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ORIGINAL ARTICLE

What "Brussels" means by structural reforms: empty signifier or constructive ambiguity?

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Abstract This paper deals with the ideas underpinning the EU's socio-economic governance by focusing on the notion of structural reforms in the framework of the European Semester. It asks which policy ideas are constitutive of the notion of structural reforms in the EU and whether said meaning has changed over time to tackle slow growth and rising inequalities. Our demonstration is mainly grounded on a content analysis of all European Semester documents since 2011 (including Annual Growth Surveys, Alert Mechanism Reports, Euro Area Recommendations, and Country-Specific Recommendations) and completed by a short series of interviews with European and national officials involved in the European Semester. We find that, despite floating meaning, the notion of structural reforms exhibits a persisting core consisting of typically neoliberal policy recipes such as the liberalisation of products and services markets, the deregulation of labour markets, and public administration reform. At the same time, structural reforms have covered eclectic—if not contradictory—policy ideas, thus accompanying a discursive turn towards more fiscal flexibility and (social) investment. Rather than a constructive dynamic towards a renewed agenda, such ambiguity, we argue, reflects a fundamental, asymmetric ongoing battle of ideas within the EU.

Keywords European Union · Structural reforms · Ambiguity · Economic governance · European Semester · Neoliberalism

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Introduction

Eight years on from the financial crisis that originated in the USA and then spread to Europe, a main conclusion drawn by many observers and scholars alike is that it has not shaken the dominance of global financial capitalism, or even led to its substantial reform, but rather to its perpetuation and indeed strengthening. After a short-lived episode of neo-Keynesianism, European countries especially have embraced a policy programme geared towards deflation-based competitiveness, thus accounting for the resilience of a contemporary blend of economic liberalism (Crouch 2011; Schmidt and Thatcher 2013) and austerity (Blyth 2013) embedded in the structural power of finance in central banking (Braun 2016). A related current debate is investigating how the resilience of old ideas is translating into the new governance framework set up for tighter macro-economic coordination through the institutions of the European Union. This framework, known as the European Semester, is essentially a yearly cycle of surveillance supervised by the European Commission, combining a hardening of the deficit rules of the Stability and Growth Pact (with stringent procedures potentially involving financial sanctions) and a continuing soft coordination of economic and social policies. The focus lies on the country-specific recommendations (CSRs) whereby the European Commission advises each Member State on how it should reform its economy and welfare state under the multilateral control—and formal endorsement of—all the other EU Member States gathered in the Council. The primary goal of the European Semester has been to enforce fiscal discipline to achieve deficit reduction across the EU. Yet, in the face of continuous economic stagnation and exacerbating social inequalities, the Junker Commission, which took office in 2014, has actually introduced flexibility with regard to fiscal discipline and promoted investment.

This paper therefore investigates to what extent we can detect a change in ideas underpinning the economic strategy advocated through the European Semester by focussing on structural reforms. On the one hand, research about ideas and policies has mainly dealt with austerity, debt, and the politics of deficit reduction. On the other hand, the bulk of the work on the European Semester has been mainly concerned with its institutional dimension through themes such as the mix of hard and soft laws (Bekker and Palinkas 2012; Armstrong 2013; Bekker 2015) or the reshuffling of the balance of powers between Commission, Council, and Parliament (Dehousse 2015; Coman and Ponjaert 2016; Schmidt 2016). As for the substantive nature of the European Semester, it has been assessed through proxies such as the involvement of 'social actors' and the number of country-specific recommendations relating to social policy (Vanheuverzwijn 2014; Zeitlin and Vanhercke 2014, 2017). Furthermore, there is an ongoing disagreement between those who consider that we have witnessed a 'socializing of the European Semester' (Zeitlin and Vanhercke 2014, 2017; Bekker 2015) and those who, pointing at ideational legacies and path dependent institutional asymmetries, postulate there has been an increasing subordination of social objectives to fiscal discipline (Crespy and Menz 2015; de la Porte and Heins 2015). Although central in the politics of macro-economic governance, structural reforms have remained largely unexplored in relation with the euro crisis. This paper therefore addresses two interrelated research questions. Which specific policy ideas are constitutive of the notion of structural reforms in today's EU? And how has the meaning of structural reforms changed over time by including new, alternative policy ideas thus operating a shift towards a new agenda? We investigate whether structural reforms should be conceived of as an 'empty signifier' (Laclau 1996) which has become hegemonic yet does not have any substantial and stable meaning, and whether it performs the role of a 'constructive ambiguity', allowing European actors to change its meaning in order to adapt the economic strategy to a changing environment as the crisis has been unfolding.

Empirically, our analysis relies mainly on a content analysis of the various documents and reports issued in the framework of the European Semester, complemented by questions about structural reforms which we asked in semi-structured interviews with policy-makers. Overall, we find that, despite floating meaning, the notion of structural reforms exhibits a persisting core consisting of typically neoliberal policy recipes. At the same time, the ambiguity surrounding the notion has served to introduce some degree of ideational change in the EU's socio-economic governance, notably to enhance the emphasis on investment, including social investment. Yet, said change has been rather limited, arguably reflecting a fundamental, asymmetric battle of ideas rather than a constructive dynamic towards a more progressive ES.

The paper falls into three sections. We first present our theoretical and analytical framework, which aims at assessing ideational change through the concepts of 'empty signifier' and 'constructive ambiguity', and the methods guiding the empirical analysis. Then, we briefly outline the (long) history of structural reforms in order to shed light on its ideational roots. In the last section, we present our analysis of the meaning of structural reforms in the ES from 2011 to 2016.

Unpacking the meaning of structural reforms in European economic governance

Theoretical approach: from ideational substance to ideational change

Scholars interested in ideas and ideational change in policy making tend to look for consistent sets of ideas geared towards policy practice. Yet, as recently stressed by Carstensen (2011a, b), we tend to overemphasise the stability and coherence of ideas. In fact, political actors more often than not have recourse to '*bricolage*' in order to either reduce the complexity of the problems they are facing (Lindblom in Zittoun 2013: 86–87) or to react to political events and strategically adapt to changing circumstances (Carstensen 2011a, b). Building on this perspective, we hypothesise that the empirical reality referred to by the phrase 'structural reform' has not been completely fixed, thus paving the way to possible ideational change over time. We explore this proposition by looking at the *ideational substance* of structural reforms and to what extent they can be depicted as an 'empty signifiers', on the one hand, and whether structural reforms serve to create 'constructive ambiguity' thus allowing for strategic *ideational change*, on the other.

Originating in the post-structuralist discourse theory of Laclau, the concept of 'empty signifier' is helpful to address the issue of the ideational substance of structural reforms. The concept is inspired by the linguistic theories which question the existence of a fixed relationship between the signifier (the symbol) and the signified (reality) (Laclau 1996). In Laclau's radical, Lacanian perspective, the unity behind an empty signifier is only an effect of its very *name* rather than a core ideological substance. Unlike concepts, empty signifiers gather under one *name* unrelated, or even contradictory, objects or representations, thus tending to cover the totality of meanings and identities (Laclau 2006). Consequently, and most importantly, empty signifiers are necessarily the object of power struggles over meaning and, at the same time, they determine a hegemonic state of play. While an in-depth discussion of conceptual strengths and weaknesses of post-structuralism is not the purpose of this article, a less radical approach defines an empty signifier as a 'floating signifier (…) that absorbs rather than emits meaning' in the sense that 'it is susceptible to multiple and even contradictory interpretations, suggesting that it does not have a specific meaning itself, but functions primarily as a vehicle for absorbing meanings' (Buchanan 2016). This refers both to the unstable meaning behind empty signifiers and their function as articulate hegemony within discourse. In this vein, Offe (2009) has contended that governance can be considered as an 'empty signifier' whose floating content explains its hegemonic ubiquity in political discourses and scholarship alike. While blurring the established distinctions between the spheres of society, the State, and the market, it can nevertheless be associated with contrasted analytical strategies and normative aims pertaining to the relations between the three spheres. Turning to structural reforms, the first step of our analysis will therefore consist in examining to what extent it is possible to identify a consistent ideational substance behind the notion, for instance in the form of an ideologically rooted core, or whether it has served to cover unstable and potentially contradictory meanings.

Scholars have addressed the relation between struggles over meaning and change through the concept of *ambiguity* across various subfields of political science. In international relations, Best investigated the role of ambiguity understood as 'multiple meanings inherent in language and social action' (Best 2012: 677) in international politics and organisations. Ambiguity has two sides: it refers to both the inherent ontological dimension of meaning as well as to a strategic property of political discourse used by agents to achieve their means. Following Best (2008: 370), we assume that ambiguity is 'the inherently social and contestable nature of modern knowledge'. While a fundamental property of discourse, rules, texts, and institutions which are necessarily open to multiple (re)interpretations, it can be a source of power—hence of conflict—for those who find it convenient to 'govern through ambiguity', for instance the international financial institutions (Best 2008). In comparative policy analysis and politics, Mahoney and Thelen (2010), for instance, consider the ambiguity of rules as the starting point for processes of 'interpretation, debate, and contestation' (2010: 11) which open the way to incremental change. We therefore conceive of ambiguity more as the outcome of power struggles among actors taking the form of an untidy policy *bricolage* rather than as the result of a clear foreseen strategy from specific actors.

In European studies, ambiguity has been often depicted as a precious political resource to accommodate diverging interests, institutions, and political cultures (Hoffmann 1995). For the most part, ambiguity has been considered as a 'constructive' strategy allowing to bring the unification of Europe forward. Like 'the market' was used strategically by the European Commission to create a consensus among political actors who had contrasted interests and understandings regarding the creation of a European Single Market (Jabko 2006), the ambiguity surrounding the notion of structural reforms can be used strategically by various actors. However, whereas 'the market' could be invoked for legitimising purposes, the notion of structural reforms is more politically polarising from the outset.

Furthermore, Jegen and Mérand (2014) argue that ambiguity is not always constructive but it is rather a risky political weapon. By examining the ambiguous framing of both energy policy and defence policy in the EU, two policy fields where geopolitical interests diverge greatly among the EU Member States, they find that ambiguity is efficient in creating agreement within a coalition of actors only if it 'can be embedded in what we call an institutional opportunity structure—that is, a formal-legal context that entrepreneurs can fold into their strategic repertoire of ideas' (2014: 2–3).

Building on these insights, we seek to find whether the ambiguity surrounding structural reforms has been constructive or, in other words, whether said ambiguity has led to gradual ideational change in a way that allows actors of the European Semester (namely the Commission and the Member States) to adapt the meaning of structural reforms to the changing circumstances, that is to the perceived need for more growth-oriented policies and for tackling rising inequalities.

Methods

To start, it is important to stress that we do not seek to assess *policy* change. This would imply to investigate how the recommendations formulated at EU level are filtered by domestic politics and path dependencies and reach (or not) the stage of implementation. Rather, we are tapping into the literature on *ideational change* by asking a *how* the meaning of structural reforms has potentially changed over time. Thus, we do not approach our topic from the perspective of a positivist methodology seeking to identify causality between variables, but we rather rely on comparison across time to shed light on (hegemonic) ideational configurations and the change thereof (Mahoney and Rueschemeyer 2003).

Our methodology consists in investigating the meaning of structural reforms from the more general to more specific point of view. We first look at the content behind structural reforms across time and space before the coming of age of the European Semester and confront it to the concept of 'empty signifier'. Then, the bulk of our analysis consists in a content analysis of the various documents produced in the framework of the ES, that is the Annual Growth Survey (AGS), the Alert Mechanism Report (AMR), the Euro Area Recommendations (€ARs), and the country-specific recommendations. We combined a software-assisted qualitative analysis (N-Vivo) of all the documents with a more fine-grained although less systematic analysis of the AGS in order to investigate whether the ideational substance subsumed under the notion of structural reforms exhibits consistency or, on the contrary, ambiguity and change over time. We conducted our analysis in several steps. First, an initial screening of the AGS served to map how causal relationship between structural reforms and other pillars of the EUROPEAN SEMESTER—for instance fiscal consolidation or growth—were articulated in order to understand how and whether the hierarchy of broad objectives changed over time and how structural reforms were located within the economic reasoning. Then, we proceeded inductively to code each paragraph comprising the term 'structural reform(s)' in the AGS, AMR, and €AR to determine which policy objectives—such as competitiveness or social inclusion—were referred to and which specific policy reform in relevant reform areas was attached to it (see appendix). A third step consisted in using the same coding scheme of policy reforms to categorise each and every CSRs[1] every year since 2011 in order to elucidate possible ideational change of the structural reforms agenda over time.[2] Finally, to assess more finely whether the ambiguous meaning of structural reforms could serve to incrementally redefine an alternative agenda, we draw on the distinction established by Hemerijck between social retrenchment and social investment (2014: 152) and coded the identified policy reforms as belonging to one of these socio-economic strategies (see appendix). Furthermore, although less central to our demonstration, we also used a series of 24 semi-structured interviews, which we conducted with key actors within the EU institutions and national administrations.[3] This served to complement our content analysis by exploring the subjective understanding of the meaning of structural reforms among those who are in charge of negotiating or implementing the European Semester's policy agenda.

Structural reforms: from Washington to Brussels

The origins of structural reforms and international organisations

Although the notion of structural reforms had many avatars over time and space, it is clearly rooted in the rise of neoliberalism, an itself very malleable set of ideas rather than a structured ideology (Schmidt and Thatcher 2013). In the 1960s and 1970s, the acceptations of structural reforms in the academic or policy making literature are very diverse. From the 1980s on, though, the notion of structural reforms starts crystallising on a policy programme which has been described as the

[1] All the CSRs were broken down in sub-recommendations in case they were referring to different reforms. As a rule, it was decided to split the CSRs whenever a new action verb was identified. We left out the *considérants*.

[2] It should be noted that, insofar as we already had a clear idea at this stage of what structural reforms were referring to, the fact that the CSRs made no mention of the term 'structural reform(s)' was not deemed problematic for the analysis.

[3] The interviews were conducted in 2016 with key officials from the European Commission as well as officials in four Member States namely Belgium, France, the Netherlands, and the UK. As these countries belong to the socio-economic core of the EU, this helps us to grasp the routine or average functioning of the Semester better than in extreme country cases where conditionality attached to financial assistance programmes made for very asymmetric power relations between the EU and national authorities.

‘Washington consensus’ among international financial institutions, especially the IMF and the World Bank, rooted in the then flourishing neoliberalism (Babb 2012). While providing financial help to countries facing existential economic and debt crisis, said institutions introduced a conditionality attached to the implementation by the indebted countries of a number of reforms aiming at their economic recovery. The debt crisis affecting several Latin American countries in the 1980s constitutes a case in point with ongoing structural reforms linked to debt issues from the 1980s until the 2000s (Lora 2012). Similar programmes were also applied to sub-Saharan Africa and Asia. Meanwhile, structural reforms have also been promoted and closely monitored by the Organisation for Economic Co-operation and Development (OECD), within which a new working party on ‘macro-economic and structural policy analysis’ was created in May 1980 (OECD, 2011). Another interesting realm where structural adjustment or reforms were attached to financial aid through conditionality has been the transition of former communist countries towards market economy. Romania stands out as an interesting case with successive waves of structural reforms, from initial resistance by the political elites in the early 1990s to a neoliberal ‘shock therapy’ (Ban 2016).

Further exploring the formative years where the notion of structural reforms emerged and progressively became an almost self-explanatory policy agenda, it is however possible to detect a core of consistent features referred to by the very institutions which forged the notion. As early as in 1980, the IMF notes that economic performance in many countries is affected by ‘structural impediments’, among which rigidities in wage-setting systems and protectionist measures (IMF 1980). The term ‘structural reform’ appears explicitly in 1993, as referring to the third pillar of any sound economic policy, besides monetary and fiscal instruments. The report points to the necessary removal of constraints for private enterprises through deregulation, calls for tax reforms and liberalised financial markets, and deplores the lack of progress in increasing the flexibility of labour markets through measures attempting to limit the control on wages or job protection, and to reduce the bargaining power of the trade unions. Finally, the report also recommends increasing labour productivity through improved training and education (IMF 1993).

Similarly, the OECD points to the need for economies to improve their ability to undergo ‘structural change’ by removing the ‘plethora of regulations, controls, and other impediments to the unfettered working of market economies’ (OECD 1980: 11). Later in the 1980s, the notion of structural reforms is portrayed as a solution to reduce unemployment, improve business confidence, and to boost investment. Among the important ‘structural problems’ faced by many countries are protectionist policies, rigidities in the labour market, tax distortions, industrial subsidies (state intervention), impediments to competition, and inefficiency in public sectors (OECD 1988).

Three points should therefore be emphasised here which are relevant for understanding structural reforms in today’s EU economic governance. First, the notion of structural reforms conveys the idea that reform should not be about changing only the substance of policies, but they ought to change the very nature of the economic, institutional, and, arguably, political structures in which policy is operated. This is in tune with the fact that the historical roots of structural reforms originate in a paradigm change of historical significance, namely the rejection of Keynesianism and the rise of neoliberalism as a response to the oil shock in the late 1970s and early 1980s. Second, structural reforms were always conceived as a corollary to fiscal austerity. Again, their genealogy goes back to debt crises and the perceived need to drastically reduce public expenditure while shifting the commands of the economy from the State to market actors. The conditionality mechanism brings evidence that financial support and debt relief are inextricably linked to structural reforms. Third, while the policies referred to as structural reforms are largely in line with the tenets of neoliberalism (see Hay 2004: 507–508) they are thought of conducive to growth and economic recovery. This idea is summarised in the synthetic notion of expansionary (fiscal) consolidation (Blyth 2013: 212–216; Helgadóttir 2016).

Structural reforms in the euro crisis

How does the old and more recent history of structural reforms shed light on the ways in which the notion has been understood and has possibly changed in the current context of the euro crisis?[4] Comparing the reference to structural reforms in the conclusions of the European Council in 2013 and 2016, it is striking that it combines general objectives and more specific measures:

> Fiscal consolidation and restoring financial stability need to go hand-in-hand with well-designed structural reforms aimed at promoting sustainable growth, employment and competitiveness and the correction of macroeconomic imbalances. In this context, the European Council recalls the importance of shifting taxation away from labour, where appropriate and recognising Member States' competences in this area, as a means of contributing to increasing employability and competitiveness. (Council 2013)

> The European Council endorsed the policy priority areas of the Annual Growth Survey: re-launching investment, pursuing structural reforms to modernise our economies, and conducting responsible fiscal policies (…) The European Council notes the Commission consultation on social issues and stresses the importance of well-functioning labour markets and welfare systems. (Council 2016)

On the one hand, structural reforms are associated with and shall lead to broader objectives, namely fiscal discipline, on the one hand, and growth—notably through investment—on the other. While, in 2013, the issue of taxation on labour is explicitly mentioned, the reference to labour markets and welfare systems is more vague in 2016. Overall, structural reforms are presented as the key vector to economic and social 'modernisation'. The 'Five President Report' from 2015 is also interesting because it outlines a more long-term view of the EU's policy agenda.

[4] The broad term euro crisis is deliberately used to reflect the multifaceted nature of the crisis affecting the EU, starting with the US financial crisis provoking a banking crisis in Europe, followed by a sovereign debt crisis, threatening the Eurozone and eventually an economic recession feeding a broader social and even political crisis.

Here, structural reforms are defined as 'reforms geared at modernising economies to achieve more growth and jobs. That means both more efficient labour and product markets and stronger public institutions.' (Juncker et al. 2015: 7). The versatile definitions of structural reforms seem to crystalise more or less explicitly on an agenda which, as argued by Lebaron, has stabilised in the past decades on three main areas:

> The liberalization of goods and services markets (which implies the opening to competition and the partial total privatisation); the flexibilisation of labour markets (which aims at strengthening incentives to work such as change in legislation, minimum wages, working time, etc.); and finally, the decrease of public spending, in particular in the social realm (reduction of the alleged generosity of public pension systems, healthcare, etc.) and of "fiscal pressure" on firms and "generators of wealth". (Lebaron 2014: 5).

At the same time, the formulations, especially the most recent ones, remain broad and vague enough to include a whole range of—yet to be defined—more specific policy measures.

While the call for structural reforms constitutes a ubiquitous mantra, they do not constitute an unquestioned dogma. In fact, the longitudinal approach shows that their increasing salience in economic and political discourse cannot be separated from ongoing debates and assessments about their consequences and efficiency in bringing about economic recovery. As early as in 1989, the importance of the sequencing of structural reforms was already pointed out (Edwards 1989). Nowadays, there are signs of dampening enthusiasm for structural reforms within the institutions which had promoted them. Since the start of the Great Recession in 2008 especially, the IMF has proved more favourable to demand-side policies and growth stimulus (Ban 2015). For his part, Broome finds that 'rather than promoting "one-size-fits-all" structural reforms for borrowers facing different economic challenges, the IMF has shifted "back to the basics" with a narrower focus on fiscal consolidation' (Broome 2015: 161). More recently, the OECD has put the emphasis on the context of weak demand and low inflation in the euro area. Speaking of the impact of structural reforms, the report highlights that 'while the bulk of evidence indicates that positive channels dominate the negative ones in normal times, it may no longer be true when reforms are introduced at an unfavourable stage in the business cycle' (OECD 2016: 68). The report adds that reforms aimed at reducing the cost of labour, raising incentives to take-up work, and enhancing competition in product markets may have contractionary effects on demand during downturns. Similarly, the IMF has recently stressed that '[…] demand support can increase the effectiveness of structural reforms, either by bringing forward their long-term gains or by alleviating their short-run costs' (IMF 2016: 1). Interestingly enough, the most steadfast supporters of the 'Washington Consensus' seem to be the EU institutions, as exemplified by the adjustment programmes in Latvia and Romania where, in a prelude to the euro crisis in 2007–2009, the ECB and European Commission promoted stricter conditionality and tougher reforms than the IMF

(Lütz and Kranke 2014; Ban 2016). This prompted certain scholars to talk about a 'Berlin-Washington Consensus' (Fitoussi and Saraceno 2013).

In sum, the preliminary historical exploration of the ideational substance of structural reforms shows that they can hardly be conceived as an empty signifier in the Laclauian sense; that is, detached from any particular signified. Rather, we identify an ideational core rooted in the tenets of neoliberalism about what to do about public spending (including public administrations), labour markets (deregulation), and product and services markets (liberalisation). Furthermore, as structural reforms have tended to become a synonym for modernisation, it has served to describe a fundamentally ambiguous policy agenda. Against the background of the euro crisis, we observe the continuous tension between fiscal consolidation and growth, demand-side and supply-side policies, between austerity and investment. This is notably due to the intrinsically contestable nature of the knowledge as accounted for by the disagreements between the EU and the international institutions (IMF and OECD). Thus, by incorporating such potentially incompatible policies, the notion of structural reforms reflect a process of political *bricolage* resulting in ambiguity which serves to mask the pursuit of a hegemonic agenda, as pointed at by critical scholars.

The European Semester: a new policy agenda emerging?

The hard core and fuzzy contours of structural reforms

The content analysis of the main documents produced by the EU institutions in the framework of the ES provides evidence that the ambiguities as to the nature and purpose of structural reforms have allowed a progressive redefinition of priorities in the EU's agenda. A first inductive analysis of the EU's broad economic priorities as they appear in the AGS (2011–2016) allows to distinguish between three periods. In 2011, fiscal consolidation was clearly the top priority, with structural reforms and 'growth enhancing measures' as second and third objectives. From 2012 to 2014, the objectives remained very stable: while 'growth-friendly fiscal consolidation' still ranked first, it was accompanied by a broader set of objectives, namely 'restoring normal lending to the economy', 'promoting growth and competitiveness', 'tackling unemployment and the social consequences of the crisis', and 'modernising public administration'. Finally, in 2015 and 2016, the AGS refocused on only three objectives with investment emerging as the top priority, structural reforms remaining central, and 'fiscal responsibility' coming only third. A second observation is that the AGS does not offer a consistent understanding of the role of structural reforms in the broader economic agenda, thus making the underlying economic reasoning obscure. Table 1 reports the explicit causal relationship between structural reforms and other objectives as detected in the successive AGS.

The purpose of structural reforms fluctuates as we observe a slow discursive from fiscal consolidation in 2011 to investment and 'upward convergence' in 2016. Moreover, several positive objectives are used interchangeably (e.g. growth and competitiveness), and it is not clear whether structural reforms facilitate or are

Table 1 Explicit causal relationships between structural reforms and other objectives in the AGS (2011–2016)

2011	Fiscal consolidation and structural reforms *lead to* growth
2012	Structural reforms *lead to* efficiency, adjustment, growth, competitiveness
2013	Structural reforms *lead to* growth
2014	Structural reforms *lead to* investment, competitiveness, and productivity
2015	Structural reforms *lead to* sustainability of public finances and investment
2016	Structural reforms *lead to* upward convergence
2017	Investment, structural reforms and 'responsible public finances' form a 'virtuous triangle'

Data: Annual Growth Survey (2011–2017)

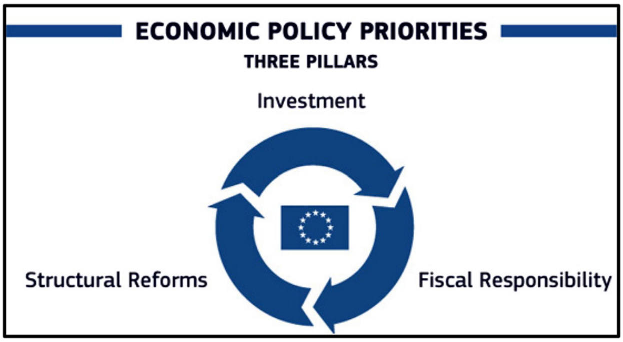

Fig. 1 Policy objectives of the European Semester as defined by the European Commission

facilitated by fiscal consolidation. This is confirmed by the way in which the EU Commission itself has theorised the circular interaction between fiscal consolidation, structural reforms, and investment. As Fig. 1 shows, it is impossible to disentangle causal relationships or a sense of hierarchy among the three priorities.

This unsettled puzzle was echoed in a conference hosted by the German Finance Ministry on 25 March 2015 entitled 'Structural Reforms and Fiscal Consolidation: Trade-Offs or Complements?' In his speech, W. Schäuble claimed that 'there is no trade-off between fiscal consolidation and structural reforms, particularly labour market and welfare reforms. On the contrary, they typically complement each other'.[5] Yet, the Semester, the EU Commission seemed to admit the existence of a trade-off by granting a number of Member States (including France and Italy) more flexibility regarding deficit rules in exchange of the commitment to engage with structural reforms as early as 2013 and again in 2015.

To get a sense of the subjective understanding of structural reforms, we explored how key officials in charge of the formulations of the AGS and formulations of the CSRs, or in their implementation at the national level, subjectively understood the notion of structural reforms (Table 2). We were struck by their frequent immediate

[5] Structural Reforms and Fiscal Consolidation: Trade-Offs or Complements?, Website Of *Bundesfinanzministerium,* retrieved from http://www.bundesfinanzministerium.de/ (accessed 20 February 2017).

Table 2 Explanations on structural reforms by EU and national officials

Commission official 1 (DG EMPL)	'What is a structural reform? I don't know what you mean (…) In my view, Member States can do what they want in order to reach these objectives. And they can do it by changing the law on pensions, on employment protection legislation etc. But is this really structural?'
Commission official 2 (DG ECFIN)	'Wow… what type of answers did you get? (*laughs*) (…) It is a type of reform that goes deeper than one-year programme. Issues of institutional nature where long-standing customs are impeding objectives in terms of internal market or EMU, long-term issues such as economic or labour market issues. The emphasis has changed over time. It used to be more on taxation, it is now more on investment'
Commission official 3 (SECGEN)	'It is a government policy reform which is changing a certain policy field to address a certain policy objective. It has a fact-based analysis'
Commission official (ES Officer 1)	'It's an interesting one! *(laughs)* it's the eternal question of reforms to the basic underlying functioning of your economy that is gonna make it hopefully more efficient and more likely to produce growth and jobs (…) reforms to enable your various markets to function in a way that is supportive of growth and jobs but growth and jobs need to be sustainable and inclusive so then you start hanging all the Christmas tree elements in terms of social and environmental policy'
Commission official (ES Officer 2)	'Globally, it is about economic reforms which increase growth and employment and enhances competitiveness (…) it is a wrong debate to know whether a reform is a structural reform of not. Structural reforms are known for being negative and European. 'Reform', this is positive. I have not seen any difference to be honest'
Belgian official	'Can I have a joker? *(laughs)* I have never thought about it deeply. It belongs to the economic and reform package that lead to growth, competitiveness, and all that. But all the reforms are included in that, and this is where I have a problem. What we see is that ECOFIN feels it is competent for all policy areas, not only employment and social policy, but also environment, etc.'
British official	'When you speak of structural reform, I am not sure what you want me to talk about exactly (…) The UK is seen as a very mature and successful economy so there is no structural reform in the grand scale but there is now apprenticeship, skills, childcare…'
Dutch official	'I think there's a common understanding that we need to modernize our economies. But what does it mean? And what does competitiveness mean? (…) it is just that there are very logical differences, and you know it is very difficult to make the French do something about their labour regulations but a different question is "do they really need to change their labour regulations?"'
French official	'Ask the Commission!' (*laughs*)

reaction of surprise which translated either in laughs or obvious embarrassment. Most interviewees expressed deep uncertainty or even irony when faced with the question, before making a conscious decision about whether they were going to give a politically correct or incorrect answer.

Without pretending to any representativeness, Table 2 illustrates some of the most typical answers we received and highlight three sets of recurring elements. First, structural reforms should have positive long-term effects leading to economic recovery but their nature remains unclear, different from country to country, and partly contentious. At the same time, specific measures can be identified, especially labour market deregulation which was almost systematically mentioned. Furthermore, structural reforms are depicted as a 'European' notion with little ownership at the national level.

In order to tease out the substantive meaning of structural reforms further, we looked at which specific policy reforms in various areas were attached to structural reforms in all EU-wide documents (see Fig. 2). This leads us to a number of interesting observations. First, structural reforms are pursuing a fairly wide range of six broad reform objectives—ranging from competitiveness to social inclusion—which reflects the intrinsic ambiguity of the notion. Second, a significant share of our references does not specify the kind of policy recipes attached to broader objectives and structural reforms, which is consistent with the idea that structural reforms is to some extent a self-explanatory empty signifier. Third, labour market reforms and the liberalisation and deregulation of products and services markets stand for the bulk of reform areas for nearly all of these objectives. The remaining objective, namely fiscal consolidation, is more strongly associated with reforms in the area of pensions and healthcare.

Our first set of data thus gives a complex picture, which reflects the ambiguous nature of structural reforms which are associated with numerous, often vaguely defined, and potentially conflicting policy objectives and solutions. Typical policy solutions inherited from the 'Washington consensus' is consistently central, especially labour market reforms. Furthermore, when investment is invoked as an

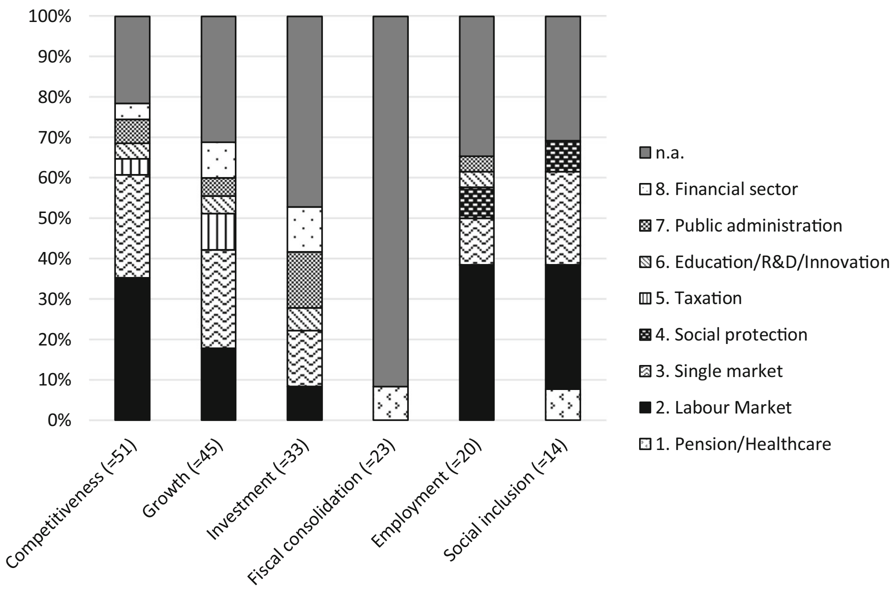

Fig. 2 Structural reform objectives and reform areas. Data: Annual Growth Survey, Alert Mechanism Report, Euro-Area Recommendations (2011–2017). Percentage of references comprising the phrase 'structural reform(s)'

objective, specific structural reform tends to remain largely undefined, or related that same agenda, that is (1) products, services, and networks liberalisation, (2) the reform of public administration, (3) labour market reforms. While this points to a substantial ideational core—rather than to an empty signifier—the interviews illustrate that the agenda attached to structural reforms remains changing according to national contexts, time, and its relevance or legitimacy is contestable. In the next section, we ask to what extent the examined meaning of structural reforms has changed over time to serve a constructive adaptation of the European economic strategy to the persisting problems.

Towards a new policy strategy?

Through detailed coding of the CSRs, Fig. 3 provides specific data on the type of solutions that are supposed to stir reforms conducted by national governments (see Fig. 3). What we observe is a rebalancing in the policy toolbox over time. Labour market reforms as well as reforms of pensions and healthcare gradually lost importance to the benefits of other reforms pertaining mainly to the reform of public administration, on the one hand, and measures related to the financial sector, on the other. Environmental issues seem to have disappeared from the CSRs, probably because of the simplification and re-focus of the Semester undertaken in 2015. Social protection, education/R&D, and taxation exhibit limited variance over time.

Drawing from Hemerijck (2014: 152), we finally coded each reference to policy reforms in the CSRs according to whether they fell under a strategy of social

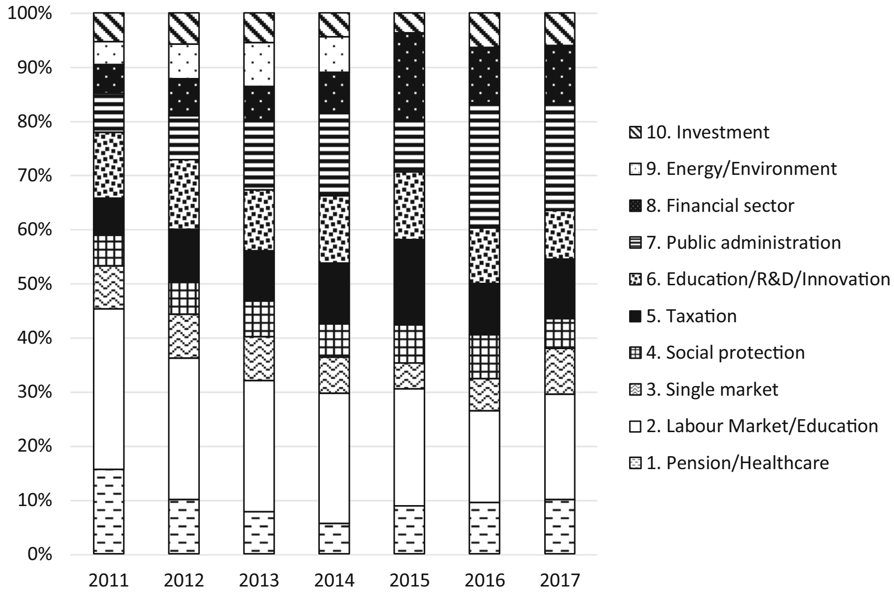

Fig. 3 Policy reforms in the CSRs (2011–2017). Data : CSRs for all EU Member States under the ES (2011–2017). Percentage of references coded in each reform area. Total number of references: 2646

investment, or, on the contrary, under a social retrenchment regime (see table 3 in the appendix).[6] The objective was to assess whether it was possible to detect a shift in the agenda promoted through the ES for understanding macro-economic developments. The emergence of the social investment perspective dates back to the second half of the 1990s, when leading experts advocated the departure both from the post-war insurance welfare state and from the excessive emphasis on retrenchment of the 1980s. Central to this perspective is the argument that the State must 'prepare' individuals to adapt to new social risks over their life course, instead of simply 'repairing' damage through passive cash benefits. Therefore, the breaking point we used to distinguish between the strategies of social investment and social retrenchment relates to how they, respectively, considered social policy. While the former considers social policy as a 'productive factor', the latter sees it essentially through the prism of cost-containment.

Figure 4 shows that social investment is a perspective that is present in the European Semester from the outset. The first three cycles of the European Semester saw a gradual increase in the salience of this theme, which partly reflects the overall booming growth of the number of CSRs between 2011 (107) and 2014 (223). Following the streamlining efforts of the European Semester under the Juncker Commission, the balance between the two strategies restored in 2015. Since then, the proportion of CSRs related to social investment has kept a rising trend, with approximately two-thirds of the CSRs in 2016 and more than three quarters in 2017. However, it seems premature to conclude on this basis that the ES has moved towards a more social-friendly agenda, for two reasons.

The first is that the proportion of CSRs falling under one or the other strategy is only an imperfect measure of ideational change in the European Semester. In fact, the potential number of recommendations that can be related to social retrenchment seems more limited than is the case for social investment, which could explain why the latter showed a more important increase over time. Moreover, the more governments embrace reforms rooted in social retrenchment, the less likely they are to receive recommendations on that area in the following years, leading almost mechanically to a greater salience of social investment solutions.

The second reason is that not all CSRs have the same legal and political importance. Although social investment is more represented in the CSRs in proportion to social retrenchment, it remains that the latter often relies on more solid legal foundations. To put it differently, when asked to implement the CSRs, Member States are faced on the one hand with few but strong recommendations to curb spending or reduce labour costs, and on the other hand, with more numerous but softer requests to engage in social investment. In the end, we can only raise here the logical consequences of ambiguity at the stage of formulation when considering implementation. Given the pressure for fiscal discipline, the amount of investment advocated leaves the Member States in the face of inescapable trade-offs.

[6] We differ from Hemerijk in that we only focus on recommendations pertaining directly to the welfare state, thus leaving aside reforms related to finance, taxation, the single market, and energy.

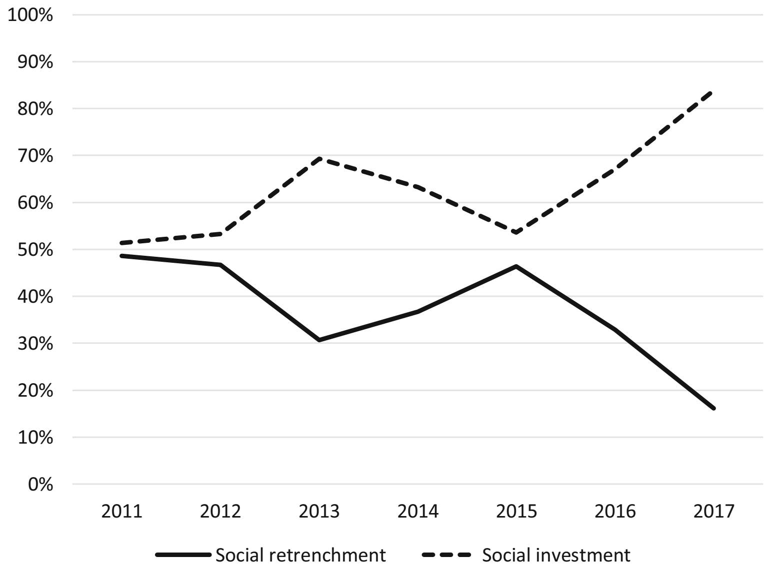

Fig. 4 Social investment and social retrenchment in the CSRs (2011–2017). Data : CSRs for all EU Member States under the ES (2011–2017). Percentage of references falling undersocial retrenchment and social investment. Total number of references: 887

Discussion and conclusions

One year after it took office, the EU Commission under the Presidency of Juncker communicated its ambition to 'revamp' the European Semester. From the point of view of public communication, this term seems somewhat awkward since it suggests that things would change only at the surface whereas expectations for tackling the weak output legitimacy of the EU's macro-economic governance were strong. The objective of this paper has been to assess which policy content is hiding behind the notion of structural reforms, a key pillar of the EU's economic governance, and to what extent it has reflected a change in the agenda promoted at EU level. The longitudinal exploration of the origins of structural reforms until the euro crisis shows that it is not an 'empty signifier' in the Laclauian sense since a core of policy ideas can be identified across time and space. At the same time, the contours of the notion remain fuzzy, allowing for ambiguity and the incorporation of contrasted ideational components.

Behind a discursive turn towards growth and investment around 2014, we have observed that the hierarchy and relationship between structural reforms and other key objectives of EU governance (such as investment or fiscal consolidation) remain vague and circular. Interviews show that key officials involved can refer to an official definition of structural reforms while often contesting its analytical relevance and/or its political legitimacy. The same policy solutions—most prominently labour market reforms associated with the liberalisation of products and services markets, and the reforms of public administration—are consistently invoked as conducive of several potentially conflicting objectives ranging from competitiveness and fiscal consolidation to investment and social inclusion. Finally, the policy content attached to structural reforms in the European Semester displays a fundamental ambiguity as to whether said reforms are pursuing simultaneously social retrenchment or social investment.

In many ways, our findings speak to the literature about the translation of neoliberalism across time and space. First, one may argue that the type of incremental change we describe constitutes a case of translation (over time) implied by collective learning and 'displacing already existing discursive arrangements as a result of their effects of policy conceptions, political economic agendas and political strategies' (Kjaer and Pedersen 2001: 241–242). Second, this process could also be seen as an instance of translation across space engendering a new transnational neoliberal 'hybrid' at EU level, which can then be further translated into more radical or more moderate neoliberal hybrids depending on the timing of reforms and nature of the involved agency in specific domestic realms (Ban 2016).

However, we believe that our approach and findings suggest a different interpretation which echoes the debates among experts and scholars as to whether the various objectives of the Semester are not contradicting each other. Many have raised doubts that austerity and growth-friendly policies such as investment can be pursued *at the same time* or, in other words, whether such a thing as 'expansionary consolidation' (Blyth 2013) can lead Europe out of stagnation. The low degree of ideational change over time allowed only by the ambiguity and fuzziness of the meaning of structural reforms points to a strategic adaptation to discontent with austerity. This has resulted in the absorption of policy components related to a growth-oriented agenda and social investment into an older neoliberal agenda—centred on fiscal discipline combined with market liberalisation and deregulation—which has remained fairly consistent over time.

This may be the result of two intertwined process. From a (first) ontological perspective, knowledge is intrinsically subjective and contestable (Best 2008, 2012). This has been reflected in the ongoing controversy among experts over the expected consequences of structural reforms and the increasingly critical assessment of the EU's socio-economic agenda by the IMF and the OECD. From a (second) strategic perspective, ambiguous ideas such as structural reforms serve to *absorb* a range of contrasted ideational components, thus reinforcing hegemony (Laclau 2006). Insofar, incremental ideational change reflects power struggles over meaning. The increasing ambiguity pertaining to the broad objectives and the specific policies promoted through the European Semester has served to diffuse emerging conflict and neutralise those who—ranging from the radical left and the unions to a section of the Social Democrats—have contested the efficiency and legitimacy of the European Semester and its agenda. This is consistent with the recent research on how changes in the functioning of the ES have resulted from the activism of more socially minded actors, with limited results in terms of ideas and policies (Copeland forthcoming). Whether such strategic adaptation through incremental ideational change should be considered as constructive ambiguity remains open to interpretation. Arguably, it rather points to a consolidation of the prevailing, hegemonic agenda, thus resulting in a political deadlock rather than in a shift towards a new agenda.

Appendix

Table 3 Coding scheme for Fig. 4

Reform areas	Policy reforms in the CSTRUCTURAL REFORMSs	
	Social retrenchment	*Social investment*
1. Pension/ healthcare systems	Curbing age-related expenditure	Adequacy/performance
	Enhancing cost-effectiveness of the healthcare sector	Active ageing
2. Labour market/ education	Reforming wage indexation/wage-setting system	Fostering transition from school to work (incl. apprenticeships and work-based learning)
	Reducing labour costs/tax wedge on labour	Addressing skills mismatches
	Tackling rigidity in employment protection legislation	Increasing the employability of target groups
		Developing childcare services
3. Social policy	Containing costs	Improving adequacy and access of social protection systems
	Enhancing cost-effectiveness	Developing childcare services
	Reducing disincentives to work (e.g. unemployment benefits)	Ensuring the link between assistance and activation
4. Education/ R&D/ innovation	Containing costs	Tackling early school leaving
	Enhancing cost-effectiveness	Improving access and quality of training
		Developing skills
		Protecting spending on education and research
5. Public administration	Containing the costs	Improving the quality of and access to public services

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