution of power and resources between domestic actors, in- or excluding certain policy options.
- Framing domestic beliefs and expectations: stimulating and strengthening the overall support for broader European reform objectives.

Knill and Lehmkuhl note though that each of these mechanisms might be present simultaneously and are also interrelated, stating that "*the prescription of an institutional model for domestic compliance will generally also affect domestic opportunity structures and the beliefs and expectations of domestic actors. In a similar way policies directed towards changes in domestic opportunity structures will concur with potential cognitive impacts on beliefs and expectations.*"

The mechanisms of Europeanisation lead to various degrees of domestic change, ranging from absorption, accommodation to transformation (Börzel and Risse, 2000). In the first case, member states incorporate European policies or ideas without fundamentally changing their

own policies or institutions. Accommodation implies adapting existing policies, processes or institutions without changing their essential features, or grafting new policies and institutions onto the existing ones. Only transformation implies a substantial change in domestic policies, processes or institutions, either through their replacement or by fundamental changes to their essential features. To this typology, Radaelli (2003) adds the possibilities of retrenchment, where Europeanisation pressures are counterproductive to the extent of strengthening anti-EU actors, and inertia due to a fundamental incompatibility of EU political architectures, choices, models, or policy, with domestic practice. The requirement for compatibility is known as the 'goodness of fit'- hypothesis, which is discussed in the next section.

The European Semester very much fits Knill and Lehmkuhl's first mechanism of Europeanisation: Member states are expected to implement the recommendations adopted by the Council. Nevertheless, they retain a large input in what recommendations will be adopted as a result of the national reform programme they submit. However, the NRP will be evaluated and, since 2013, CSRs adopted, on the basis of the European Semester's scoreboard and the judgment of the Commission and other member states on the presence of macroeconomic imbalances. Member states subject to the Excessive Deficit Procedure or the new Macroeconomic Imbalance Procedure undergo tougher surveillance and receive more intrusive recommendations, and as Dawson (2015) notes, "*the levels of prescription vary significantly between states depending on their budgetary health, with particularly onerous obligations facing states receiving financial assistance*". In contrast to the regular CSRs adopted as part of the Stability and Growth Pact and/or Europe 2020, recommendations issued in the EDP and MIP carry sanctions as a possible penalty for noncompliance. Following the mechanisms of Europeanisation suggested by Knill and Lehmkuhl (2002), the hard law procedures follow the mechanism of *institutional compliance*, where the EU sets a model to be followed by the member state. However, the rules on deficits also *change domestic opportunity structures*, since as a general rule, they limit the possibility of expansionary fiscal policy and thus privilege actors favouring a smaller government. They may also contribute to *framing domestic beliefs and expectations* on the policies to be followed. Actors whose preferences fit the CSRs see their position strengthened, since they can use them as a reason to force through their preferred policy options.

Whether change occurs and to what extent is often explained by the concept of the 'goodness of fit' of European policies with domestic circumstances and is intermediated by variables like national processes, policies, and institutions (Börzel and Risse, 2000), or the policy context and salience, the nature of EU policies, and the degree of internal and external pressure to adapt (Mastenbroek and Kaeding 2006). The interactions of these variables can be analysed through the lens of the various forms of neo-institutionalist theory such as rational choice, sociological,

and historical institutionalism (Bulmer 2007), or discursive institutionalism (Schmidt and Radaelli 2004).

'Goodness of fit' is derived from the compatibility, or lack thereof ("misfit"), of European policies with national policy legacies and institutions. Misfits can be a cause of reform or a barrier to it. The potential to reform domestic policies and institutions is greater when there is a lack of fit. However, lack of fit may also make change more difficult to achieve. Börzel and Risse (2000) distinguish two kinds of "misfits". The first is policy misfit, where European rules are poorly aligned with national policy goals and regulatory standards, or the means used to achieve these policy goals. Sometimes it may not even be possible to fully implement a certain policy in a given context, no matter how well-intentioned or willing to comply the policymakers are (Rose 2004).

The concept of policy fit is mirrored in Treib (2003), who suggests that the preferences of political parties have an impact on the transposition of EU directives. According to Treib, far-reaching reforms are possible if they correspond to the party political goals of the respective government, while the realization of even minor adaptations is bound to fail, if these are rejected on party political grounds. This logic can also be applied to compliance with Commission and Council recommendations as adopted in the European Semester guidelines, particularly where these lack a legal basis for enforcement.

The second kind of misfit is institutional misfit, where Europeanisation, in the words of Börzel and Risse "challenges domestic rules and procedures and the collective understandings attached to them". Thus, Europeanization may infringe upon established relations between central governments and territorial institutions, between governments and corporatist interest groups, or even on understandings of national identity and sovereignty. All of this may lead to retrenchment or inertia.

Institutional misfit is a matter of concern for labour markets specifically. Arpaia and Mourre (2005) provide an overview of the causes for the formation and persistence of labour market institutions, and their consequent resistance to change. These are legal theory, social conflict, and efficient institutions. The legal theory view says that labour market institutions and regulation are related to the historical origins of a country's laws. The social conflict view argues that institutions are created by interest groups in ways that maximise their own rents. They accomplish this either by acting through the political power of political groups, or because labour market institutions have complementarities to other institutions in the product markets and create opportunities for rent-seeking. According to Arpaia and Mourre, these complementarities make reform difficult, if not impossible, without breaking the status quo. The efficient institutions view argues that institutions are chosen efficiently by weighing their social costs against their benefits. Thus, the economic disadvantages of strong employment protection

legislation for instance are compensated by their role as a social protection mechanism, and the ensemble of institutions in a country forms a coherent system. In each case though, the conclusion is that efforts to force labour market reform from outside is unlikely to succeed, while the efficient institutions view suggests that partial reforms to the labour market to the labour market should not be carried out if they conflict with the existing social system.

Héritier and Knill (2001) also look to institutions to explain differences in reform policy output and structural adjustment to European policy demands. They identify the stage of liberalization prevailing in a country, the dominant belief system or problem solving approach, and the reform capacity of a country as possible causes. The idea is that a larger degree of transformation of existing policy is needed where national markets are still tightly regulated or where there is a great deal of government intervention. This notion could also be extended to the labour market, which is traditionally highly regulated in many member states (Karamessini 2008).

The concept of goodness of fit has been criticized by Mastenbroek and Kaeding (2006). They argue that the empirical evidence for the concept is weak and conceptually unsound. In their view, either the preferences or the beliefs of domestic actors are sufficient to explain both the existing domestic policies and institutions (the status quo) and the ease of adaptation to Europeanisation pressures so that domestic adjustment takes place. The goodness of fit between domestic policies and European ones is in their opinion therefore superfluous.

Their explanation for this is that European policies may actually be desired by domestic policy-makers, who can make strategic use of Europeanisation pressures to overcome domestic resistance. This includes the possibility that domestic policy-makers might overcomply with European directives, even in the absence of misfits. Nevertheless, given the difficulty associated with reforming labour market legislation (Arpaia and Mourre 2005) and the widespread social unrest it tends to engender, it may be argued that Mastenbroek and Kaeding overstate the ability of policymakers to reform domestic institutions and that in this policy field, the concept of goodness of fit still has a role to play.

Bulmer and Radaelli (2004) also argue that the goodness of fit argument works best when EU policy prescribes a model or a template of how a country should go about putting policy into practice, while Graziano (2011) argues in the presence of policy misfit, *“Europeanisation induces substantive policy change only when specific domestic conditions are in place, in particular when institutional and social actors who share pro-EU preferences are present and therefore facilitate Europeanization and implement domestic policy change”*. In the absence of these conditions, EU pressures to adapt would not trigger substantive policy change.

The literature on Europeanisation therefore identifies many barriers to the processes of Europeanisation and many conditions that must be in place in order for these processes to occur. EU preferences will only be implemented if there is sufficient support in the member

state and when they are not totally out of line with domestic institutions. Labour markets appear to be particularly resistant to major reform. The default assumption therefore should be that Europeanisation is unlikely to lead to radical change, unless member states are put under exceptional pressure to reform. The following section examines how the European Semester might make a difference to that, according to the literature.

## 2.4 What does the previous research on the European Semester say?

Articles on the impact of the European Semester to be discussed here can be divided into the following types: discussion about what the nature of the Semester is and whether it makes any difference to the EU's ability to influence member state policies, and literature on what kind of agenda is propagated through the European Semester. This section will discuss each of these in turn and then discuss what questions arise out of the existing literature and how this research proposes to add to our understanding of the Semester so far.

Studies on the impact of the European Semester so far show a mixed view of its importance and its potential to effect change. Salines, Glöckler et al. (2012), in a set of case studies of the EU's economic governance reform, the changing role of the ECB, and the new financial assistance framework, evaluate the European Semester as a layering of new institutional elements on top of the existing instruments, as well as a redirection of existing institutions. The reform of economic governance is dominated by the redirection of existing instruments, namely the Broad Economic Policy Guidelines that were part of the Lisbon Strategy and the Stability and Growth Pact, with the layering of two additional instruments (the MIP and the Euro Plus Pact<sup>2</sup>). The addition of the MIP is described as 'copy-and-paste' of the EDP. The main expected added value, according to Salines et al, is the involvement of the highest political level in putting forward and monitoring national commitments. Per Streeck and Thelen (2005), the accumulation of small gradual adjustments may eventually lead to far-reaching change in the right circumstances, though Salines et al. only foresee incremental change. However, they note that they reviewed the case of economic governance reform in isolation, not taking into account the possibility of interaction with other reforms of existing EU governance mechanisms.

The 'layering' view is also taken by De la Porte and Heins (2015), who argue on the whole that the European Semester is "very powerful for the agenda-setting process as it gathers all policy aims, instruments and actors involved in economic, social and labour market policy". Figure 2 Interaction of policy instruments in European Semester shows De la Porte's and Heins' presentation of the layering of policy instruments on top of existing ones: They show an interaction between hard law instruments and some soft law instruments of social and labour market policy coordination, but evaluate the enforcement capacity of the Europe 2020 CSRs as weak because of the lack of sanctions. They allow that the CSRs on employment policies may have been sources of inspiration for reform, a point which will be discussed later on in this chapter, but do not conclude that the interaction of hard law instruments and soft law instruments should lead to better implementation of the Europe 2020 recommendations.

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<sup>2</sup> The Euro Plus Pact was a voluntary commitment to reform on part of euro area member state governments signed in 2011. It disappeared without a trace from official EU documents after 2012.

Overall, the view of Salines et al. and De la Porte suggests only a limited impact of the European Semester.



	Instruments of fiscal policy coordination	Mutual influence of the two sets of instruments	Instruments of social and labour market policy coordination
<i>Instruments and core objectives</i>	Two-Pack 2013		
	Fiscal Compact 2012		Youth Guarantee 2013
	Six-Pack 2011		Social Investment Package 2013
	Stability and Growth Pact 1992		Euro-plus Pact 2011
			Europe 2020 (previously Lisbon Strategy, EES and social OMCs) 2010
<i>Application of EU cycle Immediate objectives</i>	MIP, MTOs		NRP, National Youth Employment Plans
	structural deficit rule, debt-deficit rule Convergence/Stability Programmes, DBPs		
			Annual Growth Survey
<i>EU enforcement and surveillance</i>	AMR, EDP, opinions on DBPs		CSR, EPP commitments, Youth Employment Initiative, co-funding via ESF

Figure 1: Layering of instruments within the European Semester.

## 2 Interaction of policy instruments in European Semester

This pessimistic view is not shared by Dawson (2015), who sees the somewhat arbitrary application of the EDP and MIP thus far as a sign that there is a significant ‘discretionary space’ available in EU politics. In his review of the CSRs from 2011 to 2014, he argues that the new economic co-ordination seems to lack the OMC’s experimental element: in contrast to mutual policy learning and the application of best practices to the specific context of the different member states, the new system is more akin to command-and control-style regulation, with recommendations to the member states becoming both more numerous, more uniform, and more precise. As such, the process becomes less about how to implement shared goals through divergent national structures, and more about convergence to a common policy agenda. The downside though is that the process lacks legitimacy and accountability, and for economically weaker states may amount to a type of ‘asymmetric sovereignty transfer’.

This complaint about the legitimacy echoes the one in Hallerberg, Marzinotto et al. (2011), who point out that the status of the CSRs is legally ambiguous, making it unclear whether EU surveillance is indeed enhanced. They agree that the Semester lacked legitimacy due to the

minor role assigned to the European Parliament, the marginal involvement of national parliaments and the lack of transparency of the process at some stages. Their early review of the Semester's effectiveness found evidence that countries have adapted differently to the new procedures depending on whether they are 'old' or 'new' Member States, whether their economic interests lie exclusively with the EU or not, and whether they have strong or weak national fiscal frameworks. They hold open the possibility that the CSRs, as an integrated legal text containing recommendations to correct the course of fiscal policy and intervene in individual markets through structural measures, might end up weakening the overall economic governance framework as well as strengthening it.

Thimann (2015) too, suggests that its lack of legitimacy will limit the effectiveness of the EU's economic governance system. He argues that the legitimate actors in the field of economic and social policies within individual countries are the governments, administrative authorities, social partners, and all other economic stakeholders, not EU institutions. According to Thimann, from country to country "*labour market and social policies relate to deep-rooted preferences for protection, redistribution, flexibility, mobility, and short-term/long-term tradeoffs*", which are reflected in the institutional landscape, in an echo of Arpaia and Mourre (2005). No one-size-fits-all model exists, and experience suggests that reforms will be difficult and drawn-out, and quick reforms are only possible in the context of major crises and disruptions. In this view, EU institutions lack both the legitimacy and the detailed knowledge to contribute to microeconomic reforms at the level of the nation state. In terms of Europeanisation theory, attempts to force a model on a member state will lead to inertia at best, and most likely fail due to lack of political and institutional fit.

Multiple authors though suggest the possibility that the new governance framework may instead give EU institutions more influence. Graziano and Halpern (2016) argue that the European Semester blurs the distinction between hard and soft forms of governance, and, "*through the use of standardized measurement procedures, detailed surveillance mechanisms and systematic assessment of national/sectoral performance*", should strengthen the steering capacity of EU institutions over the member states. Bekker and Klosse (2013) suggest that through the 'back door' of economic governance, Member States may become subject to the enforcement procedures of the MIP or the SGP, even though issues related to employment and social policy technically fall within the scope of coordination techniques which do not include 'hard' sanctions. The Commission's evaluation of the use of the MIP seems to agree with this view, claiming that "*especially for countries with excessive imbalances, de facto all CSRs were MIP relevant*" (European Commission 2016).

Costamagna (2013) takes a similar view and argues that the process of issuing CSRs allows EU institutions to exercise quasi-normative functions in the field of social policy beyond the limits envisaged by the Treaties. From his perspective, despite retaining the formal status of



recommendations, these acts have binding effects, as failure to obey might trigger the adoption of hard law measures. This amounts in his view to an unprecedented capacity for EU institutions to take part in, and influence the decisions adopted by national authorities.

Dehousse (2016) also describes the evolution of the Semester in terms of a 'hardening' of EU regulation in key policy areas. Dehousse predicts that the strengthened role of the Commission (an entirely unintended consequence of the reform of governance and the broader scope of its oversight in response to sovereign debt crisis is likely to persist, since economic oversight no longer needs to be conducted at the level of the European Council now that the crisis has receded. The Commission, as an impartial actor, has more credibility to suggest reform than other member states. Dehousse concludes that the Commission has taken advantage of this and used its 'soft powers' in ways that buttressed its influence.

So even though the EU for the most part does not have the legal competences to legislate in the field of labour markets, multiple authors suggest that the new economic governance system creates a means of influencing member state policies in those fields beyond the traditional 'soft' means of promoting particular discourses, policy diffusion and learning. Thus, De la Porte and Natali (2014) for instance claim that the EU puts member states under pressure through economic policy co-ordination (the SGP), conditionality, and backroom diplomacy. In their case, this is shown in the influence of the EU on pension reform, which normally would be part of the social OMC but the financial consequences of which put it under the economic governance framework.

As explained in section 2.1, there is no formal connection between the procedures that are a part of the Stability and Growth Pact or the MIP, and the policy-coordination processes of the Europe 2020 Strategy. The Country-Specific Recommendations however blur the differences between the various legal bases of their adoption. The literature reviewed thus far however suggests the possibility that the new instruments against excessive deficits and excessive imbalances of the European Semester constitute a 'shadow of hierarchy'. This shadow of hierarchy refers to the role of hard law and state power in the background to, and as a foundation for, softer forms of law and governance (Héritier and Lehmkuhl 2008).

Member states are free to pursue their own preferred policies, but the rules of the EDP and the MIP effectively set boundaries, and member states will be put under pressure to reform in a particular direction if they breach these boundaries. This occurs when member states break the deficit rules or suffer from imbalances to the extent that the corrective arms of the EDP and/or the MIP are activated. Given that these conditions are most likely to be met by economically weaker states, it may be that the effect of the new governance system is uneven across member states. Additionally, the corrective arm of the EDP and MIP only applies to euro area member states, so differences in effect between euro and non-euro member states of the

EU are also to be expected. In economically stronger member states though, the literature on Europeanisation and the contributions of Salines, Glöckler et al. (2012), De la Porte and Heins (2015), and Thimann (2015) suggest that the influence of the new governance system will remain limited, or at least depend on the cooperation of sympathetic actors in the member states and their political influence.

## **2.5 What kind of policy is contained within the European Semester?**

This cooperation is obviously going to depend on the degree to which European Semester recommendations match the preference of domestic political actors. So it matters what the substantive content of European Semester policies is. Since the emergence of the sovereign debt crisis, member states hit by the crisis have been put under pressure by the Troika and, separately, by the European Central Bank (Dinmore and Atkins 2011) to reform their labour markets. The European Commission has also long called for labour market reform in the member states as part of its 'flexicurity' agenda (European Commission 2007). It has issued new guidance on the interpretation of the Stability and Growth Pact to allow member states to trade the implementation of 'structural reforms' (among which labour market reforms) for more breathing space on deficit reduction efforts. The need for labour market reform as a response to the flexicurity agenda obviously implies a lack of fit between the EU's agenda and labour market institutions in the member states.

More generally, many authors have argued that in the course of the debt crisis, there has been an increased emphasis on austerity policies at the expense of the EU's social dimension. In the context of the European Semester, the EES has effectively been integrated into the Europe 2020 strategy, which means it has become less visible. Also, in contrast to the Lisbon Strategy, the Europe 2020 strategy no longer targets full employment, but instead aims to create 'smart, sustainable, and inclusive growth' The Employment Guidelines, which were previously published separately, are now only a part of Integrated Guidelines, and subordinate to the broader BEPGs. Member states are no longer required to make separate national action plans for employment. These instead have been integrated into the NRPs, but member states have not always done so. Employment and social policy are more integrated in the European Semester too, with the effect of giving each of them less attention. The importance of economic actors in the process led to a focus on minimising labour costs (wages) and reducing social protection expenditure instead (Peña-Casas 2012).

Many authors have argued that the direction of EU policy since the crises, and thus the direction of pressure exerted through the European Semester, has been in the direction of a weakening of labour law and worker protection. EU employment policy was formerly based around the concept of 'flexicurity', a strategy built around creating flexible and reliable contractual

arrangements both for the employee and employer, active labour market policies to help people move to new jobs, life-long learning to maintain employability of the worker, and modern social security systems that strike a balance between income support, promote employment and facilitate labour mobility (Heyes 2013). Post-crisis policy however has mainly emphasised the ‘flexibility’ aspect of flexicurity (Heyes 2013). Several Annual Growth Surveys have taken aim at employment protection legislation, which is portrayed as labour market rigidity and thus a barrier to growth. Flexicurity has come down to a simple trade-off between flexibility for companies on the one hand, and security for employees on the other.

Peña-Casas (2012) argues that other key principles of the EES such as activation, employability, adaptability, have also been repurposed as Europe 2020 principles helping to overcome the obstacles to growth rather than principles to help the worker. Thus for instance their application in the concept of ‘active aging’ is to help member states raise the retirement rate and thus save on pensions rather than help older workers stay in the labour force.

This economic focus is reflected in which of the Commission’s Directorates-General have the most input in formulating the Commission’s proposed CSRs, where according to Zeitlin and Vanhercke (2014) the economically orthodox ECFIN directorate holds the most sway. Equally, the question of whether the CSRs have to be adopted by the ECOFIN council of ministers of economic affairs and finance, or by the EPSCO council of ministers of employment and social cohesion, was initially frequently settled in favour of the former. The result has been an emphasis on fiscal targets and a reduced emphasis on the social dimension of the Europe 2020 strategy.

More recently though Zeitlin and Vanhercke (2014) have argued that there has been a partial but progressive ‘socialization’ of the European Semester with more attention to social and employment targets, demonstrated by an intensification of social monitoring, multilateral surveillance, and peer review. The impact of the Europe 2020 CSRs is therefore is not necessarily constant over the years, and it may be the case that the Commission has considered that less stringent CSRs are required as the crisis has receded. Additionally, the ‘socialisation’ of the Semester may also be a result of the enormous impact of the financial and economic crisis on unemployment, particularly with regard to the exceptionally high levels of youth unemployment in Southern Europe

In either case, the economic agenda reflected in the European Semester has met with a great deal of resistance due to its emphasis on reducing employment protection and limiting collective bargaining, bringing bargaining down to firm level instead of centralizing it. This policy is generally incorporated in the CSRs under the header “aligning wages with productivity”. More generally, this illustrates how some CSRs will be politically controversial and meet with resistance, and therefore may not be applied at all, or only with much delay. Thus, the clear

agenda implicit in the European Semester CSRs may be a cause of lacking political fit in member states, depending on the political leanings of governments there.

## 2.6 Concluding remarks

The review of the articles on Europeanisation in this chapter in section 2.3 concluded that prior to the introduction of the European Semester, there was no reason to expect large-scale labour market reforms in the member states in response to existing EU pressures unless these reforms had domestic political support. Different authors studying the European Semester and the other changes in European governance systems though either concluded that the European Semester would at best constitute an incremental change layering new procedures on top of the existing ones, or would in fact greatly improve the steering capacity of European institutions and increase their influence over policymaking in the member states. This influence however might differ according to the characteristics of the member state that that influence is applied to; member states where governments share the political agenda of the Semester recommendations might be more willing to implement them, and this might also be the case for member states which are under pressure in some way.

A richer understanding of the functioning of the European Semester and its contribution to Europeanisation is therefore needed and can be achieved through a closer examination of the data. The impact of the European Semester may be different over policy areas, member states, or time periods, so year-on-year evaluations on compliance rates with the CSRs may miss longer-term trends, and as will limiting studies of its impact to a single member state. The contribution of this thesis to existing research will consist therefore of providing updated information to the existing literature, taking a longer view on implementation of CSRs, and focusing specifically on employment policy to establish whether more Europeanisation occurs as a result of the European Semester, and how this differs across member states and over time. The way in which research will be conducted is discussed in the next chapter.

## 3 Research Design, Data Collection and Data Analysis

This chapter discusses how the research will be conducted. The research strategy is discussed in section 3.1. The research design is laid out in section 3.2, describing the variables, unit of analysis and observation, case selection and choice of data. Section 3.3 discusses the method of data collection and the method of data analysis. The advantages and limitations of the research approach chosen are covered in section 3.4.

### 3.1 Research Strategy

The research question of this thesis is, to recall, to what extent the introduction of the European Semester has contributed to the Europeanisation of employment policy in the EU. The theoretical framework used to investigate the research question suggests that the implementation of the Country-Specific Recommendations (CSRs) of the European Semester in a member state may be interpreted as an indicator for the presence of top-down Europeanisation in that member state. The extent to which top-down Europeanisation is present is expected to be different across member states. Equally, given the changes to the structure of the European Semester over time, the possible presence of active steps in the Macroeconomic Imbalance Procedure, as well as the evolving content of the recommendations and the impact of external circumstances, the extent to which is Europeanisation may be observed will also be different over time.

In order to assess the impact of the introduction of the European Semester on Europeanisation of employment policy in the EU, it is therefore necessary to investigate the implementation of CSRs across multiple member states and over a longer time period. These considerations suggest that the best possible strategy to attack the research question is through the use of a multiple case study with embedded units. Yin (2006) defines the case study as follows:

*“ A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”*

Yin (2014) describes the multiple case study as something which *“enables the researcher to explore differences within and between cases. The goal is to replicate findings across cases. Because comparisons will be drawn, it is imperative that the cases are chosen carefully so that the researcher can predict similar results across cases, or predict contrasting results based on a theory”*. So while the overall case that is examined is the implementation of the European Semester Country-Specific Recommendations with regard to employment policy, that implementation is expected to be different across member states and time periods, so these

form the embedded units within the overall case study. The case study will therefore quantitatively describe to what extent the CSRs were implemented across different member states and different time periods since the introduction of the European Semester, thus allowing for a comparison and interpretation of the results.

The case study strategy is also chosen because there is likely to be a connection between CSRs that were issued, developments in the member states, developments in the EU as a whole, such as the broader EU policy goals of the Europe 2020 strategy and the responses to the sovereign debt crisis, and the response to the CSRs in the member states. It is therefore not sufficient to look at member state responses alone, but these responses have to be put into context. The question to what extent member states responded to the CSRs is therefore also a descriptive question, which case studies are well suited to investigate. Therefore, the examination of the degree to which member states implement the CSRs will be supplemented with a thick description (2010) of the external context to add understanding of the results to be observed. As such, the case study strategy chosen here envisages the use of both quantitative and qualitative methods to both describe what has happened in the time period to be studied and to begin to interpret the observations to be made.

The next two sections discuss the parameters of the research design and the collection of data with which the research strategy is put into effect.

## 3.2 Research Design

The research question presumes that the introduction of the European Semester had an effect on the degree of Europeanisation of employment policy in the member states, as suggested by the theoretical framework. This means that the existence of the European Semester itself functions as an independent variable, with the dependent variable being the degree of Europeanisation in the member states. These however have to be operationalised in a research design so as to obtain actual answers to the research strategy. The choices made with regard to the operationalisation of the variables and the further parameters of the research are as follows:

As explained in section 2.1, the ultimate expression of employment policy in the European Semester are the Country-Specific Recommendations on employment, which are in turn frequently split up into subpart recommendations. The **independent variable** then for this research is operationalised as “*subpart recommendations relevant to employment policy as adopted by the Council*”. This operationalisation has been chosen for convenience, because data is available for the implementation of these subparts. The member states have some influence on the text of the recommendations proposed by the Commission, so that these subpart recommendations reflect member state input as well as that of the Commission, but other member states also need to approve changes to these recommendations too, so in this way the implementation of these subpart recommendations can still be studied as top-down Europeanisation.

The **dependent variable** is operationalised as “*the assessment of progress in implementing the subpart Recommendations according to the Commission*”. This operationalisation is chosen because progress in implementing the subpart Recommendations reflects the relevance of the European Semester; if Recommendations are implemented, then clearly they are relevant and/or important to the member state. More progress in implementation therefore suggests a greater degree of Europeanisation, while if a member state systematically achieves only limited progress in implementing the recommendations, that implies that only limited Europeanisation is taking place. The **unit of analysis** then is the degree to which member states included in the sample implement the European Semester recommendations on employment policy in the member states in a given year. This is explained further in section 3.4 of this chapter, which deals with how the data is analysed.

The analysis of the European Semester’s impact on the Europeanisation of employment policy is therefore achieved by determining the extent to which member states implement the subpart CSRs on employment. This implies a correlational research design, matching the degree to which member states implement the CSRs to the years in which they are issued, and seeing

whether the degree of implementation increases over time, and what variations in implementations there are across member states and policy areas. Since any correlations between recommendations and implementation by itself is not enough to establish causality, data is needed to add confidence to any statements on the relation between the independent and dependent variables.

The **unit of observation** for this research are the disaggregated Country-Specific Recommendations on employment policy to the member states as adopted by the Council and the Commission's assessments of the progress in their implementation. Disaggregated means that where a single CSR may include multiple recommendations on policy measures to be taken, the subparts will be analysed separately. This is also implied by the choice of variables. Section 3.4 of this chapter discusses how the concept of employment policy is operationalised and, as such, how these recommendations are selected. Further observations are also made through the additional documents from the European Semester which explain the policy direction and evaluate the effectiveness of its recommendations.

The primary **data** for these (partial) recommendations and their assessments consists of the Country Report documents of the European Semester. These Country Reports provide, among others, data on to what extent a given member state has complied with which Country-Specific Recommendations of the European Semester on employment policy in a previous year. Additional European Semester documents are used to place into context the CSRs and how they were implemented. Section 3.3 discusses the documents used for this, why they were chosen and how they are used.

The **time period** chosen for the research was selected based on the following considerations. The European Semester has been in existence since 2011. Given that recommendations may take multiple years to be implemented, the research needs to look further than a single year. Economic conditions have also not been constant since 2011. As a consequence, member states may have received more involved recommendations during the euro crisis period and 'easier' ones later. Additionally, a number of countries have had exemptions from participation in the European Semester because of their participation in a financial assistance agreement (MoU) subject to oversight by the Troika of European Central Bank, European Commission and the IMF. Limiting the time period to either include or exclude these years is therefore liable to skew the results. The time period for the research will therefore cover recommendations from the entire period point for which assessments of the CSRs are available, starting in 2011 and ending in with the recommendations from the year 2016, for which assessments were published in 2017.

The next step is **case selection**. Selecting cases requires selecting the member states to which CSRs have been addressed. All EU member states are subject to the European Semester, but not



all member states have received CSRs all the time. Member states subject to a MoU were exempted from participation in the process while they were under supervision from the Troika. However, in a number of cases member states have not received recommendations on employment policy because their labour markets functioned well enough that it was not deemed necessary to recommend any policy changes. Finally, only euro area member states are subject to the corrective arm of the MIP. The implicit weight of the recommendations therefore also differs by member state, since only euro area member states face the possibility of sanctions if they do not take action to address macroeconomic imbalance.

A shadow of hierarchy may be presumed to exist in states where the MoUs have been present or where member states are under threat of having to agree to a MoU. It can therefore not be presumed that any compliance with the CSRs in these countries is due to Europeanisation as a result of the European Semester, since compliance may also be motivated by the desire of showing goodwill and staving off more stringent measures being imposed through the MoU.

To ensure the maximum degree of comparability therefore, the research will strictly focus on euro area member states which have not been subject to a Memorandum of Understanding at any point during the research period. This means that only the following member states are included in the sample: **Austria, Belgium, Estonia, Finland, France, Germany, Italy, Luxembourg, Malta, The Netherlands, Slovakia, Slovenia, and Spain**. These member states have not necessarily received CSRs on employment policy in all of the years included in the sample, so the outcome of the research is not prejudged through the selection of cases, or biased by the presence of an omitted variable. The cases selected can all be classified as typical cases.

To summarise, the sample to be analysed in this research consist of observations of the extent to which the above member states comply with the CSRs relevant to employment policy issued in the years from 2011 up to and including 2016. The next section looks at how the data is collected with which the implementation of CSRs is assessed.

### 3.3 Data Collection

For data on the assessment of the implementation of CSRs, the thesis relies on the Country Reports produced by the European Commission at the end of each iteration of the European Semester. The Country Reports are produced by Commission staff and published a few months after the publication of the Annual Growth Survey and the Alert Mechanism Report, following bilateral meetings with the member states and, occasionally, following fact-finding missions by Commission staff to the member states. The Country Reports serve to accompany a formal document: the Commission's "Recommendation for a Council Recommendation on the implementation of the broad guidelines for the economic policies of the Member States whose currency is the euro".

As discussed in chapter 1, CSRs are prepared by the Commission with input from the Council, and ultimately have to be endorsed by the European Council. The context in which the documents are produced is therefore different for the CSRs and the Country Reports. The CSRs are recommendations, which have status in EU law as per article 288 TFEU and as such have political weight even if they are not binding. They are therefore written to have a public effect. Member states also negotiate the wording of the CSRs with the Commission. Some of the phrasing in the recommendations can therefore be described as 'rhetoric' (Darvas and Leandro 2015), while political expediency sometimes means that not all EU economic policy goals are properly reflected in the recommendations. The member states in EMCO also provide feedback to the Commission on the packaging of the CSRs as a whole (multilateral surveillance), while monitoring compliance.

The Country Reports on the other hand have the status of Staff Working Documents, the conclusions of which do not require the consent of the full College of Commissioners or the Council. Because these documents do not have official status they can be much more objective and contain less rhetoric. The Country Reports provide data which can be used to justify the new CSR proposals, while not putting the Commission in a position where it has to formally grade a member state's performance in implementing the CSRs. Where appropriate however, the Country Reports may include the In-depth Reviews that are a part of the Macroeconomic Imbalance Procedure. In those cases, the Country Report goes accompanied by a Communication identifying the IDR results, with four possible findings: no imbalances, imbalances, excessive imbalances, or excessive imbalances with corrective action, which may trigger further steps in the MIP.

The Country Reports are generally structured as follows. First, the CR provides an overview of the economic situation and outlook in the member state under discussion. Subsequently, it provides a discussion of various structural issues and/or reform challenges in the member state economy, and the member state's progress in implementing policy measures. It then tabulates

member states' progress against the goals of the Europe 2020 strategy and the rules of the Stability Pact. At their end, the Country Reports contain an overview of the CSRs which were adopted for a country in the previous year, broken down into the specific measures recommended, and noting what measures member states took in responding to them and assigning a progress indicator for the degree to which member states' policy measures address the recommendation.

Progress is measured on an ordinal scale with the following categories: no progress, limited progress, some progress, substantial progress, and full implementation (In the year 2011 however, progress was only measured on a three-point scale ranging from no to partial to full implementation of the CSRs). Progress assessments are described by Deroose and Griesse (2014) as the "*mostly qualitative*" result of a "*joint appreciation of an interdisciplinary team of country analysts of all relevant measures that the country has taken or announced, checked against a horizontal assessment framework per policy area.*". The multiple measures that may be recommended in a single CSR are scored with a single overall indicator, but starting from 2013, progress on measures is also tracked separately. This thesis will use these separate progress indicators for the CSRs relating to employment policy as data. The method to select the relevant CSRs will be discussed in the next section.

The Country Reports are chosen as a data source on the implementation of the CSRs because they are a reliable and high-quality indicator for the degree of implementation of the CSRs; while many member states produce an assessment of their progress in implementing CSRs in their NRPs, they do not do so consistently or according to a standard reporting method. The European Commission's Country Reports on the other hand are produced in a relatively consistent format by professional staff and, after the first year, are also comparable from year to year in their assessment of progress in CSR implementation. While the possibility cannot be excluded that the assessment of progress may be biased, at least this bias will be consistent from year to year, making the assessments a reliable indicator. An additional advantage is that the progress assessment indicators of the Country Reports were also used in earlier research, among others by Darvas and Leandro (2015) and Deroose and Griesse (2014). Using the same but updated data therefore allows the research results to be compared with other studies<sup>3</sup>.

Using the Country Reports is also highly convenient from a practical point of view, since they are easily accessible from the Commission's website. A complete set of data is available on the recommendations issued for every member state since the creation of the European Semester, and the Commission's assessment of the degree to which they were implemented. The most recent progress reports, on the implementation of the CSRs issued in 2016, have been published in February of 2017. For this research therefore, the Country Reports published in the years

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<sup>3</sup> The correspondence with earlier research will be discussed at the end of this chapter

from 2012-2017 for the member states of Austria, Belgium, Estonia, Finland, France, Germany, Italy, Luxembourg, Malta, The Netherlands, Slovakia, Slovenia, and Spain, were downloaded from the Commission website. In total therefore, 78 documents are included in the study for the purpose of selecting the relevant recommendations and monitoring their rate of implementation.

In addition to the data on implementation, a valid and reliable set of data is also needed to place into context the logic behind the recommendations and any further circumstances that might be relevant. For this purpose, the thesis will rely on the Annual Growth Survey and the Alert Mechanism Report of the European Semester. The AGS is a Communication (which is to say, a document setting out an action plan) from the European Commission to the European Parliament and the Council<sup>4</sup>. It gives an overview of the economic context and outlook, and as discussed in Chapter 1, sets out general economic and social priorities for the EU, and gives member states policy guidance for the following year. After 2011, the AGSs also provide an opinion from the Commission's opinion on the functioning of the European Semester. Because the AGS is a public document, it can be assumed that the text is written so as to support the Commission's position and objectives, and it will therefore tend to err on the positive side in its assessments. The Alert Mechanism Report sets out which member states suffer from what macroeconomic imbalances based on the MIP scoreboard. Together, these documents provide an expert and reliable, though not unbiased, assessment of the state of the European economy and why it might put member states might be at risk of macroeconomic imbalances.

Understanding of the way member states interpret the recommendations is enhanced by studying the evaluations of the European Semester recommendations implementation produced by EMCO, which is as discussed the main advisory committee for Employment and Social Affairs Ministers in the Employment and Social Affairs Council and thus represents the views of the member states. For each cycle of the European Semester, EMCO produces a document titled Multilateral Surveillance Examination of the Recommendations. In this document, EMCO gives a broad overview of the implementation of the recommendations and communicates its opinion on the functioning of the European Semester. A caveat though is that the Multilateral Surveillance Examinations do not refer to member states by name, and it applies to all EU member states, not just those in the sample. However, it does discuss developments in the euro area separately, which covers the sample of member states selected here. Therefore these evaluations, together with those of the Commission and the numerical data on implementation of the recommendations, should make it possible to triangulate how well the European Semester is functioning.

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<sup>4</sup> And also the European Economic and Social Committee and the Committee of the Regions.

### 3.4 Method of data analysis: Categorisation and organisation of data

Having described the parameters of the research design and collected the data, the analysis can proceed according to the following steps. The first step is to select the CSRs relevant to employment policy from all the CSRs that have been issued, and to determine to what extent these have been implemented according to the Country Reports. The next is to make the data comparable for all the years, since the assessments of progress of CSRs adopted in 2011 use a different indicator than the one used for the following years. The progress assessments are also converted into a percentage score, equal to the one used by other authors. The final step is to determine how to organize and interpret the data. This will be explained at the end of this section.

Employment policy in the EU comprises a broad category of issues, from vocational education and training to active labour market policies designed to help specific groups, to financial incentives for early retirement, to more general questions of labour market structure. CSRs are, at least in the early iterations of the European Semester, not specifically identified as ‘relating to employment’, and frequently overlap with CSRs on other issues. A better operationalisation is therefore needed to determine whether a CSRs is to be defined as ‘relating to employment policy’.

For this purpose, the research will rely on the EU’s own classification of policy areas as relating to employment, contained in a publication published for the Spring package – European Semester 2017 (European Commission 2017). This document lists as pertaining to employment policy the following policy areas:

- **Employment protection legislation & framework for labour contracts**
- **Unemployment benefits**
- **Active labour market policies**
- **Incentives to work, job creation, labour market participation**
- **Wages & wage setting**

The method to select the relevant CSRs is to create operational definitions for each of these categories, read all the CSRs issued, and then select the CSRs recommending measures matching the definition of these categories. To that end, the following operational definitions are used to determine whether a CSR belongs to any of the above areas, while providing a justification for the inclusion of these categories:

### **1) Employment protection legislation & framework for labour contracts**

Is defined as the rules and procedures related to the faculty of companies to dismiss workers, as well as to hire workers under different contractual arrangements (European Commission 2017).

Therefore, any CSR which makes mention of hiring and firing legislation will be included on this basis. Employment protection legislation is included as a criterion because it is fundamental to the structure of the labour market. These CSRs generally use the phrasing 'take measures to address labour market segmentation', which describes the labour market as being divided between workers on precarious and fixed-term contracts, and workers with contracts of indefinite duration. An alternative phrasing is addressing 'labour market rigidities'.

CSRs containing measures to this end will be included in the sample under this category.

### **2) Unemployment benefits**

Any CSR mentioning unemployment benefits will be included. The presence of unemployment benefits improves job seekers' ability to find a job that matches their skills and expectations, thus safeguarding their employability, though a high level of benefits may delay or discourage workers from taking up new jobs. The level of unemployment benefits therefore influences levels of employment and growth (European Commission 2017).

Measures which relate to the situation in which workers are entitled to unemployment benefits and for how long will be included in this category.

### **3) Active labour market policies**

Active labour market policies (ALMPs) are defined by the OECD as follows: "Active labour market programmes includes all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled." Effective active labour market policies are a common principle of the EU's flexicurity policy, which is described by the European Commission as "a crucial element of the Employment Guidelines and the European Employment Strategy as a whole" (European Commission 2017), and are included for that reason.

CSRs that can be filed under the ALMP category include those referring to improving the employability of workers, improvement of the public employment services, and those which aim to steer the recipients of benefits into ALMPs.

#### **4) Incentives to work, job creation, labour market participation**

The European Commission's Employment Package specifies as job creation measures to "encourage labour demand, target hiring subsidies to new hiring, reduce the tax on labour, promote and support self-employment, social enterprises and business start-ups, transform informal or undeclared work into regular employment, boost 'take home' pay, and modernise wage-setting systems to align wages with productivity developments". Boosting pay gives an added financial incentive to work.

Promotion of labour market participation is included because an explicit goal of the Europe 2020 strategy is to raise the labour force participation rate to 75% of the working-age population. It includes notably measures to improve participation among women (specific thematic factsheet), minorities, and measures to keep older workers in the labour force.

CSRs under the Incentive to Work definition include those containing measures on for instance include recommendations to lower taxes on labour, lower tax wedges, or measures to improve childcare provision where the stated goal of these measures is to facilitate the entry of women into the labour market.

#### **5) Wages & wage setting**

Wage changes are one of the major channels of labour supply-demand adjustments and directly influence employment outcomes (European Commission 2017). Wage setting is notably influenced by the level of centralisation of wage bargaining, the degree to which employers and workers coordinate to achieve national objectives, employer and union density, and collective bargaining coverage. Relevant CSRs would cover minimum wages, wage indexation, and legislation on collective bargaining agreements. They also cover measures designed to remove the gender pay gap.

The above operational definition of the relevant policy areas are chosen to cover as much of the EU's employment policy as possible while avoiding overlap with social policy, pensions, and education policy. While the latter are closely connected to employment, and do form part of the EU's employment policy, social policy, pensions, and education policy are excluded from this analysis to avoid the research becoming too extensive.

3 List of included CSRs lists the numbers of the CSRs adopted by the Council which match these criteria and form the data for the research. In total, under the current definition 129 CSRs are included.

Member State	2011	2012	2013	2014	2015	2016
Austria	3,4	3	2,3	3	2	2
Belgium	4,5	4,5	2,3,5,6	2,4,5	2,3,4	2
Estonia	2	2,3	2,3	2	2	-
Finland	3,4	3,5	3	3	3	2
France	2,3,4	2,3,4	2,5,6	2,5,6	3,6	2,3
Germany	3	3	2	2	2	3
Italy	2,3	3,4,5	4,5	5	5	4
Luxembourg	2,3,4	2,3,4	4,5	2,3,4	3	1
Malta	4	2,4	2,3	3	-	2
Netherlands	3	2,3	3,4	4	-	2
Slovakia	4	4,6	3,4	3	2	2
Slovenia	2,4,5	2,4	3	3	2	2
Spain	4,5,6	2,3,5	4,5,6	1,3,4,5	3	2

### 3 List of included CSRs

These CSRs form the raw data for this study. The next step is to select the relevant subparts of these CSRs and code them for the degree to which they were implemented.

With the help of the assessments in the Country Reports, it can be monitored for each member state, for each iteration of the European Semester, and for each policy area whether follow-up occurred on the included CSRs. The research uses the specific assessments for each of the subparts in an included CSR that match the criteria defined here. The CSRs are therefore broken up into their component subparts where necessary, so a single CSR might contain multiple relevant subparts. It may be the case that a CSR as a whole is scored as partially implemented in the Country Report, but that the relevant subpart is fully implemented, or conversely, not implemented at all. The research uses the progress evaluations of the specific measures included in the CSR to measure implementation progress, not the overall score. Therefore, recommendations on individual measures get matched with their individual progress assessment. A specific CSR may therefore also receive multiple scores on progress implementation, since a single CSR may include recommendations with regard to multiple different measures.

A problem which occurs in a number of years is that the CSR may refer to a particular package of legislation which needs to be adopted, further implemented, or evaluated. In following years, the assessments in the Country Report may then refer only to parts of those reform packages. For instance, a reform bill passed in Italy in 2011 contained measures relevant both to



unemployment benefits and to employment protection legislation, while in Spain a 2012 package both reformed employment protection legislation and the wage-setting system. The researcher has used the information from the Country Reports as much as possible to determine under which policy areas these bills should be scored, and relied on public information where necessary. The measures in these omnibus packages are scored separately, so a single bill may be coded for progress multiple times. For instance, the recommendations to pass a specific bill in 2012 in Spain to reform labour market legislation is coded as both a recommendation in the employment protection legislation and in the wages and wage-setting category, since that bill included measures applying to both policy areas. The Commission's conclusion that passing the bill represented progress is also coded as progress in each of these categories.

This results in a total number of 280 individually coded subparts with associated progress assessments organized in an Excel spreadsheet <sup>5</sup>. As mentioned, the research uses the assessments of the European Commission of the progress in implementing the CSRs. From 2012 onwards, the Commission assesses progress in implementation according to the following criteria:

- No progress: The Member State (MS) has not credibly announced nor adopted any measures to address the CSR.
- Limited progress: The MS has: (i) announced certain measures but these only address the CSR to a limited extent; and/or (ii) presented legislative acts in the governing or legislator body but these have not been adopted yet and substantial non-legislative further work is needed before the country-specific recommendation will be implemented; (iii) presented non-legislative acts, yet with no further follow-up in terms of implementation which is needed to address the country-specific recommendation. \*
- Some progress: The MS has adopted measures that partly address the CSR and/or the MS has adopted measures that address the CSR, but a fair amount of work is still needed to fully address the CSR as only a few of the adopted measures have been implemented. For instance, adopted by national parliament; by ministerial decision; but no implementing decisions are in place.
- Substantial progress: The MS has adopted measures that go a long way in addressing the CSR and most of which have been implemented.
- Full implementation: The MS has implemented all measures needed to address the CSR appropriately

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<sup>5</sup> The selected subparts and their codings are included in the appendix.

Researchers such as Deroose and Griesse (2014), Darvas and Leandro (2015), and later Efstathiou and Wolff (2018) have converted these progress assessments into a numerical scale ranging from 0 to 100, where the “no progress” rating is represented by 0, “limited progress” by 25, “some progress” by 50, “substantial progress” by 75 and a 100 represents “full implementation” of the CSR. This research uses the same scale as the above articles, which allows the progress assessments to be analysed numerically to show overall rates and frequencies of implementation, and determine whether there are any trends over time or whether particular types of recommendations are more likely to be implemented.

Recommendations in 2011 used a different scale, containing only no, partial, or full implementation as possible assessments. Additionally, partial recommendations were not separately assessed. Deroose and Griesse (2014) and Darvas and Leandro (2015) converted the scale used this year for comparability by assigning the ‘some progress’ assessment to every CSR partially implemented, which was the majority of CSRs in those years. In this thesis however that is not possible because the analysis takes place at the subpart level, and a score is therefore needed for the assessment of progress in implementing the subparts. Consequently, the relevant 2011 CSRs have been coded into subparts and scored by applying the above operational definitions of progress to the assessments of 2011. This is possible because these list the actual measures taken in response to the CSRs, making it possible to determine which progress assessment would apply given the above definitions<sup>6</sup>

Having created a dataset of recommendations related to employment and their associated ratings, it is possible to analyse systematically how member states responded to the CSRs over time and over the years, and thus study the development of the European Semester and answer the research question as to what extent it contributed to the further Europeanisation of employment policy in the EU.

The research is for that purpose structured into the following subquestions:

- 1) To what extent did member states implement the Country-Specific Recommendations at the start of the European Semester ?
- 2) How has the degree of implementation of the Recommendations developed over the course of the research period?
- 3) To what extent have member states implemented the Recommendations at the end of the research period?

The goal of subquestion 1 is to lay down a baseline degree of Europeanisation thought to be present at the introduction of the European Semester. Subquestion 2 shows whether the year

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<sup>6</sup> The Commission’s assessments and the implementation progress scores assigned to them have been included in the Appendix on page 115.

on year implementation performance indeed improved or changed over time. Subquestion 3 should show the final results, by not just analyzing how well the member states implemented the CSRs of the last year included in the sample, but also whether the cumulative effect of policy measures taken over the years did lead to full implementation of CSRs adopted in earlier years.

To that end, after a discussion of the advantages and limitations of the research design in the next section, chapter 4 will present summary data on the implementation of CSRs for each member state, as well as use thick description and highlight individual recommendations where appropriate or illuminating. In addition, it will show how the assignment of CSRs changed over the years per member state and overall, since not having received a CSR in a certain policy area after years of having received one is in itself also a relevant data point. The results will be put into context of the theoretical framework elaborated in chapter two.

### 3.5 Advantages and Limitations of the Research

This section discusses the advantages and the limitations of the chosen research design, and discusses how the research compares to earlier studies on the implementation of the European Semester specifically. This research adds to a literature on the Europeanisation of various policies and the effectiveness of the European Semester. In addition to the studies on the implementation of European Semester recommendations that have been conducted before, e.g. Deroose and Griesse (2014) who look at implementation from 2011-2013, Darvas and Leandro (2015) on the implementation from 2012-14, as well as more recently Efstathiou and Wolff (2018), whose research covers the period from 2012-17. Each of these studies relies on the Commission's assessment of the implementation of the recommendations for their data. Their studies however were produced for the ECFIN economic policy brief and for the Bruegel Foundation think tank and not for publication in a scientific magazine, and are therefore not theoretically grounded.

Deroose and Griesse (2014) and Darvas and Leandro (2015) base their research on the Commission's aggregate assessments of the implementation of all the CSRs issued, resulting in a broad overview of how these were implemented per country and per year, and depending on whether the SGP and the MIP were active. Efstathiou and Wolff claim that they are the first to systematically analyse implementation of CSRs at the subpart (disaggregated) level outside the European Commission itself<sup>7</sup>. Their method is to assign scores to the subparts and then map the subparts to the different policy areas, allowing them to look at the average implementation record per policy area as well as per year. The correspondence between (partial) recommendations and policy areas however is, while part of the Commission database, not made public through the Country Reports. The result therefore is an approximation of what CSR parts belong to which category (Efstathiou and Wolff 2018), as it is for this research. Efstathiou and Wolff also cover all the CSRs issued. Their research period runs from 2013 to 2017, and therefore includes no results from the first iteration of the European Semester while the present thesis does not include data for 2017.

With regard to the method studying the CSRs, the differences with Deroose and Griesse and Darvas and Leandros' research is that this study looks at the implementation of disaggregated recommendations. Efstathiou and Wolff argue here, as does this thesis, that *"evaluating implementation of recommendations at this more granular level becomes easier, more accurate and more informative"*, since CSRs can contain distinct subparts recommending different measures and an overall score therefore obscures rather than clarifies the implementation performance. This thesis therefore uses broadly the same method as that of Efstathiou and

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<sup>7</sup> Research for this thesis was conducted before the publication of Efstathiou and Wolff's study.

Wolff, except that the categorization of employment policy areas contains the separate area of “reducing taxes on labour”, which in this thesis has been folded into the Incentives to Work category. This thesis has also coded the recommendations for the year 2011 using the Commission’s methodology for scoring the recommendations to make them comparable to those of later years, which Efstathiou and Wolff have not done.

In comparison to the earlier research, the present thesis differs and adds value by studying a single policy area in-depth through a case study, placing the issued recommendations in the context of the broader goals of EU employment policy, and grounding this research in the theoretical framework of Europeanisation. The narrative, longitudinal design of this research may also be useful because the Commission’s own ‘multi-annual assessments’ are only published irregularly and with limited information, so there is a lot to gain from studying implementation over a longer period of time and also analyzing what changes occurred in the types of recommendations issued to the member states. This is the case in particular because policy projects are likely to be implemented over multiple years and therefore their completion may remain unobserved through the analysis of progress assessments in only a single year. In addition, the current research offers a partial replication of the studies conducted earlier.

By itself, the chosen research design has a number of advantages. The first of these is the quantity and quality of the data available. The most important source of data for this thesis is compiled by the European Commission. The advantages of using documents as a data source are that this method is efficient, cost-effective and unobtrusive (Bowen 2009). In this case, the data is also comprehensive, because it covers the whole research period for each member state studied, while also providing context through examination of the AGSs, AMRs, and EMC documents. All in all, data for this thesis have been drawn from close to 100 documents.

Using the Commission’s own progress assessments provides a valid and reliable indicator for how member states comply with the CSRs. A consequence of this is though the data may be biased, since the European Commission is invested in the success of the economic governance system and its place in this. However, this disadvantage is offset by the fact that having a single data source improves the reliability of the data. While some of the member states do track the progress in implementing the CSRs in their own National Reform Programmes, these assessments generally do not have an indicator for the level of progress. Moreover, it cannot be assumed that member states’ own judgment on their progress would be consistent and reliable. For that reason, using the Commission’s assessments is the best possible option. To buttress this point, Efstathiou and Wolff (2018) cite a finding from European Court of Auditors research that close to 90% members of the Council’s Economic Policy Committee surveyed found the Commission’s assessments to be completely or generally accurate. The research is consequently based on a high-quality and reliable data source.

A further advantage of the chosen method is that by coding the CSRs into categories, the problem that the type and the 'implementation difficulty' of CSRs adopted vary across countries is removed, since member states' willingness to institute employment protection legislation reform for instance can be compared to other member states receiving similar recommendations regardless of the exact phrasing of the recommendations to do so. Additionally, since the member states adopt common priorities in each iteration of the European Semester, the implementation performance stays comparable over the years; differences in phrasing and specificity are also overcome through the coding process. As such, this research approach can add to our understanding of the European Semester process and the Europe 2020 strategy.

A pitfall is introduced though by the fact that the Commission's assessments have been coded by a single person. The possibility of errors or incorrect judgment calls in the categorisation of the data can therefore not be entirely excluded. This problem is addressed as best as possible by explaining the research method and operationalisations as thoroughly as possible, so that the research can be replicated if so desired. For full transparency the data is therefore also included in the appendix.

Before moving onto the results, the limits to validity and reliability of the research design need to be specified. With regard to internal validity, the research matches CSRs issued at the level of the EU to actions taken in the member state. While this may provide evidence of a correlation between the two, any possible causal relationship between CSRs and action taken could be bidirectional, while the results might be influenced by external factors, such as the state of the economy, financial market pressure, or actions taken by other EU institutions such as the ECB. Therefore the results of this study cannot provide evidence of a monocausal relationship between the European Semester and Europeanisation. The cases discussed in the next chapter will however provide background context on possible external factors to for evidence that the European Semester recommendations and their implementation are indeed connected.

As to external validity, the sample is limited to EU member states that are part of the euro which have not been subject to a financial assistance program for their sovereign debt during the research period and have therefore not been subject to surveillance by the Troika. It is possible that the results may be extended to the other euro area member states, since given their experiences with intensive surveillance they may have a stronger incentive to comply with CSRs under the 'shadow of hierarchy'. Member states outside of the euro though do not face any penalties for noncompliance with any of the CSRs though, whether these have been issued under the MIP or not. Any conclusions drawn on whether member states want to comply with the CSRs would therefore not extend to them. Similarly, the element of hierarchy does not exist in other Europe 2020 processes, which also do not necessarily function similarly to the EES.

On construct validity, the choice for operationalisations is somewhat different from the EU's own descriptions of employment policy, which are not fully consistent over time and also show heavy overlap with the Open Method of Coordination processes used in education policy and the Social OMC. This is the case in particular for recommendations on vocational education and training and skills development. Pensions policy is also often closely related to employment policy, as one of the ways for member states to reduce pension liabilities is to keep older workers in the labour force for longer. However, the advantage of the limitation to a number of key concepts is that the scope of the thesis is reduced as much as possible to a single subject, and the current key concepts catch most of the facets of labour market policy. The marginal benefit of analysing more recommendations is therefore limited.

A downside to the limitation to the number of key concepts is that occasionally there is overlap between operationalisations. In particular, the concept of ALMPs which entail making the granting of unemployment benefits conditional on job-search requirements might be classified both as falling under the category of ALMPs or the category on unemployment benefit CSRs. Measures on promoting the employability and/or participation of specific groups (particularly women and older workers) were also frequently difficult to classify; in case of doubt these have however been included, since promoting labour market participation is a key goal of the Europe 2020 strategy. Despite these caveats, the thesis is based on a high quantity of high-quality data, and small differences in operationalisations should therefore not have an appreciable impact on the overall outcome of the research.

### 3.6 Chapter Summary

This chapter has discussed the research strategy and design to be used for this thesis, the reasons why these were chosen, and their advantages and limitations. The research activities undertaken can be summarised in the following steps.

- Step one is to choose the research strategy, namely a multiple case study consisting of typical cases for the implementation of employment policy recommendations.
- Step two is to define the research design and create useful operationalisations for the variables so that they can be measured. The research question here is effectively operationalised by studying the relation between specific European Semester subpart recommendations and the progress in their implementation.
- Step three is to collect the relevant data on what subpart recommendations were adopted and to what extent these were implemented from the Country Reports, and collect as well all the relevant European Semester documents, chiefly the Annual Growth Surveys, the Alert Mechanism Reports, and the EMCO Multilateral Surveillance Examinations, which may shed light on to what extent any relation found between the variables is actually due to Europeanisation processes in the member states.
- Step four is to create a numerical indicator for the implementation of subpart recommendations so that the data can be sorted, compared, and analysed on a cardinal scale across member states and time periods.
- Step five is to code the recommendations for implementation progress and category of employment policy
- Step six is to analyse the coded subpart recommendations and scores for implementation progress in three stages: at the beginning of the European Semester, at the end of the research period, and over time in between, using the additional documents to strengthen the interpretation
- Step eight is to compare and contrast the data between time periods, member states, and more specific policy areas, so that patterns can be found.
- Step nine is to connect the resulting information to the theories on Europeanisation discussed in chapter 2 and draw conclusions on the influence of the European Semester in increasing the degree of Europeanisation.

The results of the research activities conducted are presented in the next chapter.



## 4 Findings of the Research

This chapter will present the results of the research. The results will be organized by means of the subquestions posed at the beginning of the last chapter. Thus, section 1 will show to what extent member states implemented the Recommendations at the start of the European Semester. Section 2 will show how progress in implementation varied over time, and section 3 provides information on implementation of the recommendations by the end of the Semester. The last section of the chapter discusses the trends and patterns found over the entire research period.

The sections are organized as follows. Each section starts with a discussion of the (economic) context, the purpose, and the content of the CSRs as contextualised by the Annual Growth Survey. Next, the level of implementation of the CSRs is analysed, and notable observations about to what extent the member states implement the recommendations individually or collectively are discussed more closely. The progress in implementation is then also discussed on the basis of member states and Commission evaluations of the functioning of the Semester Framework. The sections then wrap up with a provisional answer to the subquestions. The end of the chapter presents the findings over the entire research period and summarises them. The theoretical and practical implications of the findings are left to the final chapter.

### 4.1 Status Quo Ante results 2011

#### 4.1.1 European Context of the recommendations

This section will provide the context in which the CSRs for the year 2011 were issued and how member states interpreted the challenges with which they were faced according to the year's Annual Growth Survey and the reports created in the Employment Committee (EMCO) of the Council of Ministers.

The first European Semester Recommendations were issued in a time of persistent financial and economic crisis, with an unemployment rate in the EU of over 10% and a youth unemployment rate more than double that. As a result of the financial crisis, Greece and Ireland were forced to seek financial assistance from the rest of the EU and the IMF in 2010, while Portugal did so in April 2011. The crisis also put the Europe 2020 goals of poverty reduction and promoting social inclusion at risk, per the 2011 Annual Growth Survey. The most relevant priorities in the 2011 Annual Growth Survey to address this crisis were the need for 'rigorous fiscal consolidation' on part of the member states, and to address macroeconomic imbalances through 'strict and sustained wage moderation'. These imbalances were supposed to be caused by a lack of competitiveness on part of the member states and also vis-à-vis the United States. According to the AGS, poor competitiveness in turn was caused by labour costs that were out of line with labour productivity. Intervening in wage policy and wage-setting systems therefore had a

macroeconomic justification. The purpose of this policy was effectively to hold down wage growth and/or drive down real wages.

Further priorities on labour market policies were informed by a perceived need to stimulate job creation once economic growth would return. The chief means to accomplish this were through making hiring more attractive through lower taxes on labour and to stimulate a return to work among the unemployed by tying benefits to job search and training (conditionality), putting a time limit on the length that benefits could be received, and by addressing perceived labour market 'rigidities' by reducing "over-protection" of workers with permanent contracts, and provide protection to marginally attached workers. Tax benefits, flexible work arrangements and childcare facilities should also be promoted as means of facilitating the participation of second earners in the work force. Efforts should also be made to fight undeclared work.

To force member states to implement these reforms, as well as those on fiscal policy, EU member states adopted the 'Six-Pack' regulations to improve fiscal and macro-surveillance of Eurozone member state policies including the MIP, the 'Two-Pack' further strengthening fiscal governance, and the 'Fiscal Compact' requiring member states to enshrine into law rules limiting the deficits they were allowed to run over the course of the economic cycle. With regard to employment policy, EU member states in 2011 also created the 'European Plus Pact' (EPP), a voluntary undertaking by all of the Eurozone member states and a number of member states outside the Euro area to 'foster competitiveness and employment', essentially by driving down real wages and making labour markets more flexible, keep pensions, health care and social spending 'sustainable', and reinforce the stability of their domestic financial systems (Barnard 2012) through specific policy measures. The member states' commitments under EPP were to be incorporated after in their stability or convergence programmes and their national reform programmes (SCP/NRP) as part of the European semester, and enforced through intergovernmental peer pressure.<sup>8</sup>

Even before the introduction of the MIP then, a number of Eurozone member states were under severe pressure from financial markets, economic circumstances, and from other member states to implement labour market reforms. European institutions and member states therefore had the opportunity to pressure other member states to take measures by implicitly making their willingness to lend financial support during the crisis conditional on the other member states' reform efforts. Notably Italy and Spain were put under severe pressure by the European Central Bank which implicitly required them to commit to reforms in exchange for support from the ECB (2011). At this stage then a shadow of hierarchy was arguably present for the member states.

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<sup>8</sup> References to the EPP in national SCPs, NRPs, and EU documents however disappear completely after 2011, and the EPP recommendations are therefore not analysed here.

### 4.1.2 Content of the 2011 CSRs

To look at the implementation of the European Semester recommendations in this context, it is first necessary to provide an overview of what kind of recommendations were issued. To recall, employment policy CSRs refer to the following categories :

- **Employment protection legislation & framework for labour contracts**
- **Unemployment benefits**
- **Active labour market policies**
- **Incentives to work, job creation, labour market participation**
- **Wages & wage setting**

In the following tables, these categories will be abbreviated as EPL, UB, ALMP, ITW, and WWS respectively. In response to the 2011 context, subpart recommendations were issued to the member states with the following frequencies, as shown in Figure 4 <sup>9</sup>:

Number of recommendations issued						
	ALMP	EPL	ITW	UB	WWS	Total
<b>2011</b>	<b>8</b>	<b>3</b>	<b>15</b>	<b>2</b>	<b>9</b>	<b>37</b>
Austria			2		1	3
Belgium	1		2	1	1	5
Estonia	1		1			2
Finland	2		1			3
France	1	1	2		1	5
Germany			2			2
Italy		1	2	1	1	5
Luxemburg					1	1
Malta					1	1
Slovakia	1		1			2
Spain	1	1	1		3	6
The Netherlands	1		1			2
<b>Total</b>	<b>8</b>	<b>3</b>	<b>15</b>	<b>2</b>	<b>9</b>	<b>37</b>

4 Subpart Recommendations issued 2011

As can be seen in the table, the ‘incentives to work’ recommendation was by far the most frequently issued, with also a large number of recommendations in the ‘active labour market policies’ category and for ‘wages and wage setting’. The number of recommendations coded as ‘incentive to work’ can perhaps be attributed to the fact that it is the broadest category: measures recommended here varied from reducing tax burdens on labour or lowering tax

<sup>9</sup> The full dataset is included in the appendix

wedges making it financially unattractive to working more, to improving the availability of childcare (**Austria**), preventing early exit from the labour market for older workers (**Finland**), encouraging access to lifelong learning (**France**), rebalancing taxes from labour towards environmental and consumption taxes (also **France**), and fighting undeclared work (**Italy**). The subpart recommendations contained in this category therefore all relate to the overall priority of getting more workers into the formal labour force.

Recommendations on wages and wage setting were more or less in line with the same priorities, and also with the prescriptions of the European Plus Pact, suggesting reforms to wage-setting frameworks to allow more firm-level bargaining in for instance **Spain** and **Italy**, but also **Belgium**, **Malta** and **Luxemburg**. Recommendations also included reforming (i.e. limiting) wage indexation to inflation as suggested in the AGS. These recommendations, along with the recommendations on employment protection legislation and unemployment benefits, can be seen as far more contentious than the changes to labour market functioning suggested in the ‘incentives to work’ category (both the recommendations on employment protection legislation to France and to Italy in effect implied loosening protection for workers to combat labour market segmentation). In the active labour market policies category, too, recommendations generally revolved around improving the efficiency of the public employment services and improving targeting of ALMPs to vulnerable categories of people such as the young, and the long-term unemployed, rather than wholesale reforms to the system.

A final point to note is the number of recommendations given to the different member states. It can be assumed that member states which the Commission and the Council agree are in need of more reform will receive more recommendations. The implication is that the countries with the most need of reform in the sample are **Belgium**, **France**, **Spain**, and **Italy**, while smaller countries like **Luxemburg** and **Malta** appear in less need of attention. Perhaps not coincidentally, the countries with the most recommendations are also the ones where recommendations to reform employment protection legislation and unemployment benefits were adopted. Similar measures were also part of the conditionality in member states that received a bailout.

#### 4.1.2 Implementation record of the CSRs

Having provided the context in which CSRs were issued and an overview of the substantive content of the CSRs, the degree to which these were implemented can be analysed. Figure 5 shows the types of subpart recommendations received by the member states and the assessments of progress in implementation assigned by the European Commission as a

percentage rating out of 100. As explained in section 3.2, a rating of 0 here stands for no progress, while a rating of 100 would mean that a recommendation was fully implemented.

Member State	Type	Score		Member State	Type	Score
Austria	ITW	0		Italy	EPL	50
Austria	ITW	25		Italy	UB	50
Austria	WWS	25		Italy	ITW	0
				Italy	ITW	25
Belgium	ITW	25		Italy	WWS	50
Belgium	WWS	0				
Belgium	ITW	0		Luxemburg	WWS	25
Belgium	UB	50				
Belgium	ALMP	25		Malta	WWS	0
Estonia	ITW	25		The Netherlands	ITW	50
Estonia	ALMP	25		The Netherlands	ALMP	50
Finland	ALMP	50		Slovakia	ITW	0
Finland	ALMP	25		Slovakia	ALMP	0
Finland	ITW	25				
				Slovenia	ALMP	0
France	EPL	25		Slovenia	EPL	0
France	WWS	75		Slovenia	EPL	25
France	ITW	25		Slovenia	ALMP	0
France	ALMP	25				
France	ITW	0		Spain	ITW	0
				Spain	WWS	50
Germany	ITW	25		Spain	WWS	25
Germany	ITW	25		Spain	WWS	25
				Spain	EPL	50
				Spain	ALMP	50

## 5 Implementation of subpart recommendations in 2011

The implementation record of the subpart recommendations is mixed, with by far the most recommendations rating only 'limited' to 'some' progress. No recommendation was fully implemented, while 9 out of 37, i.e. close to one quarter of all relevant recommendations, received no follow-up at all. Further noticeable outcomes are that of the countries receiving the

most recommendations, i.e. **Belgium, France, Italy, and Spain**, three took action in response to most recommendations, with only **Belgium** lagging. Strikingly, **Slovakia** and **Malta** did not address any of the recommendations, while **Slovenia** also ended up making limited progress on one out of the four recommendations addressed to it.

An alternative way of examining implementation progress is by looking at the implementation by category of recommendations, shown in Figure 6:

AVG Progress	Subparts	Average progress
ALMP	10	25
EPL	5	30
ITW	15	17
UB	2	50
WWS	9	31
Average	41	30

Figure 6 Implementation Progress by policy area in 2011

The average progress in implementing all subpart recommendations reached 30 on a scale of 100, i.e. only slightly better than limited progress. It is also clear that the degree to which recommendations to improve incentives to work were implemented was generally very low, while the more structural reforms to the labour market of reforming on employment protection legislation and unemployment benefits seem to have received more follow-up. Belgium and Italy for instance both presented plans to reform the unemployment benefit system. This might be explained by the context of the economic and eurozone debt crisis, and the pressure exerted by the financial markets and other member states, which saw labour market reform as absolute priorities. Measures to improve active labour market policies, the public employment services or improve childcare would have taken much longer to implement, while also being more costly and coming into conflict with the priority of fiscal consolidation.

#### 4.1.3 To what extent did member states implement the recommendations at the start of the European Semester?

The answer to the first subquestion, namely to what extent member states implemented the European Semester at its start, is best covered by pointing to what progress was made on average; each individual member state received too few recommendations to come to a general conclusion about their progress. The average progress assessment score of 30 implies only barely better than limited progress in implementing the recommendations. However, after the end of the first iteration of the European Semester, it cannot yet be said whether this average progress assessment score of 30 represented a lesser or bigger degree of Europeanisation compared to what would have been the result if the European Semester had not yet been

introduced. From this degree of progress, it is also as yet difficult to ascertain any possible effect of the presumed 'shadow of hierarchy'.

To make sense of the results therefore, one can look at the assessment of the member states themselves as well as that of the Commission. On part of the member states, EMCO conducted a study ("Multilateral surveillance examination") of the 2011 Country-Specific Recommendations, concluding with an diplomatic assessment of the progress in implementation that:

*"The pace of reform is apparent. Member States recognise the scale of the challenge and have taken action to respond to the Council recommendations from 2011. The focus must now clearly be to ensure these reforms are fully implemented. Given the pace of change, there would also be a clear benefit from analysing on whether these reforms are the right ones, and are on a sufficient scale to have the required impact. (EMCO 2012)"*

It should be remembered though that this assessment refers to the reform efforts of all EU member states, not just the 13 member states in the sample. As challenges for implementation, the examination mentions the complexity and political sensitivity of labour market reform, as well as the difficulty in achieving political consensus. An additional difficulty is created by a lack of 'fiscal space' and the need to involve the Social Partners: employer organisations and labour unions (the lack of fiscal space to push through more thorough reforms can likely be connected to the sovereign debt crisis, as well as to the insistence on rigorous fiscal consolidation as a policy priority). Nevertheless, EMCO's assessment was that the work done in the European Semester was of 'significant added value to Europe 2020' and should be continued, noting though that constant and enhanced surveillance was necessary to make it more effective. To this end, it would work on an Employment Performance Monitor and develop some "Principles of well-functioning labour markets" based on the experiences of the member states.

EMCO's assessment therefore implicitly acknowledges that there might be problems of institutional and political fit with implementing the CSRs; recommendations for reform might not be that right ones, and implementing them is complex. Additionally, it validates Arpaia and Mourre's idea of social conflict as a reason for opposition to labour market reform, given how it emphasises the role played by the social partners.

EMCO broadly concurred with the Commission priorities that Europe should engage in difficult structural reforms to improve competitiveness, which requires addressing wage-setting mechanisms. It furthermore sees a need to remove barriers to employment growth, 'ensure education and training systems are responsive to labour market needs' and keep the unemployed connected with that labour market and supplied with the skills and competences required for that purpose. It notes that while all these labour market, skills, education and training as well as social policies issues are a competence of the member states, other member

states also have *'an interest in ensuring that deficiencies are tackled, and reforms implemented'*, implicitly suggesting that member states might pressure each other into implementing reform.

The Commission's assessment of the first round of the European Semester was discussed in the Annual Growth Survey of 2012, where it noted that:

*"On labour market reforms, progress can be seen in the area of active labour market policies, skills, life-long learning and education. Reforms of the wage-setting system remain contentious and progress can be observed only in a few countries"*

The AGS goes on to observe that:

*"There is not yet full ownership, at national level, of the radical changes which have been decided in terms of future economic governance. There is sometimes a disconnection between what is decided at EU level and the length of time it takes to come through in national policy decisions"*

This implementation gap is also observed at the EU level, where according to the 2012 AGS commonly agreed measures are not implemented fully or in a timely manner by the member states and funds to stimulate growth are not used. So where the Commission assumes that radical changes in economic governance have taken place, the member states do not appear to have got the message yet. At the beginning of the European Semester therefore, based on the limited progress in implementing the recommendations on part of the member states and the assessments of EMCO and the Commission, member states do not yet appear to be under severe Europeanisation pressures from the European Semester Recommendations. To the extent that they do, relatively non-contentious policy areas like active labour market policies, skills, life-long learning and education, are more likely to see more progress than the more politically controversial ones like those related to wage levels. No real impact of the supposed shadow of hierarchy can be observed either, though this may have been more visible in actions taken in response to financial market pressures or the recommendations of the European Plus Pact which remain unobserved here.

However, the next cycle of the European Semester also introduces the Macroeconomic Imbalance Procedure. The analysis of the effectiveness of the Semester over the next few cycles in the next section should make clear whether that can make a difference.



## 4.2 Development over time (2012-15)

### 4.2.1 European Context of the recommendations

This section analyses the implementation of the recommendation in the years 2012 to 2015. Like before, it first looks at the economic context and the priorities for employment policy set at the EU level, and then shows how the member states implemented the resulting recommendations. The section then concludes with a brief comparison between the results of these years and those from the start the start of the European Semester.

At the start of the 2012-15 period, the EU was still in deep crisis. During the year 2012, Greece received its second bailout, the Spanish banking sector also had to be rescued, and Slovenia also started to come under pressure, as did Italy. The euro sovereign debt crisis though was more or less defused thanks to the declarations of ECB President Draghi in July 2012 (Van Der Heijden, Beetsma et al. 2018), and member states started to recover at varying pace in the years afterwards. The crisis in 2012 though translated into rising unemployment, and euro area unemployment and youth unemployment reached record levels by early 2013. According to the AGS the deteriorating job prospects created problems for a significant share of the population in transitioning into work, or transitioning from one kind of work to the other as necessary due to the ‘fast business restructuring and quickly changing working conditions’ that were a result of the crisis, thus causing higher long-term unemployment. The diagnosis of economic problems is still basically neoclassical: there is according to the AGS a ‘structural mismatch’ between the supply and demand for labour because workers lack skills or the capacity to attain them, are not geographically mobile enough, and most importantly, because wage levels are out of line with labour productivity. The EMCO evaluations though point to a general low level of demand for labour in the economy due to the crisis, though the diagnosis as to solutions is basically the same as that of the Commission.

In addition to dealing with the financial crisis, the relevant economic policy priorities set by the Commission to address these problems were to pursuing “differentiated growth-friendly fiscal consolidation”, promoting “growth and competitiveness for today and tomorrow”, while “tackling unemployment and the social consequences of the crisis”. These policy priorities remained in place in the next two years, 2013 and 2014. Only by 2015 does the AGS start to talk about recovery, if one that was ‘weaker than expected’ (Van Der Heijden, Beetsma et al. 2018)).

The measures to be taken in the member states match these priorities: wage-setting mechanisms are to be revised in consultation with the social dialogue, unemployment benefits need to be adapted and, where appropriate, made conditional on activation: accepting offers of work or retraining. This implies a strengthening of active labour market policies and public employment systems, also necessary to help the implementation of the EU’s Youth Guarantee program and help make younger workers more employable. Further incentives to work should

help older workers stay in the work force<sup>10</sup>. Like in previous years, the tax burden on labour should also be lifted. Member states may also consider temporary reductions in social security contributions or job subsidy schemes to incentivise hiring. Like in 2011, the issue of labour market segmentation also needs to be addressed. Later additions to these priorities are the ‘modernisation of education and training systems, including life-long learning, vocational training and dual learning schemes’, and improved targeting of benefits, and the liberalisation of professional services (mostly outside of the scope this thesis). Even once the crisis begins to recede in 2015, the priority remains to improve the functioning of markets, and not to provide stimulus to them.

From the 2012 European Semester onward, the Macroeconomic Imbalance Procedure also becomes active. To give member states the chance to adjust to previously accumulated imbalances, no steps in the procedure are started yet, but the 2012 Alert Mechanism Report nevertheless considers that **Belgium, Spain, France, Italy, Slovenia, and Finland** should be subjected to in-depth analysis. Figure shows the member state where excessive imbalances are deemed to exist:

Year	Macroeconomic imbalances
2012	Belgium, Spain, France, Italy, Slovenia, Finland
2013	Belgium, Spain, France, Italy, Netherlands, Slovenia, Finland, Malta,
2014	Belgium, Spain, France, Italy, Netherlands, Slovenia, Finland, Malta, Germany, Luxemburg
2015	Belgium, Spain, France, Italy, Netherlands, Slovenia, Finland, Germany

Figure 7 Macroeconomic imbalances 2012-15

In subsequent years, excessive imbalances are determined to exist in **Slovenia** in 2013-14, **Spain** in 2013, **Italy** from 2013-15, and **France** in 2014-15. Darvas and Leandro (2015), (Van Der Heijden, Beetsma et al. 2018)The question then is whether this translates into higher implementation of the recommendations. This will become apparent in the next section.

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<sup>10</sup> Older workers should also be discouraged from retiring through measures to raise the formal retirement age, but that is outside the scope of this thesis.

#### 4.2.2 Content of the CSRs from 2012-15

The types of recommendations addressed to the member states from 2012-15 are shown in Figure 8 below:

	2012	2013	2014	2015	Total		2012	2013	2014	2015	Total
<b>Austria</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>3</b>	<b>16</b>	<b>Luxemburg</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>1</b>	<b>8</b>
ALMP	1	1	3	1	6	ALMP	1	1	1		3
ITW	2	2	2	2	8	ITW			1		1
WWS	1	1			2	WWS	1	1	1	1	4
<b>Belgium</b>	<b>6</b>	<b>8</b>	<b>6</b>	<b>3</b>	<b>23</b>	<b>Malta</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>6</b>
ALMP	2	2	2		6	ITW	1	2	1		4
ITW	1	2	3	2	8	NONE				1	1
UB	1	1	1		3	WWS	1				1
WWS	2	3		1	6	<b>Slovakia</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>15</b>
<b>Estonia</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>9</b>	ALMP	3	3	3	1	10
ALMP	1	1	1	1	4	ITW	1	2	1	1	5
ITW		1	1	1	3	<b>Slovenia</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>15</b>
UB	1				1	ALMP	2	1	2	1	6
WWS				1	1	EPL	2	1	2		5
<b>Finland</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>11</b>	ITW				1	1
ALMP	1	3	1	1	6	WWS		1	1	1	3
ITW			1	1	2	<b>Spain</b>	<b>7</b>	<b>7</b>	<b>13</b>	<b>3</b>	<b>30</b>
WWS	1	1		1	3	ALMP	4	5	8	1	18
<b>France</b>	<b>6</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>28</b>	EPL	1	1	2		4
ALMP	1	2	1		4	ITW	1		1	1	3
EPL	1	1	1	2	5	WWS	1	1	2	1	5
ITW	3	3	4	1	11	<b>The Netherlands</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>16</b>
UB		1	1	1	3	ALMP		2	2		4
WWS	1	1		3	5	EPL	1	1	1		3
<b>Germany</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>17</b>	ITW	2	1	1		4
ALMP	1	1	1		3	NONE				1	1
EPL		1	1	1	3	UB	1	1	1		3
ITW	2	3	2	1	8	WWS			1		1
WWS	1	1	1		3	<b>Totals</b>	<b>53</b>	<b>63</b>	<b>65</b>	<b>35</b>	<b>216</b>
<b>Italy</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>22</b>						
ALMP		2	2	1	5						
EPL	1	1	1		3						
ITW	3	2	2	1	8						
UB	1	1	1		3						
WWS	1	1		1	3						

Figure 8 Types of subpart recommendations addressed to member states 2012-15

Data for the 2012-15 period show that the major differences in how many recommendation subparts were addressed to the member states persist, with **Estonia, Luxemburg and Malta** receiving the fewest recommendations and **Belgium, Italy, France, and Spain** the most. As in the preceding period, the member states receiving the highest number of (subpart) CSRs can be presumed to have the most need for reform in their labour markets according to the European Commission. In **Belgium, France, Italy and Spain** the Alert Mechanism Reports mention problems with competitiveness due to high unit labour cost and/or low productivity; for **Spain** in particular it is the high unemployment rates which are a special source of concern. These are related to the earlier collapse of a construction bubble. The very high number of recommendations on active labour market policies is related to the need to address the high youth- and long-term unemployment caused by the collapse of this bubble.

From 2012-14, the number of recommendations increased significantly in comparison to the beginning of the European Semester. The number of recommendations drops off significantly from 2014-15, the result of a mid-term review and public consultation with stakeholders of the Europe 2020 strategy. Member states in particular had expressed to the Commission that they desired fewer and more focused CSRs, instead of receiving long laundry lists of recommendations from the Commission. The development of types of recommendations is shown in Figure below:

	2012	2013	2014	2015	Total
ALMP	17	24	27	7	75
EPL	6	6	8	3	23
ITW	16	18	20	12	66
UB	4	4	4	1	13
WWS	10	11	6	10	37
Total	53	63	65	33	214

Figure 9 Overview types of recommendations issued 2012-15

Figure 9 shows that by the end, the number of recommendations with regard to active labour market policies and incentives to work was very extensive, while wages and wage structure recommendations remains constant. This can be explained by the policy priority of improving competitiveness in the member states, and since wages tend to be renegotiated on a regular basis recommendations will continue to be adopted to that effect.

The number and type of subpart recommendations by themselves though do not fully describe the content of the recommendations addressed to the member states. The recommendations are still tailored to country-specific problems or needs. Thus, while most of the recommendations on wages and wage-setting processes refer to minimum wages, wage indexation or bargaining frameworks in a way that contributes to wage moderation, the recommendations for **Germany** have the purpose of forcing wages upwards, and its

recommendations for employment protection legislation are designed to increase employment protections rather than reduce them. And in **Austria**, recommendations in this category refer to measures to reduce gender pay gaps. Similarly, recommendations in other categories may vary too from taking action to improve outcomes for a group depending on employment status (i.e. the long-term unemployed), to helping people in specific groups, like women, older workers, or migrants. Recommendations to this effect for instance were addressed to **Austria, Belgium, Slovakia**. The difficulty in implementing these recommendations is illustrated by them being repeated year after year. For instance, in every year of the study period **Austria** is recommended to improve the lot of women in the labour market. Improving activation policy shows up every year for **Slovakia**. The further implementation record is discussed in the next section.

### 4.2.3 Implementation of the CSRs from 2012-15

Figure shows the average progress in implementation for recommendations issued from 2012-15. Recommendations issued to member states suffering from excessive imbalances are highlighted in red:

	2012	2013	2014	2015	Average
<b>Austria</b>	19	38	35	33	31
<b>Belgium</b>	29	28	38	42	33
<b>Estonia</b>	25	63	50	42	44
<b>Finland</b>	38	56	50	50	50
<b>France</b>	42	47	36	39	41
<b>Germany</b>	25	29	25	13	25
<b>Italy</b>	38	39	42	67	43
<b>Luxemburg</b>	25	25	17	0	19
<b>Malta</b>	25	63	50		45
<b>Slovakia</b>	25	25	31	38	28
<b>Slovenia</b>	31	33	55	50	43
<b>Spain</b>	32	43	44	50	42
<b>The Netherlands</b>	25	65	54		50
<b>Total Average</b>	<b>30</b>	<b>41</b>	<b>40</b>	<b>42</b>	<b>38</b>

Figure 10 Implementation Progress 2012-15

The first striking result is that overall implementation is up from 30 in 2011 and 2012 to around 40 from 2013-15. Implementation therefore went up after the sovereign debt crisis abated and the MIP became fully functional.

Table 9 further shows that member states during this period basically fall into three groups: member states with low, middle-, and high progress in implementing the subpart CSRs. The lowest progress was made in **Luxemburg** and **Germany**, which on average made at best ‘limited’ progress on implementing recommendations and which moreover received comparatively fewer recommendations than other member states. The richest and most populous member states of the EU during this period therefore saw the least influence of the EU on their employment policy through the European Semester. The middle group would consist of states which score somewhere between 25-40 % progress in implementation: **Austria**, **Belgium**, and **Slovakia** fall into this group. Higher progress was recorded in **Estonia**, **France**, **Italy**, **Malta**, **Slovenia**, and **Spain**, all of which except for Estonia and Malta were judged to have suffered from excessive imbalances at some point during the research period. **Estonia** and **Malta** however received comparatively very few recommendations during this period, so not too much weight should be attached to this assessment. As smaller member states, they were, like **Luxemburg**, likely to receive fewer recommendations anyway. The clear outperformers in implementation of the recommendations though were **Finland** and **The Netherlands**, which booked ‘some’ progress on most of their recommendations. These two member states too were deemed to suffer from macroeconomic imbalances according to the Commission, though not by enough to trigger the corrective steps in the MIP.

Here again, the degree of progress in implementing recommendations by itself is not dispositive for the existence of a causal relation between EU recommendations through the European Semester and member state policies. It is likely that financial market pressures on sovereign debt put EU creditor member states and the ECB in a position in which they could require the other member states to reform. This is a particularly plausible explanation in the case of **Spain**, which needed the help from other member states and the ECB to bail out its banking system, and **Italy**, where the Berlusconi government was forced out and for failing to deal with the debt crisis and a technocratic government installed which implemented the biggest labour market reforms during this period (Pavolini, León et al. 2015, Sacchi 2015). In the Netherlands and Finland on the other hand, no such shadow of hierarchy existed.

Another contributing factor to implementation may be the Macroeconomic Imbalance Procedure. The progress in implementing recommendations in member states subject to corrective steps in the MIP during the 2012-15 period is shown in Figure 11.

	Subparts	Progress
France	7	39
Italy	9	50
Slovenia	8	47
Spain	7	43
Total	31	45

Figure 11 Implementation of MIP recommendations 2012-15

The implementation progress score for MIP-relevant recommendations is 45, in comparison to a score of 37 for all other recommendations, or 40 for the years 2013-15. MIP-relevant subpart recommendations were therefore implemented at about average rates in **France** and **Spain**, and higher than average in **Italy** and **Slovenia**.

#### 4.2.4 How has the degree of implementation of the Recommendations developed over the course of the Semester?

The data in section 4.2.3 show that member states started to achieve more progress in implementing the CSRs from 2013 onwards. To determine whether that data indeed points to further Europeanisation of member state employment policy, it is necessary again to consult the supporting documents. The language used in the Annual Growth Surveys on the functioning of the Semester in this period for one casts doubt on its role in Europeanising member state politics and policies. The 2014 AGS for instance calls for 'better' implementation of the CSRs and decries the need for greater involvement of *"national parliaments, social partners and civil society in the process in order to secure public understanding and acceptance of the necessary reforms"*. The implicit meaning of this assessment is that not enough debate is taking place within the member states and with member state interest groups about the reform goals suggested or required by the European Semester. Remembering that Europeanisation in this thesis is defined as the European level becoming part of the *"logic of domestic discourse, identities, political structures and public policies"*, not much of it seems to be taking place.

The hoped-for improvements in economic policy co-ordination do not seem to appear either, as the Commission tries to remind the member States that they *"have the responsibility to decide on the policy mix that suits their national systems best but they should also, particularly those that share the Euro, take policy decisions that reflect the wider interests of their fellow EU members"*. To ensure better implementation of the CSRs, the Commission proposes *"contractual arrangements"*, made mandatory in the corrective arm of the MIP, in which rapid and thorough implementation of reforms could lead to financial support.

The theme of unsatisfactory implementation, in particular in the area of structural reforms continues in the 2015 AGS. The Commission again point to lack of 'ownership' of the reforms on part of the member states. It diagnoses as problems here that the structure of the European Semester is too complicated, and it wants to simplify the outputs from the Commission, streamline member state reporting requirements, and 'refocus' the NRPs to provide better basis for communication and discussion at national level, as well as delivering more targeted input

for the Commission to evaluate. From the 2014 and 2015 AGSs it is clear though that the expanded influence for the Commission within the European Semester process as suggested by Costamagna (2013) or Dehousse (2016) did not materialise.

In 2016, the AGS asserts that the implementation of the Europe 202 Strategy through the European Semester *“has added value and has generated positive effects notably by triggering action at the European level and in Member States”* in a number of unspecified policy areas, but nevertheless shows that it is still not ‘sufficiently embraced’ by the member states, and requires ‘deeper involvement on the ground’.

The assessment of the member states themselves through EMCO is however more positive. As of 2012, the multilateral surveillance examination asserts that the *“scale of reform remains striking (...) the reform agenda is substantial”*, and *“most Member States recognise the severity of the situation and are pushing forward with difficult reforms to move out of the crisis and to tackle existing issues that have been exacerbated by the crisis”*. Given though that this assessment was produced by a committee staffed primarily by representatives of the member states, a positive assessment of reform efforts was probably to be expected.

According to the examination, the most successful reforms involve policies to increase the employment rate for older workers. The examination again repeats that labour market reform is politically sensitive, a problem given that employer organisations are much happier than union representatives about the policy advice given by the Commission. And for the reforms to succeed, careful negotiation with the social partners is seen to be needed, as well as *“appropriate sequencing”* of the reforms on a *“realistic timetable”*. This suggests that the yearly cycle of the European Semester is too short to implement the desired reforms, as well as perhaps problematically favouring employers over workers.

The next years the EMCO evaluation also finds that progress has been made in reviewing and reforming wage-setting systems, though less evidently so in euro area member states. More progress was made in tackling labour market segmentation, preventing early labour market withdrawal, and implementing the youth guarantee<sup>11</sup>. Less progress was made in improving incentives to work (i.e. through improving childcare and lower taxes on labour) and making ALMPs more efficient, in part due to budgetary constraints.

By 2015, EMCO warns of ‘reform fatigue’ in employment policy, and wants to focus on measures to improve functioning of the labour market, not reforming it wholesale. Though it wants more ‘targeted’ proposals for further reform with clearer objectives, EMCO does not want these recommendations to be too prescriptive. Indeed, it repeats and emphasises in the 2015 examination that *“Going forward, it is important that the recommendations are not overly*

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<sup>11</sup> Youth guarantee implementation mostly appears in recommendations related to active labour market policies.



*prescriptive.*” The same goes for overly extensive guidance from the Commission in the recitals of current issues included in the CSR documents.

A further complaint in the 2015 Multilateral Surveillance Examination is that EMCO does not consider that unemployment or labour market problems should be treated as macroeconomic imbalances, and MIP recommendations in any case should not include policies that affect employment only indirectly or in the long run. EMCO also considers that employment policy should be kept separate from further structural reform issues and particularly the Stability and Growth Pact implementation . In other words, the member states still do not want to delegate too much power over their employment policy to the European level, and are clearly sensitive to the risks of intermingling the hard law of the SGP with the soft law of the Europe 2020 strategy. Nevertheless, the communication between EMCO and the Commission shows that member states do not directly question the European Semester process itself, and do put forward proposals to make it function better, while preserving the social dialogue and retaining their freedom to act broadly according to their own wishes at home.

The importance of the social dialogue is also emphasised by the comments of labour union confederation ETUC in 2015, which worries about the Commission’s insistence on decentralising wage bargaining (which generally reduces the bargaining power of labour) and also thinks that the Commission’s opinion that employment protection legislation is still too strong is a mistake. ETUC calls for boosting wages to increase growth instead, more public investment, and argues that lowering the tax wedge of labour has been ineffective in creating the desired increase in employment. These views are almost diametrically opposed to those of BusinessEurope, which wants to keep linking wages to productivity, lower the tax wedge, and focus on job creation instead while addressing skills. It is questionable to what extent these contradictions could and should be resolved through technocratic decision-making by the Commission, particularly when whichever side of the argument has the stronger economic argument may vary by member state.

The answer to subquestion two, namely how the degree of implementation of the Recommendations has developed over the course of the research period, is then that implementation has in fact improved. Recommendations subject to the MIP in particular score somewhat better implementation than the average in some member states. However, member states clearly are not interested in having their employment policy micromanaged by the Commission, since the question is whether it can do that properly and be sensitive to the political situation and social dialogue in the member states. So while more action has been taken in addressing the subpart recommendations, this does not necessarily point to an increase in the degree of Europeanisation.

## 4.3 Compliance by the end of the research period

### 4.3.1 Context of the CSRs (as described in AGS/AMR/ EMCO examinations)

The economic context for the 2016 European Semester, according to the AGS for that year, is a moderate recovery and falling unemployment, though the latter ‘remains at a historically high level’. The recovery is partly attributed to temporary positive factors, such as supportive macroeconomic policies, and partly to the success of earlier structural reforms. Growth is also uneven across the member states, and held back by persistent macroeconomic imbalances and high public and private debt. In 2016, Belgium, Germany, the Netherlands, Spain, Slovenia, Finland for instance are still deemed to suffer from imbalances, while France and Italy suffer from excessive imbalances (imbalances in the Netherlands in Germany however are related to excessive current account surpluses, which mostly hurt other member states, and are generally seen as a sign of economic strength rather than economic weakness). High long-term- and youth unemployment are also still a problem, as is productivity growth, problems also identified in the Alert Mechanism Reports.

The Commission therefore wants the member states to take advantage of the recovery to implement ‘ambitious’ reforms while remaining fiscally responsible. Policy priorities are to stimulate job creation, in part through lower tax wedges on labour and stimulating investment, and in part through facilitating transitions from temporary into permanent contracts. As the Commission puts it, policies should “*tackle at the same time labour market segmentation, adequate wage developments, well-designed income support systems, policies to ease transitions to new jobs, equip jobseekers with the right skills and better match them with vacancies*”.

The focus on wages remains therefore, employment protection should further be made more flexible, and more effort should be put into getting the long-term unemployed back into the labour market. One way to accomplish this, according to the AGS, is to organise social protection systems in such a way that they create incentives to re-enter the labour market. A new priority this year is improving the employment rate for women, and help put on a pathway to work those at greater distance from the labour market, particularly migrants and refugees.

In sum therefore, the priorities for labour market policy as suggested by the Commission are broadly the same as in previous years, though member states should now be in a better position to carry them out thanks to the better economic climate and accommodating monetary policy from the ECB.

### 4.3.2 Content and implementation of CSRs in 2016

Member State	Type	Score	Member State	Type	Score
Austria	ITW	50	Italy	ITW	50
Belgium	WWS	75	Italy	ALMP	50
Belgium	ALMP	50	Italy	ITW	25
Estonia	WWS	25	Slovakia	ALMP	50
Finland	WWS	75	Slovakia	ITW	50
Finland	UB	50	Slovenia	ALMP	25
Finland	ALMP	50	Spain	ALMP	50
France	ITW	75	Spain	ALMP	50
France	WWS	50	The Netherlands	EPL	0
France	EPL	75	The Netherlands	EPL	25
France	UB	0	The Netherlands	ITW	0
Germany	ITW	0	<b>Average</b>		<b>39</b>
Germany	ITW	25			
Germany	EPL	0			

Figure shows the type and implementation of recommendations in 2016. The figure shows that member states received fewer recommendations than in previous years, while the average progress made in implementation scored 39 out a 100, which is not noticeably different from previous years. The rhetoric about ambitious reforms from the AGS therefore does not show up in the number of recommendations. A real shift though is in what member states received what type of recommendations. While **France** and **Italy** remained in the MIP, now **Germany** and the **Netherlands** too receive recommendations to reform employment protection legislation. Unlike in previous years in different countries though, these recommendations were to increase the level of employment protections for the marginally attached and the self-employed.

Member State	Type	Score	Member State	Type	Score
Austria	ITW	50	Italy	ITW	50
Belgium	WWS	75	Italy	ALMP	50
Belgium	ALMP	50	Italy	ITW	25
Estonia	WWS	25	Slovakia	ALMP	50
Finland	WWS	75	Slovakia	ITW	50
Finland	UB	50	Slovenia	ALMP	25
Finland	ALMP	50	Spain	ALMP	50
France	ITW	75	Spain	ALMP	50
France	WWS	50	The Netherlands	EPL	0
France	EPL	75	The Netherlands	EPL	25
France	UB	0	The Netherlands	ITW	0
Germany	ITW	0	<b>Average</b>		<b>39</b>
Germany	ITW	25			
Germany	EPL	0			

Figure 13 Subpart recommendation implementation 2016

A further shift is in the far smaller number of recommendations associated with wages and wage-setting, where only four recommendations were issued, one of which was related to the gender pay gap in **Estonia**. The implication then is that in most countries in the sample, reforms to wage-setting systems and employment protection legislation over previous years were implemented to the Commission's satisfaction, and no further recommendations are needed. **Luxemburg** and **Malta** this year do not even merit a recommendation for employment policy. The recommendations on active labour market policies and incentives to work match the priorities of the AGS in addressing childcare provision and increasing labour market entry for 'second earners', usually women. ALMPs are to be made more effective and should better target low-skilled and older workers, as well as disadvantaged groups.

Furthermore, it bears noting that **Germany** and the **Netherlands** are clearly the worst performers in implementing the recommendations, although this might have to do with them receiving the more 'difficult', because politically contentious, recommendations on employment protection legislation. **France**, seen as suffering from excessive imbalances according to the MIP, performs better than average in implementing its three recommendations. **Italy** on the other hand has an average level of progress in implementation.

#### 4.3.3 How did member states implement the European Semester recommendations by the end of the research period?

For the interpretation of the results in the last year studied, it is again necessary to consult the Commission's and EMCO's evaluation. The AGS for 2017 argues that while economic developments are positive, these have been helped by temporary factors and accommodating monetary policy. It complains that "*structural reforms remain incomplete in many Member States and delivery on the country-specific recommendations is too often patchy*", as overall implementation is still 'disappointing' in some areas and varies across countries. It argues that the recommendations are now better targeted towards every member state's 'key challenges', and signals that benchmarking and peer review have been stepped up in various Council formations dealing with the European Semester recommendations (e.g. like EMCO).

The AGS further implicitly admits that the onus of further reform rests on the member states, while the Commission should provide "appropriate enabling environment" through better regulation and policy orientation. The perennial problem of insufficient competitiveness should be further addressed at the national level through the creation of National Productivity Boards, which should help member states 'reflect on comprehensive notions of competitiveness'<sup>12</sup> to raise productivity and growth. Member states should nevertheless implement CSRs faster, with

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<sup>12</sup> This could mean \*anything\*.

*“appropriate sequencing and implementation”*, and *“taking full account of the short and medium term impact, including its distributional effects and costs over time”*. Left unaddressed though is the problem that competitiveness is relative, and one member state becoming more competitive automatically makes another member state less competitive within the eurozone. It is therefore questionable whether stronger efforts to improve competitiveness can resolve the problem of macroeconomic imbalances within the Eurozone.

EMCO 's multilateral examination for 2016 does not include any qualifying statements on the pace of reform. Instead, it addresses shortcomings in the recommendations issued by the Commission, noting that the CSRs still include too many individual subpart recommendations, that these do not address youth unemployment and insufficiently address employment for workers with a migrant background, while EMCO's Employment Performance Monitor also indicates less attention is needed to wage-setting than given to it by the Commission. Unions though are happy with the attention to wages (though job quality is still a concern), employers less so. Employers note that CSRs on social dialogue may be needed since this is necessary for the proper implementations of the recommendations. The disconnect between the European level and domestic politics therefore still appears to be in existence. EMCO also observes the high focus on skills , education, and training in the CSRs, indicating that it might have been better to include these CSRs in the research.

Based on the recommendations that actually form part of the sample though, the answer to the subquestion of how well member states implemented the recommendations by the end of the European Semester is that they did not implement them more than in previous years. And since the overall number of recommendations fell in 2015 and 2016 compared to previous years and the degree of progress in implementation is no better than in previous years, the European Semester recommendations seem to have become less relevant for the member states .

## 4.4 The overall picture

This chapter has looked in turn at the implementation of (subpart) recommendations on employment policy at the beginning, throughout, and at the end of the European Semester. Before conclusions can be drawn on its overall impact though, it is necessary to look at the overall picture of implementation and at the way recommendations have evolved over the years so that the cumulative impact becomes clear.

In numbers, the overall picture is that 280 subpart recommendations were issued, which received an average progress in implementation score of 36, that is, exactly between ‘limited’ and ‘some’ progress. The overall trend in issuance is shown in Figure below:

	2011	2012	2013	2014	2015	2016	Total
Austria	3	4	4	5	3	1	20
Belgium	5	6	8	6	3	2	30
Estonia	2	2	2	2	3	1	12
Finland	3	2	4	2	3	3	17
France	5	6	8	7	7	4	37
Germany	3	4	6	5	2	3	23
Italy	4	6	7	6	3	3	29
Luxemburg	1	2	2	3	1		9
Malta	1	2	2	1			6
Slovakia	2	4	5	4	2	2	19
Slovenia	4	4	3	5	3	1	20
Spain	6	7	7	13	3	2	38
The Netherlands	2	4	5	6		3	20
<b>Total</b>	<b>41</b>	<b>53</b>	<b>63</b>	<b>65</b>	<b>33</b>	<b>25</b>	<b>280</b>

Figure 14 Recommendations per member state 2011-16

As can be seen in figure 12, the number of recommendations given gradually ramped up from 2011 to 2014, before being drastically reduced at the request of the member states in 2015 and 2016. France, Spain, Italy and Belgium are shown to be the member states with consistently the most recommendations issued

The way these recommendations were distributed is shown on the next page Figure :

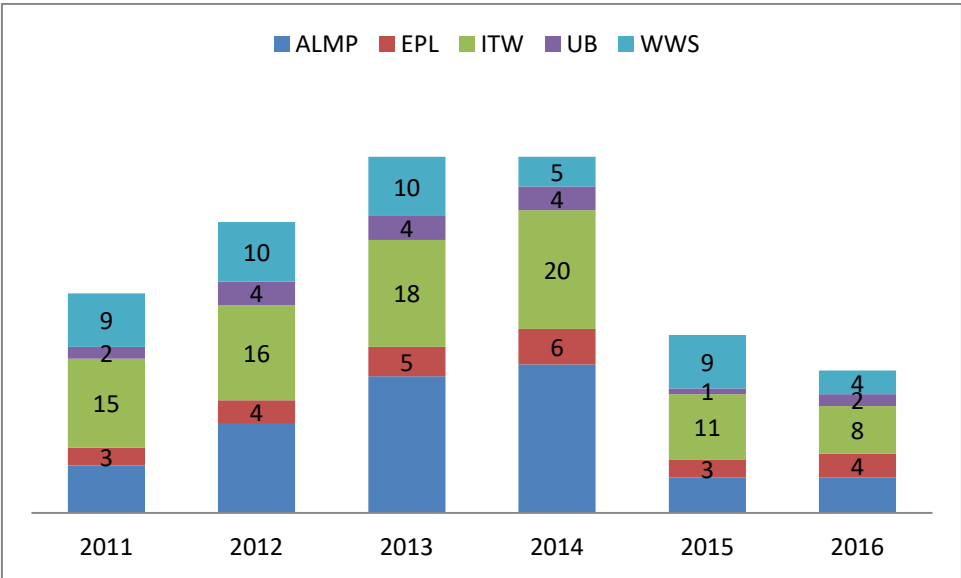


Figure 15 Type of recommendations issued per year 2011-16

Figure 13 makes clear that the distribution of recommendations across policy areas remained broadly similar throughout the years, with most of the reform efforts focused on active labour market policies and policies to improve incentives to work or work more for those marginally attached to the labour market or out of the labour force. However, given that reforms to employment protection legislation and wage bargaining and –setting systems affect a far greater number of people, the impact of reforms here is far bigger if they are in fact implemented. The selection of member states in the sample here may underplay the impact of the EU level on labour market reform in the member states, since the member states subject to bailouts were generally required to implement reforms to wage-setting systems and employment protection as part of financial assistance conditionality. However, if member states do not implement major reforms outside of being forced to through a memorandum of understanding or pressure from the ECB, then the extent to which a shadow of hierarchy is present and through which pressure is exerted appears to be limited.

The progress in implementation is shown in Figure on the next page. Since the number of recommendations per member state is often not very high in any given year, no real trend should be inferred from the average implementation progress scores in the years themselves. However, differences in implementation can be observed across the entire period, since most of the member states with the exception of **Estonia, Luxemburg, and Malta** have received 20 or more recommendations during the research period. The overall figures confirm the earlier observation that **Germany** and **Luxemburg** appear to be the least affected by the European Semester recommendations, while the **Netherlands** and **Finland** are the most likely to follow up on them. High, though possibly grudging, implementation is seen in **France, Italy, and Spain**, each of which has been subject to the corrective phase of the MIP at some point.

Progress in implementation							
	2011	2012	2013	2014	2015	2016	Totals
<b>Austria</b>	17	19	38	35	33	50	<b>30</b>
<b>Belgium</b>	20	29	28	38	42	63	<b>33</b>
<b>Estonia</b>	25	25	63	50	42	25	<b>40</b>
<b>Finland</b>	33	38	56	50	50	58	<b>49</b>
<b>France</b>	30	42	47	36	39	50	<b>41</b>
<b>Germany</b>	33	25	29	25	13	8	<b>24</b>
<b>Italy</b>	31	38	39	42	67	42	<b>41</b>
<b>Luxemburg</b>	25	25	25	17	0		<b>19</b>
<b>Malta</b>	0	25	63	50			<b>38</b>
<b>Slovakia</b>	0	25	25	31	38	50	<b>28</b>
<b>Slovenia</b>	6	31	33	55	50	25	<b>35</b>
<b>Spain</b>	33	32	43	44	50	50	<b>41</b>
<b>The Netherlands</b>	50	25	65	54		8	<b>44</b>
<b>Totals</b>	<b>25</b>	<b>30</b>	<b>41</b>	<b>40</b>	<b>42</b>	<b>39</b>	<b>36</b>

Figure 16 Implementation Progress per member state 2011-16

Further question marks as to the importance of the Semester process have to be placed in the cases of **Slovakia**, which only received recommendations in the ALMP and ITW category and implemented them only in a limited way, and **Malta**, which hardly received any recommendations at all.

Looking at the text of the recommendations received by the member states and their implementation in turn, the impact of the reforms by member state can be described as follows.

**Austria** only received recommendations in the categories of active labour market policies, incentives to work, and wages and wage-setting. It made the least amount of progress on multiple recommendations to lower the tax wedge and tax burden on low income earners, and on lowering the gender pay gap. Most of the measures where it made progress were designed to raise labour market participation, particularly for women.

**Belgium** received recommendations in all categories other than employment protection legislation. Initially, it made the least amount of progress on recommendations to shift the tax burden away from labour, and most of the time recommendations on wages and wage-setting received no follow-up either. It did however make multiple reforms to its unemployment benefits system. Recommendations in 2015 and 2016 saw more progress in implementation than in earlier years.



**Estonia** with one exception only received recommendations on active labour market policies and incentives to work. All of its recommendations were implemented to some extent, with recommendations on reducing the gender pay gap receiving the least amount of follow-up.

**Finland** also implemented almost all of its recommendations to some extent, and unlike other member states in the sample even saw relatively good (i.e. scores of 50 or better) progress on recommendations on wages and wage-setting.

**France** received recommendations in all categories. It made the least amount of progress on recommendations to reform its unemployment benefit system and shifting taxes from labour to consumption. Of the 20 recommendations where it made 'some' or 'substantial' progress, 11 were subject to the MIP. Most of the progress was therefore made in the years 2015-16.

**Germany** made no to limited progress on most of its recommendations, and the least amount of progress was made in improving worker transitions away from mini-jobs to standard employment. The category where most progress was made was wages and wage-setting, perhaps thanks to recommendations here having the intent of getting wages to rise instead of fall.

**Italy** made the most progress on recommendations subject to the MIP, all of which received implementation scores of 50 ('some' progress) and, somewhat surprisingly, on wage-setting. Most of the recommendations seeing limited progress were related to improving incentives for labour market participation of women, and active labour market policies.

**Luxemburg** basically only made progress on recommendations to address youth unemployment. Of its five recommendations to reform the wage-setting system, three were not implemented at all, and two saw only limited progress in implementation.

**Malta**, which received the fewest recommendations of all the member states in the sample and none in 2015 or '16, made no progress whatsoever on recommended reforms to its wage-bargaining system. Recommendations where follow-up did occur were all related to improving labour market participation.

**Slovakia** only received recommendations in the ALMP and ITW categories, particularly designed to improve labour market participation of youths, minorities, and women. Recommendations in later years saw more progress in implementation than in earlier years.

**Slovenia** made little progress in implementing recommendations until subject to the MIP in 2013 and '14 (although the MIP for Slovenia was related to its financial system, not its employment law). Further reforms followed in 2015. The most frequently issued recommendation was to address the problem of the parallel labour market by reforming employment law, which in the end was fully addressed.

**Spain** received the most recommendations of all the member states, with more than half of them being related to ALMPs. Other than recommendations to shift taxes away from labour towards consumption and environmental taxation, all the recommendations received some degree of follow-up. The categories where most progress was made in implementation were employment protection legislation and wages and wage-setting, thanks to a large-scale labour reform package adopted in 2012. It is dubious whether that reform can be connected to the European Semester process though.

**The Netherlands** generally made good progress in implementing recommendations, except where the protection of self-employed workers or its wage-setting system were involved. Recommendations to remove labour market 'rigidities' were addressed, subsequent recommendations to effectively improve employment protections were not.

From this analysis, it is clear that, as expected, the effect of the European Semester process has been different across the member states, and also across policy areas. Some member states also saw significantly different implementation rates of the recommendations in different years, suggesting that domestic politics may play a role in the implementation as well as the compatibility of domestic institutions with the recommendations. The results however do not give reason to believe that the European Commission can propose employment policies and expect them to be faithfully implemented by the member states.

## 5 Conclusion

### 5.1 Has the European Semester contributed to more Europeanisation?

This thesis has looked at the research question of to what extent the introduction of the European Semester has led to a further Europeanisation of employment policy in the EU by means of analysing the implementation of European Semester recommendations by the member states. The theoretical framework suggested that the European Semester could be analysed as a source of top-down Europeanisation pressures emanating from the European level to the level of the member states. These pressures, possibly intermediated by the shadow of hierarchy of hard law economic governance procedures, then could lead to the adoption of policies suggested by EU institutions by the member states, again possibly depending on the level of fit with member state institutions and policies. Failing that, member state actors might at least be empowered to use this European economic governance framework to push their own preferred reforms, provided that these matched overall EU employment policy as contained in the BEPG and Integrated Guidelines.

The investigation of this research question was conducted through the analysis of a temporal sequence, namely the effect of the European Semester from the beginning to the end of the research period through the three subquestions. These subquestions show that at its introduction, the effect of the European Semester was that based on the limited data, member states did not see themselves as overly pressured by it. Implementation of the recommendations was slow and patchy. Over the further course of the Semester though, member states made more progress in implementing the recommendations, although the degree to which they did so varied widely over the member states. Notable examples here are the very limited degree of implementation of the recommendations here in Germany and Luxemburg, while member states like Spain and Italy in particular implemented much more extensively reforms that were suggested through the European Semester. There is also some evidence for correlation between the presence of the hierarchical Macroeconomic Imbalance Procedure and more progress in implementing recommendations when member states had been determined to suffer from excessive imbalances and thus at risk of sanctions. However, by the end of the research period, member states had made clear that they were not interested in having their employment policy micromanaged by the European Commission and that they did not wish the MIP to be used as a tool to strengthen the influence of supranational institutions. This was reflected in a smaller number of CRSs ultimately being adopted, which in turn contained fewer recommendations, and the implementation of which showed no more progression than in earlier years. As such, it can be concluded that by the end of the research

period, the European Semester had about reached its limits with regard to how far it could promote further top-down Europeanisation.

This limit is also illustrated through the analysis of the European Commission and EMCO assessments of the implementation of the recommendations. The theme that emerges in these documents is that member states do not demonstrate 'ownership' of the recommendations, and that moreover the recommendations frequently do not figure into the 'social dialogue' in the member states: employer organisations and labour unions are not consulted, and labour unions in particular are, when consulted at EMCO level, generally unhappy with the agenda of wage moderation and competitiveness embodied in the recommendations. Also, despite some changes in the organisation of the Semester to allow for more time for discussion with national parliaments and the European Parliament, parliaments do not get enough involvement in the process. Thus, recalling Radaelli's definition that Europeanisation means that European policies and politics should be incorporated in the logic of domestic discourse, identities, political structures and public policies, Europeanisation is not really taking place. The European Semester then appears to be a technocratic process far removed from the average citizen, lacking the legitimacy of inputs, and arguably also of outputs since its broad policy agenda of wage moderation and flexibilisation of the labour market lacks public support. This cannot be compensated for by the limited improvements in labour market functioning that it may have contributed to (as described in section 4.4).

## 5.2 What are the implications of the conclusion for the theory discussed?

These conclusions have various implications for the literature reviewed thus far, and for the theoretical framework of this thesis. Perhaps most importantly, the 'institutional compliance' mechanism of Europeanisation suggested by Knill and Lehmkuhl (2002) does not appear to fit the European Semester very well. As discussed in this conclusion, member states do not quickly or fully implement recommendations, if at all. The limited number of observations for recommendations issued under the MIP do appear to suggest that member states are somewhat more likely to implement those recommendations, though not by enough to validate the expectations of Bekker and Klosse (2013) that sovereignty transfer might take place through the back door of economic governance (however, Efsthathiou and Wolff (2018) in their broader analysis of all recommendations issued found no significant difference in implementation between MIP-relevant recommendations and other recommendations, so this result might be an artefact of the more limited scope and dataset of this research).

Similarly, the expectation of Dawson (2015) that 'asymmetric sovereignty transfer' might take place in the smaller countries as a result of the European Semester does not appear to have

come true either, or at least not in the field of employment policy. This may be explained by the fact that after the end of his research period, member states challenged the Commission to reduce the number and import of the recommendations issued, and implicitly 'took back control' themselves.

The same development also falsifies the prediction of Costamagna (2013) that the Semester allows EU institutions to exercise quasi-normative functions in the field of social policy beyond the limits envisaged by the Treaties. The same might be said of that of Dehousse (2016) who discussed the evolution of the Semester as a 'hardening' of EU regulation in key areas in ways that buttressed the influence of the Commission. However, the possibility cannot be excluded that member states spotted the same developments as authors like those mentioned here or Graziano and Halpern (2016) did, and deliberately put a stop to the expanding influence of the Commission, the broad and deep reach of the Semester recommendations, or the blurring of distinctions between 'hard' and 'soft' law. The results then seem to hew closer to the conclusions of de la Porte and Heins (2015) that despite increasing interaction between hard law instruments and some soft law instruments of social and labour market policy coordination, the enforcement capacity of the Europe 2020 CSRs itself is weak due to the lack of sanctions.

Insufficient central control capacity however may not by itself explain the limited implementation of the recommendations. After all, member states themselves may help shape the recommendations, or recommendations may be convenient for them because of shared ideology or economic ideas between the member state governments and the Commission. A different explanation is offered by the authors pointing out the lack of legitimacy of the European Semester, notably Dawson (2015) as well as Hallerberg, Marzinotto et al. (2011) earlier on. As reflected in the multilateral surveillance examinations, the Semester by itself left too little time for national dialogue, and even after reforms to leave more time for that did not involve the social partners enough. As such, it never left room to create a consensus for policy change in the member states. The involvement of national actors might just have led to better implementation of the recommendations, but also of better-targeted reforms more suitable to the member states. This finding then reconfirms what Thimann (2015) argued.

In the absence of legitimacy, the only other mechanism outside of the 'shadow of hierarchy' created by the eurozone sovereign debt crisis for member states to implement reforms is when the recommendations fit the policy preferences of member state governments and the member state's political institutions allow that government to force through its preferences without the consent of the social partners (this for one appears to have happened in the case of the Spanish labour market reforms of 2012). Thus, policy fit and institutional fit remain important. This may also explain the differences between the member states in what kind of recommendations get implemented exactly discussed in the previous section. Alternatively, it might be that, as per the suggestion of Mastebroek and Kaeding (2006), policymakers can

strategically deploy European policy frames (or in this case, subpart recommendations) to gain support for their implementation, and thus overcome problems of fit. Since the analysis here is conducted at the aggregate level and not at the level of the member state, no conclusion on this issue can be drawn on the basis of this research.

The legitimacy problem may in part be addressed through the mechanism of National Productivity Boards adopted by the end of the research period. This also addresses Thimann (2015)'s point that the Commission lacks the deep knowledge of member state economies to be in a position to recommend appropriate reforms that are correctly sequenced and which the member state has the capacity to implement correctly. If the impetus for reforms comes from national institutions in possession of expert knowledge, reforms might be more easily accepted.

That also leads to the final explanation for the relative failure of the employment policy recommendations, which is that they are economically unsound. As well as being perhaps microeconomically not always correct, all of the recommendations have been issued in the context of strict limits on government deficits, limiting the ability of member state governments to invest in e.g. childcare or the public employment and social services. More importantly, the more important role of the Stability and Growth Pact in member state economies may have led to fiscal drag on member state economies and thus had a far more negative effect on employment levels than any of the policies proposed by the European Semester could possibly hope to fix. Therefore, while the goal of the European Semester was that economic policies should be considered together so that their interactions could be understood and taken into account by policymakers, in practice the varying goals of fiscal discipline and labour market reforms may have operated at cross-purposes.

This can also be said about the objective of improving member states' competitiveness. where improvements in one state automatically make other member states less competitive, leading to an ever-present need for further internal devaluations and wage moderation. The promotion of competitiveness as a policy objective thus is internally contradictory. More involvement from actors outside the government, national and European parliaments might prevent the adoption of unsuitable policy objectives and thus lead to better functioning of the European Semester.

### 5.3 What do the research results suggest for further research?

This research has looked strictly at employment policy euro area member states that did not need financial assistance during the course of the sovereign debt crisis. The sample of member states included consisted mostly of 'core' EU countries that were members for a long time, with Eastern Europe and the Baltics represented by only three member states in the sample. Thus, to replicate and extend its findings, it might be interesting to repeat this study with member states outside of the Eurozone. The question is then if compliance would be systematically different in member states that are not euro members. The same question could be asked of member states that were subject to a MoU but have exited their bailout program; concretely Portugal, Ireland, and Cyprus, but also for Greece the question of how to encourage reform to make its labour market function better is very relevant. A further possibility is to connect the progress in implementation of recommendations to the political colour of governments in the member states. This way, it can also be tested whether and how political fit matters. A test for the relevance of institutional fit might be to connect the results to theories of institutional models, such as the Varieties of Capitalism approach of Hall and Soskice (2001) or the Worlds of Welfare capitalism approach pioneered by Esping-Andersen (1990).

For replication, further research might also be conducted into the extent of implementation of recommendations in the fields of education-, pensions and social policy. Implementation of the European Semester recommendations could also be studied in a (comparative) case study at the member state level. This might involve studying parliamentary documents in member state to see whether reference is made to recommendations, or content analysis for media stories on EU objectives to see whether EU recommendations appear in the public debate at all, or are mostly relevant to epistemic communities of employment policy experts.

The more important question this research has thrown up is in what ways the legitimacy of the EU could be improved, or whether there are alternative ways in which the EU can get member states to implement its objectives. The level of Europeanisation occurring in the member states clearly varies, and may not even be constant over time. Support for the EU shrinks when its policies are ineffective, and that is definitely the case if they cannot address enduringly high unemployment. Thus, further research is needed into ways to increase the effectiveness of the EU's economic policies, and to find out whether the policies of the Stability and Growth Pact may not have contributed to the EU's lack of popularity in some member states. It is plausible that the period of prolonged high unemployment, lack of job security, and, until recently, stagnating real wages are closely connected to the rise in populism in many EU member states. This research may also be used for further reforms of the Europe 2020 strategy, which is due for an update soon.

## 5.4 How should the European Semester be reformed?

EU institutions themselves are well aware of the need for reforms of the European Semester and the broader economic governance system after the crisis of the euro. The Five Presidents' Report of EU officials published in 2015 suggested among others that employment and social performance should receive more attention, while the structure of the Semester should be adjusted so that policy recommendations should be issued for the euro area as a whole before country-specific issues are discussed, so that the interaction of policies between member states gets more effect. For many aspects of employment policy however this is not really a fix since there is no real reason to believe that differing systems of active labour market policy provision or childcare provision interact between member states, though wage levels do. The Five Presidents' Report also suggests more parliamentary consultation and debate with national and European Parliaments to improve legitimacy. Broadly speaking though these proposals suggest that the current procedures are mostly suitable but should be implemented better.

A further reflection paper by EU Commissioners Dombrovskis and Moscovici (Commission 2017) essentially repeats the recommendations of the Five Presidents' Report but adds the suggestion of a closer link between the yearly process of the European Semester and a more multi-annual approach to reforms of national governments. As has become clear in this research, it is not enough to look at developments in a single year and, according to Dombrovskis and Moscovici, a multi-year approach could provide "a clear picture of persisting divergences as well as the means to ensure proper re-convergence". Another suggestion is to create a stronger link between the Semester Recommendations and the use of the European Structural and Investment (ESI) Funds to create financial incentives. It is questionable however whether the ongoing problems of legitimacy are really addressed by financial incentives. Member states cannot be expected to maintain 'ownership' of reforms that they did not propose, but are merely nudged into making.

A reform that has been introduced was suggested earlier by Darvas and Leandro (2015), who proposed "*the establishment of a euro-area system of competitiveness authorities, composed of independent national councils (...) to assess wage and productivity developments and economic reforms to foster competitiveness, while their European network should help to exploit their synergies.*" This system has been adopted and member states have until March 2018 to set up or to name national institutions responsible for growth and competitiveness, known as National Productivity Boards. In the Netherlands, this role will be filled by the CPB.

The assessment of Efstathiou and Wolff (2018) also deserves attention. They also found that member states do not fully implement CSRs, and implementation has not gotten better over time. They find no special influence for MIP recommendations, and instead of the presence of hard law recommendations leading to a shadow of hierarchy in which member states feel



compelled to also implement 'soft law' recommendations, they find that the intent of CSRs is diluted when 'soft' recommendations on education and childcare are included alongside MIP-relevant recommendations and therefore CSRs as a whole are taken less seriously. They argue that the effectiveness of European Semester as a whole should be reconsidered, and that it is perhaps better to focus on (in their opinion) truly important recommendations on macroeconomic imbalances, and abandon the recommendations that are 'nice to have', such as those calling for better child care. The more limited ambition also solves the problem that member states find their sovereignty threatened when the European Commission overreaches with the scope of its recommendations.

Another useful recommendation by Efstathiou and Wolff is that “ *the European Commission needs to improve its communication so that the CSRs are clearly visible and understandable in national debates. The current form of CSRs makes for barely-digestible documents. More streamlined and understandable communication would be useful.*” The structure of the CSRs is indeed opaque and there is no clear logic in including multiple subparts in single Recommendations except perhaps to keep down their overall number. The amount of documents necessary to consult to become both informed about the contents of European Semester Recommendations and their implementation also is such that it easily defies any media attention that it might attract. Finally, there should be no need for external researchers to be forced into coding and categorising the recommendations when the Commission has also done this work itself. The Commission's evaluation database therefore should become public. This may also engender more debate about the role of the recommendations and strengthen the shaming mechanism of the soft law recommendations when member states do not implement them.

The conclusion on European Semester reform from this thesis is that the ambition of the European Semester and the Europe 2020 strategy should be scaled back and the architects of the economic governance system should abandon the illusion that economic policy can be dictated from the top down. This is in agreement with Efstathiou and Wolff's point that the Semester should focus primarily on macroeconomic imbalances, while other reforms can be addressed domestically, with the EU instead used as a forum for policy learning instead. If the European Semester has an agenda at all, it should not be a self-defeating focus on competitiveness that can only lead to a race to the bottom in terms of wage levels and worker protections, and it should not involve recommending measures that member states are unlikely to implement because they are still required to improve their budget balances. In the opinion of the author, both legitimacy and effectiveness of the Semester can be improved through the adoption of a social investment agenda which invest in workers and in social safety nets, which should result both in better buy-in for reform from domestic constituencies and improve the macroeconomic stabilisation function that any economic governance system should have.

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## Appendices

### Recommendations for 2011

Member State	Year	Recommendation text	Type	Score
Austria	2011	reduce, in a budgetary neutral way, the effective tax and social security burden on labour, especially for low- and medium-income earners;	ITW	0
Austria	2011	including improving the availability of care services and all-day school places to increase the options for women to work full-time	ITW	25
Austria	2011	and reducing the high gender pay gap	WWS	25
Belgium	2011	preventing early exit from the labour market in order to markedly increase the effective retirement age	ITW	25
Belgium	2011	Take steps to reform, in consultation with the social partners and in accordance with national practice, the system of wage bargaining and wage indexation,	WWS	0
Belgium	2011	Improve participation in the labour market by reducing the high tax and social security burden for the low-paid in a budgetary neutral way	ITW	0
Belgium	2011	introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. T	UB	50
Belgium	2011	Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups.	ALMP	25
Estonia	2011	Take steps to support labour demand and to reduce the risk of poverty, by reducing the tax and social security burden in a budgetary neutral way, a	ITW	25
Estonia	2011	as well as through improving the effectiveness of active labour market policies, including by targeting measures on young people and the long-term unemployed, especially in areas of high unemployment.	ALMP	25
Finland	2011	Target active labour market measures better on the long-term unemployed and young people.	ALMP	50
Finland	2011	Take measures to improve the employability of older workers and their participation in lifelong learning	ALMP	25
Finland	2011	Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age.	ITW	25
France	2011	Undertake renewed efforts, in accordance with national practices of consultation with the social partners, to combat labour market segmentation by reviewing selected aspects of employment protection legislation	EPL	25

France	2011	ensure that any development in the minimum wage is supportive of job creation	WWS	75
France	2011	Encourage access to lifelong learning in order to help maintain older workers in employment and enhance measures to support return to employment.	ITW	25
France	2011	Step up active labour market policies and introduce measures to improve the organisation, decision-making, and procedures of the public employment service	ALMP	25
France	2011	Increase the efficiency of the tax system, including for example through a move away from labour towards environmental and consumption taxes,	ITW	0
Germany	2011	Enhance participation in the labour market by (...) taking further steps to reduce the high tax wedge in a budgetary neutral way	ITW	25
Germany	2011	and improve work incentives for persons with low income perspectives.	ITW	25
Italy	2011	Reinforce measures to combat segmentation in the labour market, also by reviewing selected aspects of employment protection legislation including the dismissal rules and procedures	EPL	50
Italy	2011	reviewing the currently fragmented unemployment benefit system taking into account the budgetary constraints.	UB	50
Italy	2011	Step up efforts to fight undeclared work.	ITW	0
Italy	2011	promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way.	ITW	25
Italy	2011	take further steps, based on the 2009 agreement reforming the collective bargaining framework and in consultation with the social partners in accordance with national practices (...) including clauses that could allow firm level bargaining to proceed in this direction	WWS	50
Luxemburg	2011	Take steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation	WWS	25
Malta	2011	Review and take the necessary steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation to ensure that wage growth better reflects develop	WWS	0
The Netherlands	2011	Enhance participation in the labour market by reducing fiscal disincentives for second-income earners to work	ITW	50
The Netherlands	2011	draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.	ALMP	50

Slovakia	2011	Take steps to increase employment and to support labour demand for the low-skilled unemployed by reducing the tax wedge for low-paid workers.	ITW	0
Slovakia	2011	In addition, introduce measures to improve the administrative capacity of public employment services with a view to improving targeting, design and evaluation of active labour market policies, especially for the young and long-term unemployed.	ALMP	0
Spain	2011	Explore the scope for improving the efficiency of the tax system, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans	ITW	0
Spain	2011	complete the adoption and proceed with the implementation of a comprehensive reform of the collective bargaining process	WWS	50
Spain	2011	and (proceed with the implementation of) the wage indexation system	WWS	25
Spain	2011	and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.	WWS	25
Spain	2011	Assess, by the end of 2011, the impacts of the labour market reforms of September 2010 accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation	EPL	50
Spain	2011	and of the reform of active labour market policies to improve employment opportunities for young people	ALMP	50
Slovenia	2011	Increase the employment rate of older workers through later retirement, and by further developing active labour market policies and lifelong learning measures.	ALMP	0
Slovenia	2011	Take steps, in consultation with the social partners and in accordance with national practices, to reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts.	EPL	0
Slovenia	2011	Renew efforts to tackle the parallel labour market resulting from 'student work'	EPL	25
Slovenia	2011	Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve the matching of skills with labour market needs	ALMP	0

## Recommendations for 2012

Member State	Year	Recommendation text	Type	Score
Austria	2012	enhance older workers' employability	ALMP	50
Austria	2012	Take steps to reduce the effective tax and social security burden on labour especially for low income earners	ITW	0
Austria	2012	Reduce the high gender pay gap	WWS	0
Austria	2012	enhance full-time employment opportunities for women, in particular through the provision of additional care services for dependants.	ITW	25
Belgium	2012	ensure that wage growth better reflects developments in labour productivity and competitiveness, by (i) ensuring the implementation of ex post correction mechanisms foreseen in the 'wage norm' and promoting all-in agreements to improve cost-competitiveness	WWS	25
Belgium	2012	facilitating the use of opt-out clauses from sectoral collective agreements to better align wage growth and labour productivity developments at local level.	WWS	0
Belgium	2012	Significantly shift taxes from labour to less growth-distortive taxes including for example environmental taxes.	ITW	0
Belgium	2012	Pursue the initiated reform of the unemployment benefit system to reduce disincentives to work and strengthen the focus of employment support and activation policies on older workers and vulnerable groups, in particular people with a migrant background	UB	50
Belgium	2012	Take advantage of the planned further regionalisation of labour market competencies to boost interregional labour mobility and to strengthen the coherence between education, lifelong learning, vocational training and employment policies.	ALMP	50
Belgium	2012	Extend existing activation efforts to all age groups.	ALMP	50
Estonia	2012	streamlining the social benefits system and increasing flexibility in the allocation of disability, unemployment and parental benefits, while ensuring adequate social protection	UB	25
Estonia	2012	Increase the participation of the young and the long-term unemployed in the labour market.	ALMP	25
Finland	2012	Implement the ongoing measures to improve the labour market position of young people and the longterm unemployed,	ALMP	75
Finland	2012	In order to strengthen productivity growth and external competitiveness,(...) while continuing to align wage and productivity developments fully respecting the role of social partners and in line with national practices.	WWS	0
France	2012	Introduce further reforms to combat labour market segmentation by reviewing selected aspects of employment protection legislation	EPL	50

France	2012	continue to ensure that any development in the minimum wage is supportive of job creation and competitiveness;	WWS	0
France	2012	Adopt labour market measures to ensure that older workers stay in employment longer	ITW	50
France	2012	improve youth employability especially for those most at risk of unemployment,	ITW	50
France	2012	step up active labour market policies and ensure that public employment services are more effective in delivering individualised support	ALMP	25
France	2012	Take further steps to introduce a more simple and balanced taxation system, shifting the tax burden from labour to other forms of taxation t	ITW	75
Germany	2012	Reduce the high tax wedge in a budgetary neutral way, in particular for low-wage earners	ITW	25
Germany	2012	maintain appropriate activation and integration measures, in particular for the long-term unemployed.	ALMP	0
Germany	2012	Create the conditions for wages to grow in line with productivity.	WWS	75
Germany	2012	Phase out the fiscal disincentives for second earners,	ITW	0
Italy	2012	Take further action to address youth unemployment (...) also through incentives for business start-ups and for hiring employees	ITW	25
Italy	2012	Adopt the labour market reform as a priority to tackle the segmentation of the labour market	EPL	50
Italy	2012	and establish an integrated unemployment benefit scheme	UB	50
Italy	2012	Take further action to incentivise labour market participation of women, in particular through the provision of childcare and elderly care.	ITW	25
Italy	2012	Monitor and if needed reinforce the implementation of the new wage setting framework in order to contribute to the alignment of wage growth and productivity	WWS	50
Italy	2012	Take further action to shift the tax burden away from capital and labour	ITW	25
Luxemburg	2012	Take further steps to reform, in consultation with the social partners and in accordance with national practice, the wage bargaining and wage indexation system, with a view to preserve the competitiveness of the Luxembourg economy in the longer term	WWS	25
Luxemburg	2012	Continue efforts to reduce youth unemployment by reinforcing stakeholders' involvement,	ALMP	25
Malta	2012	Take measures to increase the participation of older workers in the labour force	ITW	50

Malta	2012	Take the necessary further steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation, s	WWS	0
The Netherlands	2012	Enhance participation in the labour market, particularly of older people, women, and people with disabilities and migrants	ITW	0
The Netherlands	2012	including by further reducing tax disincentives for second-income earners,	ITW	50
The Netherlands	2012	fostering labour market transitions	UB	25
The Netherlands	2012	addressing rigidities	EPL	25
Slovakia	2012	Enhance the administrative capacity of public employment services with a view to improving the targeting, design and evaluation of active labour market policies to ensure more individualised employment services for the young, the long-term unemployed, older workers and women.	ALMP	50
Slovakia	2012	Ensure the provision of childcare facilities. Reduce the tax wedge for low-paid workers and adapt the benefit system.	ITW	0
Slovakia	2012	Adopt and implement the youth action plan,	ALMP	25
Slovakia	2012	Ensure labour market reintegration of adult (Roma) through activation measures and targeted employment services, secondchance education and short-cycle vocational training	ALMP	25
Spain	2012	underpin the Global Employment Strategy for Older Workers with concrete measures to develop lifelong learning further, improve working conditions and foster the reincorporation of this group in the job market.	ALMP	25
Spain	2012	: Introduce a taxation system consistent with the fiscal consolidation efforts and more supportive of growth, including a shift away from labour towards consumption and environmental taxation.	ITW	0
Spain	2012	Implement the 2012 labour market reforms	EPL	50
Spain	2012	Implement the 2012 labour market reforms	WWS	50
Spain	2012	additional measures to increase the effectiveness of active labour market policies	ALMP	50
Spain	2012	strengthening coordination between the national and regional public employment services,	ALMP	25
Spain	2012	Improve the employability of vulnerable groups	ALMP	25
Slovenia	2012	Increase the employment rate of older workers also by further developing active labour market policies and lifelong learning measures.	ALMP	0
Slovenia	2012	Adjust employment protection legislation as regards permanent contracts in order to reduce labour market segmentation, in consultation with social partners and in accordance with national	EPL	50

practices				
Slovenia	2012	Further tackle the parallel labour market caused by student work.	EPL	25
Slovenia	2012	Improve the matching of skills with labour market demand, particularly of lowskilled workers and tertiary graduates,	ALMP	50

## Recommendations for 2013

Member State	Year	Recommendation text	Type	Score
Austria	2013	further improve older workers' employability	ALMP	50
Austria	2013	Take new measures to increase the labour market participation of women, namely by further improving child care and long-term care services	ITW	50
Austria	2013	address the high gender pay and pension gaps.	WWS	25
Austria	2013	Reduce the effective tax and social security burden on labour for low-income earners in a budget-neutral way	ITW	25
Belgium	2013	To restore competitiveness, pursue the on-going efforts to reform the wage setting system, including wage indexation;	WWS	50
Belgium	2013	ensure that wage setting is responsive to productivity developments	WWS	0
Belgium	2013	provides automatic corrections when wage evolution undermines cost-competitiveness	WWS	0
Belgium	2013	Establish concrete and time-specific proposals for shifting taxes from labour to less growth-distorting tax bases,	ITW	25
Belgium	2013	Further reduce disincentives to work by ensuring effective enforcement of job-search requirements and personalised job search assistance for all unemployed	UB	50
Belgium	2013	Take measures to increase interregional labour mobility	ALMP	50
Belgium	2013	Simplify and reinforce coherence between employment incentives, activation policies, labour matching, education, lifelong learning and vocational training policies for older people and youth	ALMP	25
Belgium	2013	Develop comprehensive social-inclusion and labour market strategies for people with a migrant background.	ITW	25
Estonia	2013	Improve incentives to work by making the various existing social-benefit systems more consistent and by increasing the flexibility and targeting of benefit allocation.	ITW	50
Estonia	2013	Strengthen activation measures to facilitate the return to the labour market of the long-term unemployed and people receiving disability benefits and incapacity for work benefits.	ALMP	75
Finland	2013	Take further steps to increase the employment rate of older workers, including by improving their employability a	ALMP	25
Finland	2013	Implement and monitor closely the impact of on-going measures to improve the labour-market position of young people	ALMP	75
Finland	2013	and the long-term unemployed,	ALMP	50
Finland	2013	Support the alignment of real wage and productivity developments whilst fully respecting the role of social partners and in line with national practices.	WWS	75



France	2013	Ensure that the reduction in the labour cost resulting from the 'credit d'impôt compétitivité- emploi' yields the planned amount and that no other measure will offset its effect.	ITW	50
France	2013	Take further action to lower the cost of labour, in particular through further measures to reduce employer social security contributions, in association with the social partners.	ITW	50
France	2013	Ensure that developments in the minimum wage are supportive of competitiveness and job creation	WWS	50
France	2013	Take further action to combat labour-market segmentation, in particular to address the situation of interim agency workers.	EPL	50
France	2013	Launch urgently a reform of the unemployment benefit system in association with the social partners	UB	50
France	2013	Enhance the employment rate of older workers and stimulate their participation in the labour market.	ITW	25
France	2013	Ensure that public employment services effectively deliver individualised support to the unemployed and that active labour market policies effectively target the most disadvantaged.	ALMP	75
France	2013	Take further measures to improve the transition from school to work through, for example, a Youth Guarantee	ALMP	25
Germany	2013	Sustain conditions that enable wage growth to support domestic demand	WWS	50
Germany	2013	reduce high taxes and social security contributions,	ITW	25
Germany	2013	Maintain appropriate activation and integration measures, especially for the long-term unemployed	ALMP	25
Germany	2013	Facilitate the transition from non-standard employment such as mini-jobs into more sustainable forms of employment	EPL	25
Germany	2013	remove disincentives [to work] for second earners	ITW	25
Germany	2013	and further increase the availability of full-time childcare facilities and all-day schools.	ITW	25
Italy	2013	Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity (reform UB_	UB	50
Italy	2013	Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity (hire/fire legislation)	EPL	50
Italy	2013	Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity (collective bargaining change)	WWS	50
Italy	2013	Ensure the effective implementation of the labour market and wage setting reforms to allow better alignment of wages to productivity (reform of the PES)	ALMP	25
Italy	2013	Take further action to foster labour market participation, especially of women and young people, for example through a	ALMP	25

Youth Guarantee.				
Italy	2013	Reduce financial disincentives for second earners to work and improve the provision of care, especially child- and long-term care, and out-of-school services	ITW	25
Italy	2013	Shift the tax burden from labour and capital to consumption, property and the environment in a budgetary neutral manner.	ITW	50
Luxemburg	2013	Beyond the current freeze, take further structural measures, in consultation with the social partners and in accordance with national practices, to reform the wage-setting system,	WWS	0
Luxemburg	2013	Step up efforts to reduce youth unemployment by improving the design and monitoring of active labour market policies.	ALMP	50
Malta	2013	Take measures to increase the employment rate of older workers by finalizing and implementing a comprehensive active ageing strategy	ITW	50
Malta	2013	Continue supporting the improving labour-market participation of women by promoting flexible working arrangements, in particular by enhancing the provision and affordability of child-care and out-of-school centres.	ITW	75
The Netherlands	2013	Underpin the gradual increase of the statutory retirement age with measures to increase the employability of older workers	ALMP	75
The Netherlands	2013	Take further measures to enhance participation in the labour market, particularly of people at the margin of the labour market.	ALMP	50
The Netherlands	2013	Continue to reduce tax disincentives on labour, including by phasing-out of transferable tax credits for second income earners	ITW	50
The Netherlands	2013	Foster labour market transitions and address labour market rigidities, including by reforming employment protection legislation and the unemployment benefit system.	EPL	75
The Netherlands	2013	Foster labour market transitions and address labour market rigidities, including by reforming employment protection legislation and the unemployment benefit system.	UB	75
Slovakia	2013	Take measures to enhance the capacity of public employment services to provide personalised services to jobseekers and strengthen the link between activation measures and social assistance.	ALMP	25
Slovakia	2013	More effectively address long-term unemployment through activation measures and tailored training	ALMP	25
Slovakia	2013	Improve incentives for women employment, by enhancing the provision of childcare facilities, in particular for children below three years of age	ITW	0
Slovakia	2013	Reduce the tax wedge for low-paid workers and adapt the benefit system.	ITW	50

Slovakia	2013	Step up efforts to address high youth unemployment, for example through a Youth Guarantee.	ALMP	25
Spain	2013	Finalise the evaluation of the 2012 labour market reform covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013	EPL	50
Spain	2013	Finalise the evaluation of the 2012 labour market reform covering the full range of its objectives and measures by July 2013, and present amendments, if necessary, by September 2013	WWS	50
Spain	2013	Adopt the 2013 national Employment Plan by July 2013 and enact swiftly a result-oriented reform of active labour market policies, including by strengthening the targeting and efficiency of guidance.	ALMP	50
Spain	2013	Reinforce and modernise public employment services to ensure effective individualised assistance to the unemployed according to their profiles and training needs.	ALMP	25
Spain	2013	Fully operationalize the Single Job Portal and speed up the implementation of public-private cooperation in placement services to ensure its effective application already in 2013.	ALMP	25
Spain	2013	Implement and monitor closely the effectiveness of the measures to fight youth unemployment set out in the Youth Entrepreneurship and Employment Strategy 2013-2016, for example through a Youth Guarantee.	ALMP	50
Spain	2013	Adopt and implement the necessary measures to reduce the number of people at risk of poverty and/or social exclusion by reinforcing active labour market policies to improve employability of people further away from the labour market	ALMP	50
Slovenia	2013	Ensure that wage developments, including the minimum wage, support competitiveness and job creation	WWS	25
Slovenia	2013	Monitor closely the effects of the recent labour market reform and if necessary identify the areas where further action is needed to foster job creation and tackle segmentation, including through the regulation for student work	EPL	50
Slovenia	2013	Take further measures to increase the employment of young tertiary graduates, older persons and the low-skilled by focusing resources on tailor-made active labour market policy (ALMP) measures while improving their effectiveness.	ALMP	25

## Recommendations for 2014

Member State	Year	Recommendation text	Type	Score
Austria	2014	Reduce the high tax wedge on labour for low-income earners by shifting taxation to sources less detrimental to growth,	ITW	0
Austria	2014	Reinforce measures to improve labour market prospects of people with a (migrant background, women) and older workers	ALMP	50
Austria	2014	Reinforce measures to improve labour market prospects of people with a (migrant background), women and (older workers)	ALMP	25
Austria	2014	Reinforce measures to improve labour market prospects of people with a migrant background, (women and older workers)	ALMP	50
Austria	2014	This includes further improving childcare and long-term care services	ITW	50
Belgium	2014	Improve the balance and fairness of the overall tax system and prepare a comprehensive tax reform that will allow shifting taxes away from labour towards more growth friendly bases,	ITW	25
Belgium	2014	promoting active ageing,	ALMP	25
Belgium	2014	by stepping up efforts to reduce the gap between the effective and statutory retirement age, bringing forward the reduction of early-exit possibilities,	UB	75
Belgium	2014	Increase labour market participation, in Belgium has made some progress in addressing CSR 4: 68 particular by reducing financial disincentives to work,	ITW	50
Belgium	2014	increasing labour market access for disadvantaged groups such as the young and people with a migrant background,	ITW	25
Belgium	2014	strengthen partnerships of public authorities, public employment services and education institutions to provide early and tailor-made support to the young.	ALMP	25
Estonia	2014	Improve incentives to work through measures targeted at low income earners.	ITW	50
Estonia	2014	Target activation efforts by ensuring the timely adoption and implementation of the work capacity reform.	aLMP	50
Finland	2014	Improve the use of the full labour force potential in the labour market, including by improving the employment rate and the employability of older workers	ITW	50
Finland	2014	Improve the labour-market prospects of young people and the long-term unemployed	ALMP	50
France	2014	Ensure that the labour cost reduction resulting from the 'crédit d'impôt compétitivité emploi' is sustained.	ITW	75
France	2014	Further evaluate the economic impact of social security contribution exemptions	ITW	50
France	2014	Further reduce the cost of labour in a budget neutral way, namely at the lower end of the wage scale	ITW	25

France	2014	: Reduce the tax burden on labour and step up efforts to simplify and increase the efficiency of the tax system	ITW	50
France	2014	Take further action to combat labour-market rigidity,	EPL	25
France	2014	Take additional measures to reform the unemployment benefit system	UB	0
France	2014	Ensure that older workers benefit from adequate counselling and training and re-assess the relevant specific unemployment benefit arrangements with respect to their situation on the labour market.	ALMP	25
Germany	2014	reducing high taxes and social security contributions, especially for low-wage earners.	ITW	25
Germany	2014	When implementing the general minimum wage, monitor its impact on employment	WWS	50
Germany	2014	Improve the employability of workers (...) implementing more ambitious activation and integration measures in the labour market, especially for the long-term unemployed.	ALMP	25
Germany	2014	Take measures to reduce fiscal disincentives to work, in particular for second earners	ITW	25
Germany	2014	facilitate the transition from mini-jobs to forms of employment subject to full mandatory social security contributions.	EPL	0
Italy	2014	Further shift the tax burden from productive factors to consumption, property and the environment, in compliance with the budgetary targets.	ITW	50
Italy	2014	Evaluate, by the end of 2014, the impact of the labour market and wage-setting reforms on job creation, dismissals' procedures, labour market duality and cost competitiveness, and assess the need for additional action.	EPL	50
Italy	2014	Work towards a more comprehensive social protection for the unemployed	UB	50
Italy	2014	Strengthen the link between active and passive labour market policies, starting with a detailed roadmap for action by December 2014, and reinforce the coordination and performance of public employment services across the country	ALMP	50
Italy	2014	Adopt effective action to promote female employment, by adopting measures to reduce fiscal disincentives for second earners by March 2015 and providing adequate care services.	ITW	25
Italy	2014	Provide adequate services across the country to non-registered young people a(...)in line with the objectives of a youth guarantee	ALMP	25
Luxemburg	2014	Speed up the adoption of structural measures, in consultation with the social partners and in accordance with national practices, to reform the wage setting system	WWS	0

		Pursue efforts to reduce youth unemployment for low-skilled jobs seekers, including those with a migrant background, through a coherent strategy, including by further improving the design and monitoring of active labour market policies	ALMP	50
Luxemburg	2014			
Luxemburg	2014	youth unemployment reducing financial disincentives to work	ITW	0
		Further improve the labour-market participation of women, in particular those wishing to re-enter the labour market by promoting flexible working arrangements.	ITW	50
Malta	2014			
The Netherlands	2014	Underpin the gradual increase of the statutory retirement age with measures to improve the employability of older workers	ALMP	100
The Netherlands	2014	Take further measures to enhance labour market participation particularly among people at the margins of the labour market	ALMP	75
The Netherlands	2014	and to reduce tax disincentives on labour	ITW	50
The Netherlands	2014	Implement reforms of employment protection legislation	EPL	50
The Netherlands	2014	and the unemployment benefit system,	UB	50
The Netherlands	2014	In consultation with the social partners and in accordance with national practice, allow for more differentiated wage increases by making full use of the existing institutional framework.	WWS	0
Slovakia	2014	More effectively address long-term unemployment through activation measures	ALMP	25
		Enhance the capacity of public employment services for case management, personalised counselling and activation of jobseekers, and strengthen the link between activation and social assistance.	ALMP	25
Slovakia	2014	Effectively tackle youth unemployment by improving early intervention, in line with the objectives of a youth guarantee.	ALMP	50
Slovakia	2014	Improve incentives for women's employment, by enhancing the provision of childcare facilities	ITW	25
		Adopt by the end of 2014 a comprehensive tax reform to make the tax system simpler and more conducive to growth and job creation (...) To that end, shift revenues towards less distortive taxes,	ITW	50
Spain	2014			
Spain	2014	Pursue new measures to reduce labour market segmentation to favour sustainable, quality jobs, for instance through reducing the number of contract types and ensuring a balanced access to severance rights	EPL	25
Spain	2014	Continue regular monitoring of the labour market reforms	WWS	50
Spain	2014	Continue regular monitoring of the labour market reforms	EPL	50
Spain	2014	Promote real wage developments consistent with the objective of creating jobs.	WWS	50

Spain	2014	Strengthen the job-search requirement in unemployment benefits	ALMP	50
Spain	2014	Enhance the effectiveness and targeting of active labour market policies, including hiring subsidies, particularly for those facing more difficulties in accessing employment	ALMP	50
Spain	2014	Accelerate the modernisation of public employment services to ensure effective personalised counselling, adequate training and job-matching, with special focus on the long-term unemployed.	ALMP	25
Spain	2014	Ensure the effective application of public-private cooperation in placement services before the end of 2014, and monitor the quality of services provided	ALMP	50
Spain	2014	Ensure the effective functioning of the Single Job Portal and combine it with further measures to support labour mobility.	ALMP	75
Spain	2014	Implement the 2013-2016 Youth Entrepreneurship and Employment Strategy and evaluate its effectiveness.	ALMP	50
Spain	2014	Provide good quality offers of employment, apprenticeships and traineeships for young people and improve the outreach to nonregistered unemployed young people, in line with the objectives of a youth guarantee	ALMP	25
Spain	2014	boost, among the Public Administrations responsible for the minimum income schemes, streamlined procedures to support transitions between minimum income schemes and the labour market	ALMP	25
Slovenia	2014	Following consultation with social partners and in accordance with national practices, develop a comprehensive Social Agreement by the end of 2014 ensuring that wage developments, including the minimum wage, support competitiveness, domestic demand and job creation. Redefine the composition of the minimum wage and review its indexation system.	WWS	50
Slovenia	2014	Take measures for further decreasing segmentation, in particular addressing the efficiency of incentives for hiring young and older workers and the use of civil law contracts	EPL	50
Slovenia	2014	Adopt the Act on Student Work.	EPL	100
Slovenia	2014	Prioritise outreach to non-registered young people ensuring adequate public employment services capacities.	ALMP	50
Slovenia	2014	To increase employment of low-skilled and older workers, adapt the working environment to longer working life and focus resources on tailor-made active labour market policy measures, while improving their effectiveness	ALMP	25



## Recommendations for 2015

Member State	Year	Recommendation text	Type	Score
Austria	2015	Strengthen measures to increase the labour market participation of older workers and( women,)	ALMP	50
Austria	2015	Strengthen measures to increase the labour market participation of (...) women, including by improving the provision of childcare (and long-term care services)	ITW	25
Austria	2015	Strengthen measures to increase the labour market participation of (...) women, including by improving the provision of (childcare and) long-term care services)	ITW	25
Belgium	2015	Adopt and implement a comprehensive tax reform broadening the tax base, shifting the tax burden away from labour	ITW	50
Belgium	2015	Improve the functioning of the labour market by reducing financial disincentives to work, increasing labour market access for specific target groups	ITW	50
Belgium	2015	Restore competitiveness by ensuring, in consultation with the social partners and in accordance with national practices, that wages evolve in line with productivity.	WWS	25
Estonia	2015	Improve labour market participation, including by implementing the Work Ability reform.	ALMP	50
Estonia	2015	Improve incentives to work through measures targeting low-income earners.	ITW	50
Estonia	2015	Take action to narrow the gender pay gap	WWS	25
Finland	2015	Pursue efforts to improve the employability of young people, older workers and the long-term unemployed	ALMP	50
Finland	2015	Pursue efforts to improve the employability of older workers	ITW	50
Finland	2015	Promote wage developments in line with productivity fully respecting the role of the social partners and in accordance with national practices	WWS	50
France	2015	Ensure that the labour cost reductions stemming from the tax credit for competitiveness and employment and from the responsibility and solidarity pact are sustained	ITW	75
France	2015	Reform in consultation with the social partners and in accordance with national practices, the wage-setting process to ensure that wages evolve in line with productivity	WWS	50
France	2015	Ensure that minimum wage developments are consistent with the objectives of promoting employment and competitiveness.	WWS	25
France	2015	Reform the labour law to provide more incentives for employers to hire on open-ended contracts.	EPL	25
France	2015	Facilitate take up of derogations at company and branch level from general legal provisions, in particular as regards working	WWS	25



		time arrangements		
France	2015	Reform the law creating the accords de maintien de l'emploi by the end of 2015 in order to increase their take-up by companies.	EPL	50
France	2015	Take action in consultation with the social partners and in accordance with national practices to reform the unemployment benefit system	UB	25
Germany	2015	Take measures to reduce high labour taxes and social security contributions, especially for low wage earners, and address the impact of fiscal drag	ITW	25
Germany	2015	Revise the fiscal treatment of mini-jobs to facilitate the transition to other forms of employment.	EPL	0
Italy	2015	Adopt the legislative decrees on the design and use of wage supplementation schemes, the revision of contractual arrangements,	ITW	100
Italy	2015	and the strengthening of active labour market policies	ALMP	75
Italy	2015	Promote, in consultation with the social partners and in accordance with national practices, an effective framework for second-level contractual bargaining.	WWS	25
Luxemburg	2015	Reform the wage-setting system, in consultation with the social partners and in accordance with national practices, with a view to ensuring that wages evolve in line with productivity, in particular at sectoral level.	WWS	0
Malta	2015	No relevant recommendations	NONE	
The Netherlands	2015	No relevant recommendations	NONE	
Slovakia	2015	Take additional measures to address long term unemployment by improving activation measures, second chance education and introducing high-quality training tailored to individuals' needs.	ALMP	25
Slovakia	2015	Improve the incentives for women to remain in or return to employment by improving the provision of childcare facilities.	ITW	50
Spain	2015	Promote the alignment of wages and productivity, in consultation with the social partners and in accordance with national practices	WWS	50
Spain	2015	Take steps to increase the quality and effectiveness of job search assistance and counselling, including as part of tackling youth unemployement	ALMP	50
Spain	2015	Streamline minimum income and family support schemes and foster regional mobility.	ITW	50
Slovenia	2015	Review, in consultation with the social partners and in accordance with national practices, the mechanism for setting the minimum wage, and in particular the role of allowances, in light of the impact on in-work poverty, job creation and competitiveness.	WWS	50

Slovenia	2015	Increase the employability of low skilled and older workers. Take measures to address long term unemployment	ALMP	50
Slovenia	2015	provide adequate incentives to extend working lives	ITW	50

## Recommendations for 2016

Member State	Year	Recommendation text	Type	Score
Austria	2016	Improve the labour market participation of women.	ITW	50
Belgium	2016	Ensure that wages can evolve in line with productivity.	WWS	75
Belgium	2016	Ensure the effectiveness of labour market activation policies.	ALMP	50
Estonia	2016	Adopt and implement measures to narrow the gender pay gap, including those foreseen in the Welfare Plan.	WWS	25
Finland	2016	While respecting the role of social partners, ensure that the wage setting system enhances local wage bargaining and removes rigidities, contributing to competitiveness and a more export industry-led approach.	WWS	75
Finland	2016	Increase incentives to accept work	UB	50
Finland	2016	ensure targeted and sufficient active labour market measures, including for people with a migrant background.	ALMP	50
France	2016	· Ensure that the labour cost reductions are sustained	ITW	75
France	2016	and that minimum wage developments are consistent with job creation and competitiveness.	WWS	50
France	2016	Reform the labour law to provide more incentives for employers to hire on open-ended contracts.	EPL	75
France	2016	· By the end of 2016, take action to reform the unemployment benefit system in order to bring the system back to budgetary sustainability and to provide more incentives to return to work.	UB	0
Germany	2016	reduce disincentives to work for second earners.	ITW	0
Germany	2016	Reduce the high tax wedge for low-wage earners...	ITW	25
Germany	2016	facilitate the transition from mini-jobs to standard employment.	EPL	0
Italy	2016	- Shift the tax burden from productive factors onto consumption and property.	ITW	50
Italy	2016	Implement the reform of active labour market policies, in particular by strengthening the effectiveness of employment services.	ALMP	50
Italy	2016	- Facilitate the take-up of work for second earners.	ITW	25
Luxemburg	2016	No relevant recommendations	NONE	
Malta	2016	No relevant recommendations	NONE	
The Netherlands	2016	Tackle remaining barriers to hiring staff on permanent contracts and facilitate the transition from temporary to permanent contracts.	EPL	0
The Netherlands	2016	Address the high increase in self-employed without employees,	EPL	25
The Netherlands	2016	including by reducing tax distortions favouring self-employment,	ITW	0

Slovakia	2016	Improve activation measures for the long-term unemployed and other disadvantaged groups, including individualised services and targeted training.	ALMP	50
Slovakia	2016	Facilitate the employment of women, in particular by extending the provision of affordable, quality childcare.	ITW	50
Spain	2016	Take further measures to improve labour market integration, by focusing on individualised support and strengthening the effectiveness of training measures.	ALMP	50
Spain	2016	Enhance the capacity of regional employment services and reinforce their coordination with social services.	ALMP	50
Slovenia	2016	In consultation with social partners, increase the employability of low-skilled and older workers, including through targeted lifelong learning and activation measures	ALMP	25

## Implementation Progress Coding 2011

Member State	Year	Recommendation text	Type	Score	response
Austria	2011	reduce, in a budgetary neutral way, the effective tax and social security burden on labour, especially for low- and medium-income earners;	ITW	0	Finally, instead of shifting the burden away from labour taxation to consumption and property taxes, the latest 27 drop-out. consolidation package has in fact increased the tax burden on labour for some groups.
Austria	2011	including improving the availability of care services and all-day school places to increase the options for women to work full-time	ITW	25	Steps have been taken to improve the situation of women in the labour market by extending care services as well as by introducing measures to raise awareness of the substantial gender pay gap in Austria. However, the measures are not commensurate with the existing challenges.
Austria	2011	and reducing the high gender pay gap	WWS	25	Steps have been taken to improve the situation of women in the labour market by extending care services as well as by introducing measures to raise awareness of the substantial gender pay gap in Austria. However, the measures are not commensurate with the existing challenges.
Belgium	2011	preventing early exit from the labour market in order to markedly increase the effective retirement age	ITW	25	Although the federal government has already tabled several initiatives in this regard, not all have been 27 implemented and the magnitude of the challenge requires sustained efforts in coming years.
Belgium	2011	Take steps to reform, in consultation with the social partners and in accordance with national practice, the system of wage bargaining and wage indexation,	WWS	0	Belgium has not implemented the recommendation.
Belgium	2011	Improve participation in the labour market by reducing the high tax and social security burden for the low-paid in a budgetary neutral way	ITW	0	No real progress has been made as far as rebalancing of the tax burden away from labour to consumption or to environmental taxes is concerned,

Belgium	2011	introducing a system in which the level of unemployment benefits decreases gradually with the duration of unemployment. T	UB	50	The coalition agreement of the new federal government contains a number of measures in the various fields concerned, including reform of the unemployment system, improved activation policies for older workers and regionalisation of the social security reductions to target the less favoured groups in the various regional labour markets more effectively
Belgium	2011	Improve the effectiveness of active labour policies by targeting measures at older workers and vulnerable groups.	ALMP	25	See above
Estonia	2011	Take steps to support labour demand and to reduce the risk of poverty, by reducing the tax and social security burden in a budgetary neutral way	ITW	25	Estonia has partly implemented the CSR: a number of steps have been taken in the area of labour taxation. However, the rising take-up of disability and incapacityfor-work benefits has not been addressed
Estonia	2011	as well as through improving the effectiveness of active labour market policies, including by targeting measures on young people and the long-term unemployed, especially in areas of high unemployment.	ALMP	25	Efforts are being made to reduce the high unemployment, but long-term and youth unemployment are still high and skills levels are expected to become a bottleneck to growth.
Finland	2011	Target active labour market measures better on the long-term unemployed and young people.	ALMP	50	Finland has partially implemented the CSR (specific measures outlined in 2012 Country Report)
Finland	2011	Take measures to improve the employability of older workers and their participation in lifelong learning	ALMP	25	Finland has partially implemented the CSR (...) Underpinning pension reforms by implementing measures in work places and labour markets remains a challenge.

Finland	2011	Take further steps, in consultation with social partners and in accordance with national practices, to encourage older workers to stay in the labour market, by measures to reduce early exit and increase the effective retirement age.	ITW	25	Underpinning pension reforms by implementing measures in work places and labour markets remains a challenge. Lifelong learning measures could be targeted to ensure adequate provision for up-skilling to older workers.
France	2011	Undertake renewed efforts, in accordance with national practices of consultation with the social partners, to combat labour market segmentation by reviewing selected aspects of employment protection legislation	EPL	25	Limited reforms have been carried out to address labour market segmentation.
France	2011	ensure that any development in the minimum wage is supportive of job creation	WWS	75	The development of the minimum wage has been kept in line with inflation and the distance from the average wage has increased.
France	2011	Encourage access to lifelong learning in order to help maintain older workers in employment and enhance measures to support return to employment.	ITW	25	For senior workers, companies are required to implement an active age management plan. However, these plans generally lack ambition (...) modest impact
France	2011	Step up active labour market policies and introduce measures to improve the organisation, decision-making, and procedures of the public employment service	ALMP	25	The resources available to Pôle emploi are a strong constraint to the credibility of the objectives adopted (...) The 2012-2014 public employment service agreement, which provides for more individualised support for jobseekers and return to work targets, is a step in the right direction.

France	2011	Increase the efficiency of the tax system, including for example through a move away from labour towards environmental and consumption taxes,	ITW	0	No major move from labour towards environmental taxes has been proposed so far.
Germany	2011	Enhance participation in the labour market by (...) taking further steps to reduce the high tax wedge in a budgetary neutral way	ITW	25	Changes in the pension and long-term care contribution rates will only have a minor impact on the tax wedge, which remains high.
Germany	2011	and improve work incentives for persons with low income perspectives.	ITW	25	The impact of the increase in the income allowance in unemployment benefits is likely to be limited.
Italy	2011	Reinforce measures to combat segmentation in the labour market, also by reviewing selected aspects of employment protection legislation including the dismissal rules and procedures	EPL	50	The labour market reform presented by the government on 4 April, following consultations with the social partners, aims to comprehensively address the rigidities and asymmetries of employment protection legislation while moving towards a more integrated unemployment benefit scheme
Italy	2011	reviewing the currently fragmented unemployment benefit system taking into account the budgetary constraints.	UB	50	See above
Italy	2011	Step up efforts to fight undeclared work.	ITW	0	No key policies to fight undeclared work



Italy	2011	promote greater participation of women in the labour market, by increasing the availability of care facilities throughout the country and providing financial incentives to second earners to take up work in a budgetary neutral way.	ITW	25	limited support for female employment (e.g. fiscal incentives in the South)
Italy	2011	Take further steps, based on the 2009 agreement reforming the collective bargaining framework and in consultation with the social partners in accordance with national practices (...) including clauses that could allow firm level bargaining to proceed in this directio	WWS	50	A social partners' agreement was reached in June (...) Implementation of the agreement on collective bargaining will crucially depend on the behaviour of the social partners.
Luxemburg	2011	Take steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation	WWS	25	However, besides a possible modification of the reference index, the government has not announced any plans for a permanent revision of the wage-setting system to ensure that wage growth reflects developments in labour productivity and competitiveness.
Malta	2011	Review and take the necessary steps to reform, in consultation with social partners and in accordance with national practices, the system of wage bargaining and wage indexation to ensure that wage growth better reflects develop	WWS	0	The CSR has not been implemented yet. The government has undertaken a study of the impact of the wage indexation mechanism, but the results are not available yet.

Slovakia	2011	Take steps to increase employment and to support labour demand for the low-skilled unemployed by reducing the tax wedge for low-paid workers.	ITW	0	The recommendation has not been implemented
Slovakia	2011	In addition, introduce measures to improve the administrative capacity of public employment services with a view to improving targeting, design and evaluation of active labour market policies, especially for the young and long-term unemployed.	ALMP	0	No changes to the active labour market policy system have been adopted.
Slovenia	2011	Increase the employment rate of older workers through later retirement, and by further developing active labour market policies and lifelong learning measures.	ALMP	0	Slovenia has not implemented the CSR: no structural action was taken on long-term sustainability, and the policy agenda regarding older workers is incomplete.
Slovenia	2011	Take steps, in consultation with the social partners and in accordance with national practices, to reduce asymmetries in rights and obligations guaranteed under permanent and temporary contracts.	EPL	0	Slovenia has not implemented the CSR
Slovenia	2011	Renew efforts to tackle the parallel labour market resulting from 'student work'	EPL	25	However significantly higher charges (concession fees) for 'student work' were introduced

Slovenia	2011	Set up a system to forecast skills and competencies needed to achieve a responsive labour market. Evaluate the effectiveness of the public employment service, notably on career guidance and counselling services, to improve the matching of skills with labour market needs	ALMP	0	Slovenia has not implemented the CSR (...)The expert evaluation of the effectiveness of the public employment service is not yet finalised.
Spain	2011	Explore the scope for improving the efficiency of the tax system, for example through a move away from labour towards consumption and environmental taxes while ensuring fiscal consolidation plans	ITW	0	Measures adopted by Spain in this area are not in line with the recommendation
Spain	2011	complete the adoption and proceed with the implementation of a comprehensive reform of the collective bargaining process	WWS	50	The reform of collective bargaining adopted by the Government in February 2012 is a step in the direction advocated by the Council recommendations in this area is in line with Euro Plus Pact commitments made by Spain
Spain	2011	and (proceed with the implementation of) the wage indexation system	WWS	25	However, it is not yet clear whether this reform is ambitious enough to address the challenge. The Government needs strictly to monitor implementation of the reform,
Spain	2011	and to grant firms enough flexibility to internally adapt working conditions to changes in the economic environment.	WWS	25	In addition, the ultra-activity limit of two years is too long, and opt-out clauses might not be easy for SMEs to implement.

Spain	2011	Assess, by the end of 2011, the impacts of the labour market reforms of September 2010 accompanied, if necessary, by proposals for further reforms to reduce labour market segmentation	EPL	50	The reform is a step in the direction advocated by the recommendation. However, it is not yet clear whether the reform is ambitious enough to address the challenge
Spain	2011	and of the reform of active labour market policies to improve employment opportunities for young people	ALMP	50	The negative effect on employment might be offset by creating jobs using the new permanent contract for SMEs, particularly given the considerable hiring incentives. (...) The reform also relies too much on financial incentives for job creation that proved inefficient in the past.
The Netherlands	2011	Enhance participation in the labour market by reducing fiscal disincentives for second-income earners to work	ITW	50	With respect to reducing fiscal disincentives for second-income earners, the policy response is effective but could have been speeded up.
The Netherlands	2011	draw up measures to support the most vulnerable groups and help them to re-integrate within the labour market.	ALMP	50	The most significant measure concerning vulnerable groups is the intended reform of the social assistance schemes (introduction of the Work Capacity Act). The act is expected to come into force on 1 January 2013. Shifting the responsibility for enactment to the municipal level entails considerable implementation risks.