

# The Influence of the European Semester on National Reforms: Analytical Framework and Empirical Synthesis

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# Goal of the presentation

- To explore how the analytical framework developed for tracing the national influence of the OMC, based on a typology of influences, causal mechanisms, & intermediate effects, can be extended to the European Semester
  - Zeitlin (2009); Barcevičius et al. 2014
- To consider what modifications to this framework may be needed to take account of the distinctive features of the Semester, notably the linking of 'harder' (legally binding) and 'softer' coordination processes, and the possibility of financial sanctions for non-compliance
- To review the empirical findings of national case studies, based on careful contextualized process tracing

# The European Semester as a 'game changer'?

- Widely argued that the European Semester is a 'game changer', especially as regards social and employment policy coordination
- Reinforcement of coercive character of EU economic governance
  - Rules, surveillance, enforcement (SGP, MIP, Fiscal Compact)
- Stronger linkages between economic and social policy coordination, & between 'hard' and 'soft' governance processes
- For some authors, such 'hybrid governance' threatens tighter subordination of social to economic policy goals (e.g. de la Porte & Heins); for others, opens the possibility of 'hardening' EU recommendations to MS in support of social objectives (e.g. Bekker, Jessoula)

# I. OMC national influences and causal mechanisms: an analytical typology

- **Causal mechanisms**

- External pressure
  - Vertical/horizontal
  - Reputational/material
- External support
  - Financial/technical/organizational
- Socialization
- Learning
  - Direct /indirect
- Creative appropriation

- **Types of influence**

- Substantive policy change
  - Ideational shifts
  - Agenda shifts
  - Programmatic shifts
- Procedural change
  - Horizontal coordination/integration
  - Steering capacities
  - Vertical coordination
  - Participation of non-state actors
  - Horizontal/diagonal networking

# Intermediate effects of causal mechanisms

- Cognitive (changes in actors' cause-effect assumptions)
  - Heuristic and reflexive (maieutic/mirror) effects of mutual learning
- Normative (changes in actors' values)
- Discursive (changes in language and categories)
- Capacity-building (changes in organizational capabilities)
- Leverage (changes in actors' political resources)
- Democratizing destabilization (changes in non-state actors' ability to hold governments accountable)

# Methodological challenges of assessing OMC national influence

- How to assess the causal impact of an iterative process based on collaboration between EU institutions & MS, w/o legally binding sanctions?
  - Continuous 'uploading' & 'downloading' by MS blur boundaries between national & EU levels, 'independent' & 'dependent' variables
  - OMC processes do not necessarily result in new legislation or justiciable obligations: what is MS compliance?
  - How to isolate influence of OMC on national policy from other EU-level processes, other international organizations, or domestic political changes?
- OMC as an extreme case of broader methodological problems of studying impact of 'Europeanization' on domestic policy & politics

# Research strategies

- Contextualized process tracing
  - Identify & assess practical influence of OMC (alongside other factors) on domestic actors, debates, procedures, policies in specific contexts
- Triangulation of sources of evidence
  - Documents, interviews
  - Multiply points of observation, offset sources of bias
- Systematic comparison of research findings
  - Across countries, policy domains, time periods
  - Identify & explain general tendencies & variation
- But empirical analysis of OMC impact on national reforms also requires a typology of influences, mechanisms, & effects for assessing available evidence

# Comparative analysis of Social OMC (2000-10) (Barcevičius et al. 2014)

- Based on EU-wide surveys + in-depth country studies in 11 representative MS
  - Selected based on possible mediating factors: size, date of accession, welfare/employment regime, constitutional/state structure, public attitudes towards the EU
- Social OMC had effects on policy processes & procedures across all MS
- Specific influences varied greatly across policy strands & MS
- Domestic structures (welfare regimes & political systems) played little role in explaining cross-national variations
- Actors & agency mattered but not (left/right) political partisanship – attitudes towards OMC & willingness to utilize it were more important
- Learning & creative appropriation were key causal mechanisms
- Institutional architecture mattered across policy strands of OMC
  - Social inclusion, pensions, health & long-term care

# II. Adapting the OMC framework to the Semester: architectural innovations & causal mechanisms

## 1. External pressure

- Focus on Semester, excluding bail-outs & ECB 'implicit conditionality'
- SGP: more 'automatic' sanctions for EDP (RQMV); greater precision of debt reduction obligation (MTBOs); but also increased rule complexity & discretionary flexibility for the COM
- MIP: AMR → IDR → CSRs → EIP → potential sanctions
- Linkage of coordination processes w/ distinct legal bases into a single annual cycle → possibility of giving CSRs on social & employment issues under the MIP & SGP: 'hardening' 'soft' governance
- Enhanced public & political visibility of CSRs
- Intensified multilateral surveillance w/in EU expert ctees & Euro Group
- Possibility of ex post conditionality for structural & investment funds
- But no actual sanctions imposed
  - Apart from exceptional case of Valencia's falsification of fiscal data (Savage & Howarth 2018)

# Architectural innovations & causal mechanisms: external support & learning

## **2. External support**

- Ex ante conditionalities linking ESIF to CSRs
- Structural Reform Support Service
- Youth Employment Initiative
- Mutual assistance program of EU Network of Public Employment Services (PES)

## **3. Learning**

- Efforts to use intensified monitoring & multilateral surveillance for mutual learning w/in EMCO & SPC (key challenges, good & bad practices)
- Benchmarking of structural reforms w/in EPC & Euro Group
- Experimentation with ex ante review of major national reforms
- Reinforced linkage between CSR reviews & EU Mutual Learning Programs
- 'Benchlearning' program of EU PES Network

# The European Semester as a moving target

- 'Socialization' of the Semester under the Barroso Commission
  - Increase in social content of CSRs
  - Successful MS push-back against over-prescriptive CSRs + institutionalization of joint review and amendment processes across EU expert committees
- 'Streamlining' & further socialization under the Juncker Commission
  - Fewer, more strategic CSRs
  - Less prescriptive CSRs – focus on the 'what', not the 'how'
  - Intensification of bilateral dialogue with MS around Country Reports
  - Outreach to social partners & civil society
  - Greater flexibility for MS under the SGP
  - More explicit social agenda, culminating in Pillar of Social Rights
    - Highlighted in 2018 Semester & CSRs

# Methodological problems of assessing the Semester's national influence

- How to assess 'implementation' of the CSRs?
  - What should be the yardstick? 'Full progress'? 'Some progress'?
  - Selective and political character of the COM's own assessments
  - Timescale: year-to-year or cumulative?
  - Leads to widely varying estimates of compliance – from low & declining (CEPS) to substantial cumulative progress (COM & EU expert committees)
- Causal attribution problem
  - Most issues addressed by CSRs are not new, but have been discussed w/in EU, national, & international policy processes for years
  - How to pinpoint specific influence of the Semester, also taking account of domestic political developments (e.g. changes in government)
- Contextualized process tracing, triangulation of sources, & comparative analysis across countries & policy fields no less crucial for Semester than for the OMC

# III. Available empirical studies

- Few empirical studies available that meet these methodological criteria
- Christos Louvaris (UvA/UniMi) 2018 PhD thesis on the influence of the Semester on social & employment policy reforms in Belgium (pensions, tax shift, labour-market integration of migrants)
- David Bokhorst (UvA) PhD thesis in progress on the influence of the MIP on contentious reforms in five countries & policy fields: NL housing market; BE wage indexation; IT liberalization of closed professions; FR labor-market segmentation/employment contracts; DE current account surplus
- Edgars Eihmanis (JEPP 2018): anti-poverty policies in LV
- Tim Schreiber (MA FU Berlin 2017: FR environmental taxation & VAT reform
- Non-random & non-representative sample, but all we have for now

# Main findings

Case + legal basis of CSRs	Influences/effects	Causal mechanisms	Mediating factors
Belgian pensions (2011-17) SGP + MIP (some years)	<i>Programmatic shift:</i> increasing effective & later statutory retirement age <i>Procedural change:</i> creation of expert committee (Vandenbroucke)	<i>External pressure:</i> - Reputational signaling to EU & domestic constituencies - ‘trade-off mechanism’: reform for > fiscal space	- Fiscal vulnerability - Belgian pro-EU stance - Support of domestic elites/expert bodies - Change of government (di Rupo → Michel 2014)
Belgian tax shift away from labor/broader tax reform (2011-17) MIP + SGP (from 2016)	<i>Ideational/discursive shift</i> <i>Agenda shift</i> <i>Programmatic shift:</i> tax shift, but not budget-neutral	<i>External pressure:</i> reputational signaling to EU & domestic constituencies <i>Creative appropriation</i>	- Belgian pro-EU stance - Political agenda of new centre-right government
Belgian labor-market integration of migrants (2011-17) MIP + EMPL GLs	<i>Agenda effect</i> – keeps issue on the political agenda; but no significant ideational, procedural, or programmatic shifts (broader focus on vulnerable groups)	<i>External pressure</i> <i>Learning:</i> within EU committees	- Devolution & dispersion of competences across regions - Political agendas of regional governments

Case + legal basis of CSRs	Influences/effects	Causal mechanisms	Mediating factors
Belgian wage bargaining (2011-17) MIP	Limited <i>programmatic shifts</i> : recalibration of automatic wage indexation, but no decentralization	<i>External pressure</i> : reputational signaling to EU & domestic electorate	<ul style="list-style-type: none"> <li>- Belgian pro-EU stance</li> <li>- Self-presentation of new centre-right government &amp; desire to exit MIP</li> </ul>
Dutch housing market (2011-17) MIP	Limited <i>programmatic effect</i> : major reforms, but primacy of domestic politics; some <i>agenda &amp; ideational effects</i>	<i>External pressure</i> : weak <i>Creative appropriation</i> : some <i>leverage effect</i> of SGP/EDP (2012)	<ul style="list-style-type: none"> <li>- Positive reform reputation</li> <li>- Elite concern with reputational signalling</li> <li>- Popular euroscepticism</li> <li>- Changing party coalitions</li> </ul>
Italian liberalization of closed professions (2011-17) MIP (+ ECB implicit conditionality)	Limited <i>programmatic shifts</i> : legislation introduced, but watered down in parliament & after; <i>agenda &amp; procedural effects</i>	<i>External pressure</i> : not strong enough to overcome domestic reform resistance <i>Creative appropriation</i> : weak <i>leverage effect</i>	<ul style="list-style-type: none"> <li>- Fiscal vulnerability</li> <li>- Declining Italian europhilia</li> <li>- Weak governments</li> <li>- Strength of interest group &amp; parliamentary opposition</li> </ul>
French labor market segmentation/employment contracts (2011-17) MIP + EMPL GLs	Limited <i>programmatic effects</i> : many reforms under successive gov'ts, but not closely linked to CSRs; some <i>agenda effects &amp; procedural shifts</i>	<i>External pressure</i> : relatively weak; COM recognizes FR reform efforts; no explicit 'trade-off' mechanism	<ul style="list-style-type: none"> <li>- Limited concern of French public with EU recs</li> <li>- Strong domestic opposition to reforms</li> </ul>

Case + legal basis of CSRs	Influences/effects	Causal mechanisms	Mediating factors
German current account surplus (2011-17) MIP	No <i>programmatic</i> shifts; strong <i>agenda</i> effect; some <i>ideational</i> effect	<i>External pressure</i> : purely reputational; <i>Creative appropriation</i> : <i>leverage &amp; democratizing destabilization</i> effects	- German pro-EU stance - Strength of German ordo-liberalism - Change of government coalition (2013)
Latvian anti-poverty policy (2008-14) EMPL GLs (+ BoP MOU until 2012)	<i>Programmatic</i> shift: initial resistance to social CSRs, followed by significant reforms; <i>agenda &amp; ideational</i> effects	<i>External pressure</i> : reputation towards EU (& other IOs); <i>creative appropriation</i> : 'cherry picking'; <i>learning + external support</i> (WB/ESF)	- Ability of government to play off multiple EU frameworks (BoP, Euro convergence, Semester) - Openness of government to external learning
French environmental taxation (tax shift) (2011-15) MIP	<i>Programmatic shift</i> : intro of carbon tax & reduction of tax gap between diesel & petrol	<i>Creative appropriation</i> : enhances <i>leverage</i> of French enviro NGOs & creates <i>democratizing destabilization</i> effect	- Pro-EU stance of French environmental NGOs - Receptiveness of French government to NGO campaign
French VAT reform (tax shift) (2011-15) MIP	No <i>programmatic shift</i> : only minor changes to VAT policies; some <i>agenda</i> effect	<i>External pressure</i> : weak No <i>creative appropriation</i> : opposition from potentially affected interests	- Limited concern of FR public opinion with EU recommendations - Limited concern of FR government w/ MIP

# IV. Conclusions from empirical studies: influences and effects of the Semester

- Programmatic shifts
  - Some high profile effects that can be traced directly to the Semester: BE pensions, tax shift, recalibration of wage indexation; LV anti-poverty policy; FR enviro taxation
- Political agenda effects
  - Most widespread influence: putting & keeping issues on the agenda: NL housing market; IT closed professions; BE labor-market integration of migrants; FR labor market segmentation; GER current account surplus
- Ideational/discursive shifts
  - Some examples: BE tax shift; GER current account surplus; BE pension age indexation; LV anti-poverty policy (refutation of benefit dependency); NL housing market (marginal)
  - But many fewer compared to OMC – mainly because most issues are not new & had already been extensively addressed by EU & IOs before the crisis: e.g. sustainability of pension systems, flexicurity, labor-market integration of migrants, liberalization of professions

# Influences & effects (2)

- Procedural shifts
  - Also fewer examples compared to OMC literature
  - MIP/NRP process has had a significant horizontal coordination/integration effect in terms of aligning positions of different ministries/departments w/in IT & FR state bureaucracy (Bokhorst)
  - Creation of Vandebroucke pension reform committee in BE
  - Might have expected some vertical coordination effects for labor-market integration of migrants in BE (following earlier findings on social inclusion), but no evidence of this

# Causal mechanisms: external pressure

- Little evidence that *fear of sanctions* played a major role in national reforms
- No direct correlation between legal basis of CSRs & extent of EU influence, though SGP/EDP is more domestically salient than MIP
- ‘trade-off’ mechanism (reforms for increased fiscal space): clearly evident in BE pensions (reforms → ↓ projected future expenditures → ↑MTBO); does not really apply to MIP
- *Implicit conditionality* (ECB) played some role in IT legislation on liberalization of closed professions, but was neither necessary to induce Monti & Renzi gov’ts to propose reforms, nor sufficient to overcome domestic opposition to them
- *Fear of financial markets* only episodically relevant (BE 2011-12, 2016-17; IT 2011-12), but no direct correlation with scope of reforms (in cases analyzed)
- *Reputational signaling* more important: BE pensions, tax shift, wage indexation – aimed at domestic constituencies (public + policy elites) as well as COM & Council; LV anti-poverty policy: sensitivity of gov’t to criticism of COM & IOs

# Causal mechanisms (2)

- External support
  - Little evidence except in case of LV (WB/ESF study of benefit dependency)
  - Further research needed on other CEE & SE cases, e.g. technical assistance for delivery of youth guarantee within EU PES Network
- Socialization/discursive diffusion
  - Also few examples, apart from BE tax shift
  - ES has not introduced many new concepts and terms onto EU policy agenda – may now be changing w/ Pillar of Social Rights & access to social protection
- Learning
  - Again, fewer examples than in OMC literature; LV anti-poverty policy clearest case
  - Some cognitive/ideational effects linked to deliberation & interchange w/in EU committees & between COM & MS
  - Further research needed on effects of mutual learning from monitoring, benchmarking & peer review within EU committees, PES Network, Euro Group

# Causal mechanisms (3): creative appropriation

- As with OMC, an extremely important mechanism of influence w/in the ES
- Governments use CSRs as leverage for their own pre-existing agendas, but can also interpret them in ways not intended by the COM/Council
  - Non-budget neutral & negatively redistributive tax shift in BE under Michel centre-right gov't
  - 'cherry picking' of EU targets & recommendations by right-wing LV gov't pre-2012
- CSRs can likewise be used as leverage by coalition partners & opposition parties to contest government policy & push for preferred reforms: e.g. Ger current account surplus
- Can also be used by non-state actors & expert institutions as leverage to push for preferred reforms & hold governments accountable (democratizing destabilization effects): e.g. FR enviro NGOs & environmental taxation; but also BE pensions (expert bodies)
- 'No impact of Europe without usage by domestic actors' (Jacquot/Woll)

# A key mediating factor: domestic attitudes towards the EU

- Limited impact of strong forms of external pressure
  - e.g. fear of sanctions
- Both reputational signaling & creative appropriation depend on positive attitudes of MS political elites & public opinion towards EU
  - Salience & valence of CSRs & assessments from EU institutions
  - Especially clear in case of BE, where EU recs & assessments still carry weight
  - IT shows how recommendations & external pressure can lose effectiveness in context of shifting public attitudes towards the EU
- Further research needed on a wider range of MS, especially in CEE & SE