

# A NEOLIBERAL BIAS IN THE EUROPEAN INTEGRATION PROCESS?

The role of the European Commission in the implementation of European economic governance



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Author: Julia García Bermejo

Student ID: s2048353

Email address: [juliagb1994@gmail.com](mailto:juliagb1994@gmail.com)

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Supervisor: Dr. Dennie Oude Nijhuis

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## **INTRODUCTION: A NEOLIBERAL BIAS IN EUROPEAN ECONOMIC GOVERNANCE?**

The European Union (EU) has often been accused of displaying a neoliberal bias. This accusation has been the subject of a vivid academic debate. Initially, this debate mostly revolved around the alleged balanced or asymmetric nature of the European integration process, with a focus on the original absence of positive integration at the European level<sup>1</sup>. Later, with the progressive evolution of European integration and the initiation of a new phase of positive integration, the original debate evolved. Indeed, the new phase of positive European integration has been quite controversial due to the highly political nature of the new policies. As a result, the initiation of positive integration has given rise to a new academic debate on the existence of a neoliberal bias in the European integration process. This debate does not longer focus on the extent to which the process of European integration can be viewed as balanced or asymmetric, but focuses on the substantive ideological orientation and content of European positive integration. In this regard, whereas some scholars claim that European policies generally display a neoliberal bias<sup>2</sup>, others believe that the approach followed by these policies has been relatively balanced<sup>3</sup>.

The new debate on the neoliberal bias of European integration has primarily focused on European policies within the framework of European economic governance. This is a very broad debate that has been approached from different perspectives. In this sense, some scholars have examined the development and formulation of these policies. For that purpose, many of them have paid attention to the political context and ideational background surrounding the formulation of these policies, as well as to the ideological

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<sup>1</sup> For the side in this first debate talking about an asymmetric process of European integration, see for instance the following scholars: Streeck 1995; McNamara 1998; Gill 2001; Scharpf 2002; Cafruny & Ryner 2003; Ferrera 2005; Moss 2005; Preece 2009; McCann 2010; Fitoussi & Saraceno 2013. For the side arguing in favour of a relatively balanced process of European integration, see for instance these other scholars: Weiss 1992; Ross 1994; Leibfried & Pierson 1995; Falkner 1998; Hantrais 2000.

<sup>2</sup> See for instance: Raveaud 2007; Preece 2009; Pochet 2010b; Van Apeldoorn & Hager 2010; Hansen & Triantafyllou 2011; Pochet & Degryse 2012; Degryse et al. 2014; Copeland & Daly 2015; Crespy & Menz 2015; de la Porte & Heins 2015; Maricut & Puetter 2017.

<sup>3</sup> See for instance: Borrás & Jacobsson 2004; Ferrera 2005; Bekker 2015; Jessoula 2015; Gómez Urquijo 2017; Verdun & Zeitlin 2017; Zeitlin & Vanhercke 2017; Bekker 2018.

orientation and content of EU strategies and guidelines<sup>4</sup>. At the same time, other scholars have focused on the process of implementation of EU policies within the framework of European economic governance. Indeed, many scholars believe that, based on the intricacies of its practical operation, the process of implementation of these EU policies can have a considerable influence on the final policy outcome of European economic governance, even altering the balance built on the formulation of these policies<sup>5</sup>. For that reason, many scholars have looked at the mechanisms and structural conditions surrounding the process of implementation with the aim of analysing the effect of this process on the final ideological orientation of EU policies<sup>6</sup>.

This thesis aims to build on the existing debate on the neoliberal bias of EU policies within the framework of European economic governance by focusing on the process of implementation of these policies. Its aim is to contribute to the existing debate by bringing new evidence and addressing under-researched elements. Indeed, several scholars have already analysed the process of implementation of these EU policies from different perspectives. However, there are still considerable gaps in this debate. On the one hand, this debate has largely overlooked the role played by the European Commission in the process of implementation. This is an element that requires further attention because, as will be explained later, the role played by the European Commission in managing the implementation of these EU policies is one of high political importance. Moreover, this debate has suffered from a considerable empirical deficit, in particular from a lack of qualitative and contextualised in-depth studies of the process of implementation of these EU policies in specific member states<sup>7</sup>. This is a deficit that needs to be addressed because, as will be seen later, it is mostly in the

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<sup>4</sup> See: Borrás & Jacobsson 2004; Raveaud 2007; Preece 2009; Pochet 2010b; Van Apeldoorn & Hager 2010; Hansen & Triantafyllou 2011; Pochet & Degryse 2012; Bekker 2018.

<sup>5</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Mattocks 2018.

<sup>6</sup> See: Deganis 2007; Bauer & Becker 2014; Degryse et al. 2014; Bekker 2015; Copeland & Daly 2015; Crespy & Menz 2015; de la Porte & Heins 2015; Jessoula 2015; Eihmans 2017; Gómez Urquijo 2017; Maricut & Puetter 2017; Zeitlin & Vanhercke 2017; Mattocks 2018.

<sup>7</sup> Several scholars have conducted large-N studies on the impact of the process of implementation of European economic governance on the ideological orientation of these EU policies (see for instance Clauwaert 2013; Bekker 2015; Copeland & Daly 2015; Bekker 2018), but there is a lack of qualitative and contextualised in-depth studies on the practical functioning of this process in specific member states.

adaptation of these EU policies to specific national contexts that the process of implementation can become biased.

With the aim of addressing the previous elements, this thesis conducts a study of the role of the European Commission in managing the implementation of EU policies within the framework of European economic governance. To do so, this thesis analyses the so-called Country Specific Recommendations (CSRs), a set of policy recommendations issued by the European Commission to member states within the process of implementation of these EU policies. CSRs are highly political elements and the main instrument in the hands of the Commission to steer policy implementation. As a result, the analysis of these policy instruments appears as the best option for examining the role played by the European Commission in the implementation of European economic governance. In this regard, the goal is to find patterns in the ideological orientation of CSRs issued by the European Commission that could reveal the existence of a neoliberal bias in the implementation of these EU policies.

In order to allow for a qualitative and contextualised in-depth analysis of the process of implementation, this thesis conducts a single case study that focuses on employment policy-related CSRs issued to Spain during the period 2005-2014. There are many reasons why this specific case is ideally suited to analyse the possible existence of a neoliberal bias in the implementation of EU policies by the European Commission. Employment policy is one of the most developed processes of EU policy coordination, and it has been central to all EU strategies within the framework of European economic governance. Within the field of employment, and for reasons that will be explained later, this thesis particularly pays attention to those elements related to the policy model of flexicurity. On the other hand, Spain is a member state that has not been investigated yet within the framework of European economic governance, and whose labour market presents special characteristics that make it a suitable case of study for the identification of a possible ideological bias in EU policies. Finally, the choice of the period 2005-2014 allows for the analysis of a long time-span, thus enabling this thesis to collect sufficient and reliable evidence for its analysis. This period also covers different economic phases and governments in Spain, therefore allowing this thesis to investigate whether European Commission's policy recommendations are influenced by the economic context or the political affiliation of national governments.

All the previous bring this thesis to the following research question: to what extent has the European Commission displayed a preference towards neoliberal policies in the Country Specific Recommendations issued to Spain in the area of employment policy during the years 2005-2014? In order to answer this research question, this thesis carries out a qualitative content analysis of EU official documents containing CSRs as issued by the European Commission. This qualitative content analysis is guided by the use of specific categories that aim to facilitate the classification of the policy measures contained in CSRs according to their ideological orientation. This methodology, that will be described later, is based on Wolfgang Streeck's analytical framework and its distinction between market-making and market-correcting policy measures<sup>8</sup>. The examination of national reform programmes presented by Spain in the field of employment policy allows this thesis to take into account national realities and contextualise the analysis of the ideological orientation of European Commission's policy recommendations.

The structure of this thesis is as follows. The following section examines the process of implementation of European economic governance and the role of the European Commission in the management of this process, showing the impact that the process of implementation can have on the final policy outcome and ideological orientation of these EU policies. The next section presents the research design of this thesis, offering a detailed motivation of the reasons why the selected case of study is suitable for the analysis conducted in this thesis. After that, the fourth section of this thesis explains the methodology that will be followed in the analysis of the implementation of European economic governance. The analysis is then structured in three sub-sections that study specific periods of implementation of EU employment policy. These sections start by offering an economic, labour market and policy context for the period, and raise some expectations for a balanced orientation of CSRs during the period. This is followed by the examination of the ideological orientation of the relevant CSRs and a preliminary conclusion for each sub-period. The findings of the analysis are then presented in a final section, together with some conclusions that aim to contribute to the debate on the neoliberal bias of European economic governance.

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<sup>8</sup> Streeck 1995

## THE IMPLEMENTATION OF EUROPEAN ECONOMIC GOVERNANCE

The initiation of a new phase of positive integration at the European level has given rise to a new academic debate on the existence of a neoliberal bias in the European integration process. This debate has mostly focused on the ideological orientation of EU policies within the framework of European economic governance. In this regard, some scholars have decided to study the process of implementation of these EU policies. Indeed, these scholars argue that, based on the intricacies of its practical operation, the implementation of these EU policies can have a considerable influence on the final policy outcome of European economic governance<sup>9</sup>. This can result in EU policies displaying a bias towards certain ideologies and policy measures. In order to understand the importance of the process of implementation in the final content and ideological orientation of European economic governance, it is necessary to look more in depth at the functioning of this process and the role played by the actors involved in it.

Unlike other EU policies, European economic governance is not based on hard-law and binding mechanisms. Instead, European economic governance relies on the so-called Open Method of Co-ordination (OMC), an intergovernmental policy-making method characterised by its non-binding and voluntary nature through which member states try to coordinate their national policies towards commonly agreed objectives. In theory, the OMC does not aim to define or prescribe specific policy measures, and it is the member states that remain the ultimate responsible for the choice of the necessary means to attain the commonly defined objectives. But in order to make member states converge towards common objectives, the implementation of European economic governance relies on a complex process through which abstract policy goals are translated into specific policy measures<sup>10</sup>. It is this complex process that can exert a considerable influence on the policy outcome of European economic governance.

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<sup>9</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Mattocks 2018.

<sup>10</sup> Bekker 2015.

The implementation of European economic governance is a process that starts with member states designing national reform programmes that outline a plan to attain the commonly defined objectives. These reform programmes then undergo a peer-reviewed process of evaluation. In theory, this process should take place automatically against the backdrop of previously defined objectives and guidelines, but in practice it requires the definition of priorities, indicators, benchmarks and best practices, the analysis and interpretation of policy plans, and the delivery of policy recommendations. This means that the implementation of EU policies within the framework of European economic governance is not an automatic transposition of EU objectives into national policies, but is in reality a process that offers some room for discretion<sup>11</sup>. This is even more the case if we take into account that, due to the soft-law and coordination nature of the process, the implementation of EU policies relies on an adaptation of common EU goals to specific national contexts. This adaptation cannot be completely neutral and objective, as it is a process that necessarily requires an interpretative exercise. As a consequence, the implementation of EU policies, which was supposed to be a merely technical process, becomes a rather political task, and one that can have a considerable influence on the final ideological orientation of these policies.

The importance of the political nature of the process of implementation of EU policies lies on the considerable room for discretion that it offers to the actors involved in this process. This creates a window of opportunity that can be used by these actors to steer the process and influence its policy outcomes. In this regard, some scholars have highlighted the need to examine the key role that the European Commission plays in the process of implementation of European economic governance<sup>12</sup>. Within the OMC the European Commission has lost its traditional agenda-setting and initiative powers in favour of intergovernmental institutions, been its role formally limited to that of policy coordination and management of the process of implementation of these EU policies. This has led some scholars to argue that, within the OMC, the European Commission has been devoid of substantive powers<sup>13</sup>. As a result, academic debates have generally overlooked the role of the European Commission in European economic governance<sup>14</sup>.

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<sup>11</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Zeitlin & Vanhercke 2017; Mattocks 2018

<sup>12</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Mattocks 2018

<sup>13</sup> Laffan 1997; Kassim et al. 2013; Bickerton et al. 2015

<sup>14</sup> Deganis 2007; Mattocks 2018



However, there are other scholars who profoundly disagree with the previous assertion. In their view, the fact that in the OMC the European Commission does not enjoy a formal right of initiative does not mean that its role is less important, but just that it presents a different nature<sup>15</sup>. Indeed, and although it has been claimed that this is a predominantly administrative and technical position, these scholars consider that the nature of this process makes managing the implementation of EU policies a task of high political importance<sup>16</sup>.

In order to comprehend the highly important role played by the European Commission in managing the implementation of European economic governance, it is necessary to look again at the practical operation of this process. In this regard, it is important to consider one of the main elements in this process of implementation: the so-called Country Specific Recommendations (CSRs). Despite the non-binding nature of these policy recommendations, member states have committed themselves to following CSRs and incorporating them in their future reform plans. The commitment of member states to implement CSRs has turned these theoretically voluntary recommendations into almost enforceable instruments that can have a considerable direct influence in national policy developments<sup>17</sup>.

The considerable impact that CSRs can have on national policy developments would in principle not have to influence the relationship established between economic and social objectives in European economic governance. Indeed, as in theory these recommendations are issued against the backdrop of EU objectives and guidelines, they would just aim to implement the balance built on the formulation of EU policies. However, as argued before, the definition of policy proposals is not just a technical process, but one that offers significant room for discretion. This is because CSRs require the adaptation of common EU goals to specific national contexts. This highly political exercise has provided the actors involved in the implementation of EU policies with an important window of opportunity<sup>18</sup>. It is for this reason that the European

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<sup>15</sup> Borrás & Jacobsson 2004; Deganis 2007; Preece 2009; Bauer & Becker 2014; Crespy & Menz 2015; Mattocks 2018

<sup>16</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Mattocks 2018

<sup>17</sup> Degryse et al. 2014; Bekker 2015; Crespy & Menz 2015; de la Porte & Heins 2015

<sup>18</sup> Deganis 2007; Bauer & Becker 2014; Crespy & Menz 2015; Zeitlin & Vanhercke 2017; Mattocks 2018

Commission, as the institution in charge of issuing the proposal for these policy recommendations, has become a key actor with a considerable ability to steer the implementation of European economic governance and influence its final policy outcomes<sup>19</sup>.

Of course, the influence of the European Commission on the implementation of European economic governance should not be overstated. This is the case because the discretion that the European Commission enjoys in this process is only limited, as it has to operate in the general direction set by EU strategies and guidelines<sup>20</sup>. Moreover, the policy recommendations that the European Commission issues are only proposals. These then need to be endorsed by the European Council, which can amend these proposals. Nevertheless, and even if the European Commission is expected to follow the direction established in the formulation of EU policies, it can still decide to make more emphasis on some elements than on others in its policy recommendations. On top of that, the progressive strengthening of its coordination and monitoring competences has increased the importance of European Commission's proposals for policy recommendations<sup>21</sup>. As a result, the final adoption of CSRs by the European Council tends to be a 'mere stamp of approval' of the proposals issued by the Commission<sup>22</sup>. Therefore, it can be said that in practice European Commission's proposals are practically enforceable.

In light of the above, it is undeniable that based on its position in the process of implementation of European economic governance, the European Commission enjoys some room for manoeuvre and can exert a considerable influence on the final outcome of EU policies. As a result, the role of the European Commission in the implementation of European economic governance through the issuing of CSRs is a factor that needs to be taken into consideration when analysing the ideological orientation of these EU policies. But which political agenda has the European Commission been advocating in its policy recommendations? This is a point on which scholars have profoundly

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<sup>19</sup> Degryse et al. 2014; Copeland & Daly 2015; Crespy & Menz 2015

<sup>20</sup> Deganis 2007; Bauer & Becker 2014

<sup>21</sup> Zeitlin 2008; Bauer & Becker 2014; Bekker 2015; Copeland & Daly 2015; Crespy & Menz 2015; Eihmans 2017

<sup>22</sup> Deganis 2007: 25. See also: Bauer & Becker 2014; Maricut & Puetter 2017

disagreed<sup>23</sup>, and an issue for which more qualitative and contextualised in-depth research is required.

## RESEARCH DESIGN

As explained in the previous chapters, this thesis aims to examine the role played by the European Commission in the process of implementation of European economic governance and its influence on the final ideological orientation of these EU policies. For that purpose, this thesis conducts an in-depth empirical research on the practical operation of this process. In this sense, and given that its focus is on the role played by the European Commission, this thesis focuses its analysis on one of the key elements of the process of implementation under the control of the European Commission: the so-called Country Specific Recommendations (CSRs).

This choice can be motivated as follows. First, and despite their non-binding nature, member states have committed themselves to following the policy recommendations contained in CSRs. This has turned CSRs into almost enforceable elements which can exert a large impact on national policy developments<sup>24</sup>. Moreover, as explained in the previous chapter, CSRs are the key instrument guiding the adaptation of common EU goals to specific national contexts in this process of policy coordination. This is a highly political exercise, being the European Commission the institution in charge of issuing the proposals of these policy recommendations. All the previous has turned CSRs into key instruments in the hands of the European Commission to steer policy implementation and influence the final outcome of European economic governance<sup>25</sup>. The availability of primary sources and the possibility of an empirical research also make CSRs a highly interesting element of analysis. As a result, the analysis of these

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<sup>23</sup> For the side in this debate claiming that the European Commission generally promotes a relatively balanced approach in its policy recommendations, see for instance the following scholars: Deganis 2007; Bekker 2015; Eihmans 2017; Maricutt & Puetter 2017; Zeitlin & Vanhercke 2017; Bekker 2018. For the side in this debate arguing that European Commission's policy recommendations pursue a neoliberal political agenda, see for instance these other scholars: Raveaud 2007; Pochet & Degryse 2012; Degryse et al. 2014; Copeland & Daly 2015; Crespy & Menz 2015.

<sup>24</sup> Degryse et al. 2014; Bekker 2015; Crespy & Menz 2015; de la Porte & Heins 2015

<sup>25</sup> Degryse et al. 2014; Bekker 2015; Crespy & Menz 2015; de la Porte & Heins 2015

policy instruments appears as the best option for the conduction of an empirical analysis on the role played by the European Commission in the implementation of European economic governance and its influence on the final ideological orientation of these EU policies. Given that its focus is on the role played by the European Commission, this thesis has opted for the analysis of CSRs as proposed by this institution, and not for the examination of the final version of these policy recommendations endorsed by the European Council.

The goal of this research is to find patterns in the ideological orientation of CSRs issued by the European Commission, and therefore in the orientation of EU policies within the framework of European economic governance. There are various reasons why a single case study is best suited to do so. First, a single case study allows for a more in-depth analysis of the influence of the implementation process on the final outcome of EU policies. Second, a single case study makes it possible to put the analysis into its due context. Indeed, and in order to assess the orientation of CSRs in an adequate manner, their analysis cannot be carried out in a vacuum. On the contrary, this analysis needs to be placed in context by taking into account national realities. The need to contextualise the analysis is based on the fact that, as instruments that aim to correct the direction of existing national policies in light of common EU objectives, CSRs are the key elements guiding the adaptation of EU goals to specific national contexts. This means that in theory CSRs would only make reference to the points in which member states deviate themselves from these objectives. Therefore, making more emphasis on certain policy measures than others does not necessarily imply that European Commission's recommendations are biased, but this will depend on which is the reality in the relevant member state as well as on its stated reform plans<sup>26</sup>. A single case study is the most suitable option to take all the previous into consideration<sup>27</sup>.

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<sup>26</sup> Muffels & Wilthagen 2013; Bekker 2018

<sup>27</sup> Indeed, several scholars have acknowledged that member states show different starting points and pursue different reform programmes, but they still conduct large-N studies in which national contexts are not taken into account. As a result, as stated by Bekker (2018), because CSRs do not contain information on national reforms, these studies cannot draw a conclusion on whether CSRs actually present a balanced approach adapted to national realities or whether the theoretical balanced approach of CSRs is not such when considered in the context of national reform programmes.

The choice of a single case study also allows this thesis to focus on a specific policy subject, and therefore to analyse the content and ideological orientation of policy recommendations rather than just examining the kind of policy areas covered by these. Other scholars have focused their researches on the policy areas that CSRs refer to<sup>28</sup>, but this does not say anything about the political orientation of policy recommendations, as policy instruments can always be oriented in different ways<sup>29</sup>. Furthermore, by opting for a single case study this research can cover the analysis of a long period of time, something that would otherwise be beyond the scope of this thesis. As a result, this single case study should result in valid and reliable conclusions that may be generalised and therefore contribute to the general debate on this topic.

On top of the previous, there are many reasons why the specific case selected in this thesis constitutes a suitable and relevant case of study. The choice of employment policy is based on the central importance of this policy for the European Social Model and European socio-economic strategies<sup>30</sup>. Moreover, employment policy appears as a highly political element closely linked to the underlying philosophy of the different industrial relations models and welfare systems<sup>31</sup>. This has turned employment policy into a key instrument through which member states and European institutions have tried to implement different policy models and ideologies<sup>32</sup>. As a result, employment policy constitutes a good element for the analysis of the ideological orientation of EU policies within the framework of European economic governance. In addition, the EES is one of the most developed and solidified processes of EU policy coordination, and one of the only in which member states have for a long time been issued policy recommendations<sup>33</sup>. This allows this thesis to conduct a significant analysis over a long period of time.

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<sup>28</sup> As mentioned before, some scholars have tried to assess the ideological orientation of European economic governance by focusing on the amount of social policy-related recommendations included in CSRs (e.g. Clauwaert 2013; Bekker 2015; Zeitlin & Vanhercke 2017).

<sup>29</sup> As Bekker (2018) argues, social policy can be used to offer social protection, but also to enhance competitiveness and efficiency, and so it depends on the way social policy is defined and the purpose it pursues.

<sup>30</sup> Van Apeldoorn & Hager 2010

<sup>31</sup> Scharpf 2002; Rhodes 2010

<sup>32</sup> Rhodes 2010

<sup>33</sup> Copeland & ter Haar 2013

Within the field of employment policy, this thesis has its specific focus on the concept of ‘flexicurity’. Flexicurity is a policy strategy that aims to address the challenges of modern labour markets by combining high levels of labour-market flexibility and high levels of employment security for all types of workers<sup>34</sup>. This policy model has progressively gained popularity in the European policy debate, becoming an official EU policy strategy in 2005/2006<sup>35</sup>. Since then, flexicurity has been a central concept and policy goal in European economic governance<sup>36</sup>. But the policy model of flexicurity has received a lot of criticism from different actors. This is because, notwithstanding the promise of flexicurity to lead to balanced practices, critics argue that the relationship between the principles of flexibility and security is one of incompatibility and based on inevitable trade-offs<sup>37</sup>. Moreover, and due to its broad and vague formulation, critics argue that flexicurity is a policy concept that can be used in a highly ideological way<sup>38</sup>. Therefore, the balance that it theoretically strikes between flexibility and security has to be assessed in the final translation of this policy model into concrete policy measures.

All the previous reasons make flexicurity a very suitable focus of analysis for examining the existence of a neoliberal bias in the implementation of European economic governance and the role played by the European Commission in the management of this process. To do so, this thesis will look at the combination of flexicurity-related policy measures included in European Commission’s policy recommendations. In the European policy context, flexicurity has been formulated as the balanced combination of the following four elements: flexible and reliable contractual arrangements, comprehensive lifelong learning strategies, effective active labour market policies, and modern, adequate and sustainable social protection systems<sup>39</sup>. This thesis will thus focus its analysis on those policy recommendations that make reference to one of these elements, examining their ideological orientation and assessing the overall balance between them. This analysis will also pay attention to a

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<sup>34</sup> Wilthagen 1998

<sup>35</sup> Muffels & Wilthagen 2013

<sup>36</sup> Wilthagen & Tros 2004; Muffels & Wilthagen 2013

<sup>37</sup> Muffels & Wilthagen 2013

<sup>38</sup> Wilthagen & Tros 2004; Muffels & Wilthagen 2013; Bekker 2018

<sup>39</sup> Council of the European Union 2007

fifth element: flexible and reliable wage-setting systems. Although not formally part of the EU model of flexicurity, this element is often associated to this policy model in EU documents and strategies, and many scholars have considered it a component of the flexicurity element of flexible and reliable contractual arrangements<sup>40</sup>.

As mentioned before, this thesis focuses its analysis on Spain, and it does so for several reasons. First of all, Spain is a large and important EU member state, and one of the states that have received most pressure for reform in the last years. However, it is a member state that has not been investigated yet within the framework of European economic governance. On the other hand, and bearing in mind the importance of taking into account national realities, the selection of Spain can be motivated by the particularities of the Spanish case. Indeed, Spain is a member state whose labour market is characterised, on the one hand, by a high level of regulation<sup>41</sup>, and on the other hand, by a generous but stratified system of social protection<sup>42</sup>. Therefore, the Spanish labour market presents a big room for improvement in the two dimensions identified in the policy model of flexicurity. For the European Commission to promote a balanced policy approach in its policy messages, CSRs issued to Spain should include recommendations to correct deficiencies in both dimensions rather than just making emphasis on one of them. This expectation makes the Spanish labour market an suitable case of study for the identification of a possible neoliberal bias within the framework of European economic governance.

Finally, there are also good reasons for the selected timeframe of analysis. The choice of 2005 as the starting point of the analysis can be explained by several reasons. First of all, it was only in 2005 that CSRs started to be issued on a systematic basis to guide the implementation of EU policies. 2005 also saw a major review of the reporting and surveillance process within the framework of European economic governance, and it marked the start of a new implementation cycle based on a revision of the Lisbon Agenda. It was also in 2005/2006 that flexicurity became an official EU policy strategy. Consequently, it makes sense to establish 2005 as the starting point of this analysis.

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<sup>40</sup> See for instance: Wilthagen 1998; Wilthagen & Tros 2004; Muffels & Wilthagen 2013

<sup>41</sup> Muffels & Luijkx 2008; Jaumotte 2011; Bandrés Moliné 2015; OECD 2013; OECD 2015.

<sup>42</sup> Zubiri 2006; Muffels & Luijkx 2008; OECD 2016; Eurostat 2017

The focus on a ten-year period allows for the examination of a long time-span, thus enabling this thesis to collect sufficient and reliable evidence for its analysis. The period 2005-2014 is also a period that presents especially interesting characteristics. Indeed, this is a period in which Spain was ruled by two different political parties with different ideologies. From April 2004 until December 2011, Spain was governed by a social-democratic government under the rule of the Spanish Socialist Party (PSOE). But from December 2011 until June 2018, Spain had a Christian-democratic government under the rule of the *Partido Popular* (PP), a party whose ideology is a mix of conservatism and economic liberalism. A balanced approach in its policy recommendations would require the European Commission to adapt these to the ideological orientation followed by the governing party in its policy program. In this sense, the finding of systematically unbalanced policy recommendations during a period ruled by different political parties could not be justified by the political affiliation of the national government.

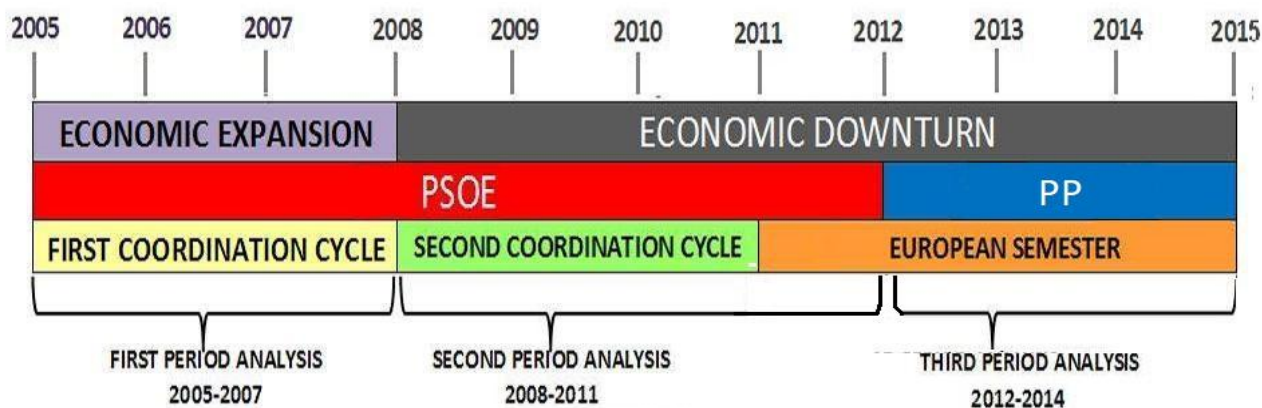
The period 2005-2014 also covers two different economic phases in the Spanish economy. The analysis of CSRs during two different economic phases in the Spanish economy is important because each of these phases requires and allows for different policy measures. Indeed, in a phase of economic expansion, governments have more room to implement market-correcting policy measures, and they generally have the resources to invest in this kind of policies. However, in a moment of economic downturn governments are restricted by the economic situation, which requires them to concentrate the more limited national resources in boosting the economy. Consequently, in periods of economic downturn it is expectable to find a greater emphasis on market-making policy measures. A balanced approach in its policy recommendations would require the European Commission to adapt these to the specific economic situation. As a result, the examination of a period that covers different economic phases in the Spanish economy implies that a systematically unbalanced policy approach in CSRs during this period cannot be justified by the limitations imposed by the economic context.

Taking into account all the previous, and bearing in mind the cycles of implementation of European economic governance, this thesis has divided and structured the analysis of the period 2005-2014 in three sub-periods: 2005-2007, 2008-2011 and 2012-2014. The result is a division of the period 2005-2014 that eliminates the potential systematic



influence that could be exerted on the ideological orientation of European Commission's policy recommendations by the political affiliation of national governments or the limitations imposed by economic context.

**Image 1:** Temporal division of the analysis



## METHODOLOGY

The methodology followed in this thesis consists in a qualitative research based on the analysis of primary sources. More specifically, it examines EU policy documents containing Country Specific Recommendations proposed by the European Commission to Spain in the area of employment policy during the years 2005-2014. On the basis of these primary sources, and with the aim of assessing their ideological orientation, this thesis carries out a systematic qualitative content analysis based on a close reading of relevant policy recommendations, with a special focus on those aspects related to the policy model of flexicurity. Qualitative content analysis is a research method that aims to identify underlying ideas and concepts in the content of texts<sup>43</sup>. As such, it appears as the most suitable method to assess the ideological orientation of policy recommendations. However, qualitative content analysis is not a completely automatic and objective task, as in practice it requires an important interpretative work<sup>44</sup>. This makes qualitative content analysis open to discretion and subjectivity, what can lead to inaccurate findings. In order to overcome this limitation, this thesis systematises the

<sup>43</sup> Ryan & Bernard 2003; White & March 2006

<sup>44</sup> Taylor & Gibbs 2010

conduction of the qualitative content analysis of CSRs by using pre-established frameworks and coding categories<sup>45</sup>.

First, this thesis follows a specific interpretative framework for the analysis and coding of CSRs. Scholars have used different frameworks and categories when analysing the content and ideological orientation of EU social policy, and there is no academic consensus on which is the most appropriate one. However, many of the categories used by scholars are based on concepts that result either too vague or not comprehensive enough to examine all different policy measures that can be contained in CSRs. Following the methodology used by some important scholars in the field<sup>46</sup>, this thesis has opted for using the analytical framework developed by Wolfgang Streeck differentiating between market-making and market-correcting social policy measures<sup>47</sup>. According to Streeck, market-making measures are all those policy measures that involve some sort of reform to deregulate the economy with the aim of removing the barriers that hinder market competition and economic efficiency<sup>48</sup>. Market-correcting measures are by contrast all those policy measures that call for public engagement with the aim of correcting negative market outcomes in the name of equality, compensation or social inclusion, and that many times result in distorting market mechanisms<sup>49</sup>.

In addition to offering a precise and comprehensive categorisation of social policy measures, the interpretative framework developed by Wolfgang Streeck has the advantage of having been designed in the context of EU social policy<sup>50</sup>. As such, this framework perfectly suits the analysis that this thesis aims to conduct. Thus, this thesis uses the qualitative content analysis of CSRs to classify European Commission's flexicurity-related policy recommendations into either market-making or market-correcting policy measures. However, and even if the use of the framework developed by Wolfgang Streeck offers very useful guidance in assessing the orientation of flexicurity-related CSRs, these categories can sometimes be too vague when analysing

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<sup>45</sup> Ibid.

<sup>46</sup> See for instance: Van Apeldoorn & Hager 2010; Copeland & Daly 2015

<sup>47</sup> Streeck 1995

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Copeland & Daly 2015

specific policy measures, thus still leaving the analysis open to interpretation. For this reason, and with the purpose of structuring and systematising as much as possible its analysis, this thesis further develops this interpretative framework by pre-establishing a classification of the main components and policy measures linked to the policy model of flexicurity into one of the categories contemplated in this framework.

Classifying policy measures into the market-making or market-correcting category is not an evident and totally objective exercise. This is because not all scholars agree on which policy measures can be considered market-making and which ones should be classified as market-correcting. Nevertheless, it is still possible to find a relative academic consensus on which flexicurity-related policy measures pertain to each of these categories. A review of the existing literature on this field has allowed this thesis to pre-establish a general classification of the main components and policy measures related to the model of flexicurity into the market-making or market-correcting category. The resulting classification is used in this thesis to guide the qualitative content analysis of CSRs:

**Table 1:** Classification of flexicurity-related policy measures following Streeck’s framework

<p style="text-align: center;"><b>FLEXICURITY-RELATED MARKET-MAKING POLICY MEASURES</b></p>	<p style="text-align: center;"><b>FLEXICURITY-RELATED MARKET-CORRECTING POLICY MEASURES</b></p>
<p><u>Measures promoting flexible contractual arrangements:</u></p> <ul style="list-style-type: none"> <li>▪ Facilitation of individual and collective dismissal procedures (notice, procedure, legal grounds, etc.).</li> <li>▪ Reduction of mandated severance payments.</li> <li>▪ Reduction of hiring requirements and obligations.</li> <li>▪ Facilitation of the conditions for using fixed-term contracts (maximum duration, number of contract renewals, etc.).</li> <li>▪ Promotion of the use of fixed-term and part-time employment.</li> <li>▪ Liberalisation of the market of Temporary Work Agencies.</li> <li>▪ Promotion of internal flexibility within companies (working-time flexibility, functional flexibility, geographical mobility, etc.).</li> <li>▪ Promotion of flexible wage-setting systems (decentralisation of wage-setting arrangements, liberalisation of wage indexation, linkage of nominal wage developments to the evolution of</li> </ul>	<p><u>Measures promoting reliable contractual arrangements:</u></p> <ul style="list-style-type: none"> <li>▪ Reinforcement of individual and collective dismissal procedures (notice, procedure, legal grounds, etc.).</li> <li>▪ Increase of mandated severance payments.</li> <li>▪ Introduction of hiring requirements and obligations.</li> <li>▪ Limitation of the possibilities of using fixed-term contracts (maximum duration, number of contract renewals, etc.).</li> <li>▪ Promotion of permanent employment.</li> <li>▪ Stricter regulation of the market of Temporary Work Agencies.</li> <li>▪ Reinforcement of the rules regulating working conditions and employment safety, especially for non-standard contracts.</li> <li>▪ Promotion of reliable wage-setting systems (establishment of minimum wages, use of wage indexation, enhancement of collective wage bargaining, etc.).</li> <li>▪ Enhancement of combination security (reconciliation of private and</li> </ul>

<p>productivity, etc.).</p>	<p>professional life).</p> <ul style="list-style-type: none"> <li>▪ Special protection and support for disadvantaged groups.</li> </ul>
<p><u>Measures promoting effective active labour market policies:</u></p> <ul style="list-style-type: none"> <li>▪ Reduction of the tax wedge on labour.</li> <li>▪ Promotion of employment-friendly labour costs.</li> <li>▪ Limitation of the possibilities of early retirement.</li> </ul>	<p><u>Measures promoting effective active labour market policies:</u></p> <ul style="list-style-type: none"> <li>▪ Improvement of public employment search and advice services.</li> <li>▪ Greater investment in employment subsidies for companies to create jobs for the unemployed and inactive.</li> <li>▪ Facilitation of the reconciliation of private and professional life.</li> <li>▪ Promotion of active ageing through the use of incentives.</li> <li>▪ Fostering of the geographical mobility of workers to regions with higher labour demand.</li> <li>▪ Promotion of self-employment among the unemployed.</li> <li>▪ Special promotion of the employment of disadvantaged groups.</li> </ul>
	<p><u>Measures promoting comprehensive lifelong learning strategies:</u></p> <ul style="list-style-type: none"> <li>▪ Investment in (re)training and learning programmes for the unemployed.</li> <li>▪ Use of incentives for companies to invest in training programmes for employees.</li> <li>▪ Introduction of leave schemes for training and education.</li> <li>▪ Improve the quality of education and training systems.</li> </ul>

	<ul style="list-style-type: none"> <li>▪ Increase the labour-market relevance of education and training.</li> <li>▪ Promote vocational guidance.</li> <li>▪ Increase educational attainment levels.</li> <li>▪ Reduce early school exit.</li> <li>▪ Make education and training affordable, accessible, attractive and flexible.</li> <li>▪ Special protection and support for disadvantaged groups.</li> </ul>
<p><u>Measures promoting sustainable social protection systems:</u></p> <ul style="list-style-type: none"> <li>▪ Rationalisation of the amount and/or the duration of unemployment benefits.</li> <li>▪ Restriction of the access to social rights and benefits to people in employment.</li> <li>▪ Limitation of family-supporting benefits and rights.</li> <li>▪ Increase of the cost-effectiveness of benefits and public services.</li> </ul>	<p><u>Measures promoting modern and adequate social protection systems:</u></p> <ul style="list-style-type: none"> <li>▪ Increase of the amount and/or duration of unemployment benefits.</li> <li>▪ Provision of universal access to social rights throughout the life cycle.</li> <li>▪ Improvement of healthcare provision and pension entitlements.</li> <li>▪ Investment in family-supporting benefits and rights.</li> <li>▪ Special protection of disadvantaged groups.</li> </ul>

Given that CSRs many times include very concise and vague policy messages, and that they often make reference to policy goals rather than to specific policy measures, the interpretation of these policy recommendations is assisted by the examination of the guidelines for the employment policies of member states approved by the Council for every policy coordination cycle and followed by the European Commission in the implementation of this EU policy. Finally, and in order to put the analysis of the orientation of CSRs into its due context, this research takes into account national realities. For this purpose, this thesis examines reform programmes presented by Spain within the framework of European economic governance during the period 2005-2014. These primary sources contain a diagnosis of the labour market and employment situation in Spain, and they also state Spain's intended reforms to correct existing deficiencies and challenges in this area. As such, the assessment of national reform programmes appears as the most suitable option to contextualise the analysis of the orientation of CSRs.

## **ANALYSIS**

### **2005-2007 IMPLEMENTATION PERIOD**

#### **1) General context:**

- **Economic context:**

The period 2005-2007 covers the first cycle of implementation of the renewed Lisbon Agenda. It was a period characterised by a phase of strong expansion of the Spanish economy, an expansion that resulted in a dynamic labour market with a high rate of job creation and a considerable reduction of the unemployment rate. During this period, Spain also presented a strong financial position based on its sound public accounts. However, the expansion of the Spanish economy during this period was based on an unbalanced and fragile growth model. Economic growth was mainly driven by a strong construction sector, a rising employment rate, an intensive use of labour, and favourable monetary and financial conditions, while the levels of productivity remained considerably low. This, together with other factors, led to high unit labour costs, high

inflation, persistent current account deficits, and high levels of domestic and external indebtedness. In any case, it can be said that in this period Spain enjoyed favourable economic conditions.

▪ **Labour market and flexicurity performance:**

In this period, Spain presented a poor performance in terms of flexicurity. First, the Spanish labour market presented low levels of labour flexibility<sup>51</sup>. This was the result of various factors. On the one hand, it was a consequence of the existence of strong wage indexation mechanisms and a highly centralised collective bargaining system<sup>52</sup>. This reduced companies' possibilities to adapt to changing market conditions by resorting to internal flexibility mechanisms such as working times and wages adjustments<sup>53</sup>. External flexibility among permanent workers was also very low in Spain, as these were protected by a strict employment legislation and high dismissal costs<sup>54</sup>. This contrasted with the relatively weak protection given in Spain to temporary employment, both in terms of dismissal legislation and costs, and led to a highly segmented labour market<sup>55</sup>. As a consequence, the main flexibility option available for Spanish companies was to make use of external flexibility in relation to temporary employment<sup>56</sup>. This resulted in high levels of temporary employment and a high volatility in employment levels in the Spanish labour market<sup>57</sup>.

Second, in this period the Spanish labour market presented relatively low levels of employment security. This was the case for various reasons. First, this was a consequence of Spain's labour market segmentation, which resulted in high levels of temporary employment subjected to a very weak employment protection<sup>58</sup>. Secondly,

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<sup>51</sup> Zubiri 2006; OECD 2013; Bandrés Moliné 2015; OECD 2015

<sup>52</sup> Cerviño 2009; Ministry of the Presidency 2012; Bandrés Moliné 2015

<sup>53</sup> Cerviño 2009

<sup>54</sup> Ministry of the Presidency 2012; OECD 2013; Bandrés Moliné 2015; OECD 2015

<sup>55</sup> Ministry of the Presidency 2005; OECD 2013; Bandrés Moliné 2015

<sup>56</sup> Malo 2010; Ministry of the Presidency 2012; Bandrés Moliné 2015

<sup>57</sup> Zubiri 2006; Ministry of the Presidency 2015; Bandrés Moliné 2015

<sup>58</sup> Malo 2010; Bandrés Moliné 2015



this was a result of Spain's generous but stratified system of social protection<sup>59</sup>. Indeed, in this period Spain presented a very generous welfare state, especially in terms of pensions and unemployment benefits<sup>60</sup>. However, these two elements were basically limited to contributors, which implied that only a fraction of the Spanish population was covered by the social protection system<sup>61</sup>. This was especially problematic in a country where some social groups (e.g. women, immigrants) were underrepresented in the labour market, and where unemployment was concentrated in specific groups (e.g. young people, unskilled long-term unemployed citizens and old workers) whose long-term unemployment made them exhaust their unemployment benefits or who did not even meet the contribution requirements to receive a benefit<sup>62</sup>.

In addition, whereas in this period Spain presented a high investment in passive labour market policies, its expenditure in active labour market policies was relatively low<sup>63</sup>. This seriously impacted employment security in the Spanish labour market. Spain did allocate some resources on permanent hiring incentives to reduce temporary employment<sup>64</sup>, but it also needed to use active labour market policies more intensively to promote employment among social groups needing special support in joining the labour market (e.g. women, unskilled long-term unemployed, young people, old workers, etc.)<sup>65</sup>. Moreover, there was a need for Spain to make more efforts to reduce the risks associated with employment transitions. Indeed, in this period Spain presented an insufficient investment in the training of unemployed people, something especially serious given the high level of employment turnover in the Spanish labour market<sup>66</sup>.

The weakness of employment security was also the result of Spain's low levels of human capital<sup>67</sup>. This was a consequence of Spain's low educational levels, the weakness of its vocational training system and the limited participation of employees in

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<sup>59</sup> Zubiri 2006

<sup>60</sup> Zubiri 2006; OECD 2017

<sup>61</sup> Zubiri 2006

<sup>62</sup> Ministry of the Presidency 2005; Zubiri 2006

<sup>63</sup> Malo 2010

<sup>64</sup> Cerviño 2009; OECD 2017

<sup>65</sup> Zubiri 2006

<sup>66</sup> Cerviño 2009; OECD 2017

<sup>67</sup> Statistics

permanent training within companies<sup>68</sup>. Low levels of human capital not only undermined productivity growth and competitiveness, but also considerably reduced the employability of workers, increasing their exposure to the risks associated with employment transitions in the labour market<sup>69</sup>. All the previous shows that in this period Spain needed to improve its flexicurity performance, both in terms of flexibility and security.

- **Policy program:**

The favourable economic context and its strong financial position in this period offered the Spanish government a considerable room to introduce reforms aimed at enhancing labour-market flexibility while also correcting existing deficiencies and moving forward in terms of employment security. In this way, Spain, which during this period was ruled by a social-democratic government, designed a predominantly market-correcting employment policy programme in which the public sector was given a key role<sup>70</sup>. On the one hand, the reform programme presented by Spain within the framework of European economic governance in the period 2005-2007 made a strong emphasis on enhancing human capital with the aim of increasing labour productivity and ensuring employability. For that purpose, this programme focused on the improvement of the education and training systems and on the enhancement of life-long learning possibilities for people in work and out of work. In addition, the Spanish reform programme sought to attract and retain more people in employment through the use of strong active labour market policies and hiring incentives, with a focus on a number of priority collectives: women, young workers, older workers, long-term unemployed, disabled people and immigrants. The reduction of labour market segmentation was also one of the main priorities of this reform programme, which identified important market-correcting measures to limit temporary employment and promote permanent hiring.

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<sup>68</sup> Ministry of the Presidency 2005

<sup>69</sup> Ministry of the Presidency 2005; Cerviño 2009

<sup>70</sup> Ministry of the Presidency 2005

- **Expectations:**

Bearing in mind the previous economic and policy context, it can be expected that a balanced approach in European Commission's policy recommendations to Spain during the period 2005-2007 would present a predominantly market-correcting orientation. This is the case because the existing deficiencies in the Spanish labour market together with the favourable economic context and the strong financial position of Spain during this period would require and allow for strong market-oriented policies. In this sense, CSRs are expected to address the need to enhance human capital and the employability of workers through a greater investment in life-long learning strategies. CSRs are also expected to call for a more intensive and market-correcting use of active labour market policies with the aim of attracting to employment those social groups in need of special support. In addition, it would be expected from the Commission to recommend Spain to make use of market-correcting measures to reduce labour market segmentation and increase employment security among temporary workers. In any case, taking into account the balance pursued by the policy model of flexicurity and the insufficient attention paid by the Spanish government in its reform programme to employment flexibility, European Commission's policy recommendations during this period are also expected to call for market-making measures aimed at enhancing internal flexibility opportunities for Spanish companies.

## **2) Analysis of Country Specific Recommendations**

- **2005 Country Specific Recommendations**

The assessment made by the European Commission of Spain's 2005 National Reform Program in the area of employment policy contains two recommendations. The first recommendation concerns the need to reduce the segmentation of the Spanish labour market<sup>71</sup>. The classification of this policy recommendation is not straightforward, as it only refers to a policy goal and does not identify specific policy measures, being this a goal that can be pursued through different strategies. Nevertheless, the examination of the 2005-2007 guidelines for the employment policies of member states shows that,

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<sup>71</sup> COM 2006b:143

when talking about labour market segmentation, the Council tends to make more emphasis on market-making policy measures based on the promotion of flexible employment legislation and adaptable forms of work organisation for all different contractual arrangements<sup>72</sup>. As the European Commission is expected to follow the guidelines set by the Council in the implementation of EU policies, it can therefore be deduced that the previous is the kind of policy measures that the European Commission is referring to in its recommendation.

The second recommendation makes reference to the need to increase female employment<sup>73</sup>. Although the European Commission does not identify specific policy measures for the attainment of this goal, it is clear that this policy recommendation presents a market-correcting orientation. This is the case because any policy measure aimed at increasing female employment will be intended to correct a negative market outcome, in this case the under-representation of a social group in the labour market in the name of equality and social inclusion, and it will do so even if it represents a distortion of market mechanisms.

- **2006 Country Specific Recommendations**

European Commission's policy recommendations on Spain's 2006 implementation report focused on three main points. First, the European Commission identified the need to modernise employment protection, and issued three recommendations in this regard. The first recommendation makes reference to the need to 'modernise employment protection, including legislation, to foster flexibility and security in the labour market'<sup>74</sup>. This is a very broad recommendation that does not identify specific policy measures, but rather focuses on two policy goals: the attainment of both flexibility and security in the labour market. The examination of the 2005-2007 guidelines for the employment policies of member states shows that this is a quite neutral recommendation that covers both market-making and market-correcting policy measures. The ideological orientation of this policy recommendation would depend on the specific combination of policy measures adopted by Spain in response.

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<sup>72</sup> See Council 2005, guideline no. 21, pages 25-26

<sup>73</sup> COM 2006b:143

<sup>74</sup> COM 2006c:14

The second recommendation concerns the need to modernise employment protection to counter segmentation<sup>75</sup>. This recommendation is similar to the one received by Spain in 2005, and again its classification is not straightforward as it only refers to a policy goal and does not identify specific policy measures, being this a goal that can be pursued through different strategies. Nevertheless, the examination of the 2005-2007 guidelines for the employment policies of member states reveals that this policy recommendation points to the need of adopting market-making policy measures based on the promotion of flexible employment legislation and adaptable forms of work organisation for all different contractual arrangements<sup>76</sup>. Therefore, it can be concluded that this is a recommendation with a market-making orientation.

The third recommendation identifies the need to modernise employment legislation ‘to increase the attractiveness of part-time work’<sup>77</sup>. As it was the case with the previous recommendation, the classification of this recommendation is also not straightforward, as it is a quite vague recommendation that only makes reference to a policy goal. Nevertheless, the examination of the 2005-2007 guidelines for the employment policies of member states shows that, when talking about part-time work, the Council tends to make reference to market-making measures that promote modern and adaptable forms of work organisation that allow for greater labour market flexibility and better meet the needs of companies<sup>78</sup>. As the European Commission is expected to follow the guidelines set by the Council for the implementation of EU policies, it can therefore be deduced that the previous is the orientation that the European Commission is according to its recommendation.

The second point of attention of the 2006 European Commission’s policy recommendations relates to the enhancement of human capital. Indeed, the fourth and fifth recommendations concern the need to effectively implement education reforms in order to reduce early school leaving and to integrate training systems to provide a better

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<sup>75</sup> COM 2006c:14

<sup>76</sup> See Council 2005, guideline no. 21, pp. 25-26

<sup>77</sup> COM 2006c:14

<sup>78</sup> See Council 2005, guideline no. 21, pp. 25-26

response to labour market needs<sup>79</sup>. These two recommendations can be considered to pertain to the flexicurity component of comprehensive life-long learning strategies. This is because, even if they are also intended to contribute to labour productivity, these two recommendations concern market-correcting policy measures aimed at improving the employability of both future workers and active people. The same can be said about the sixth recommendation on the need to raise skill levels and productivity<sup>80</sup>, which pursues to increase productivity but at the same time to contribute to the employability of future workers and active people. Independently of the specific policy measures adopted by Spain to attain these goals, these will be market-correcting measures aimed at correcting existing or potential negative market outcomes: the lack of relevant professional skills and/or the mismatch between skills and existing labour market needs.

Finally, European Commission's 2006 policy recommendations present a third priority that relates to the need to attract more people to employment, with a special focus on unrepresented social groups. In this sense, the seventh and eighth recommendation emphasise the need to integrate immigrants into the labour market and to increase access to childcare<sup>81</sup>. These are two recommendations that pertain to the category of active labour market policies and that focus on the need to correct existing negative market outcomes: the discrimination and/or under-representation of immigrants and women in the labour market. Therefore, it is evident that these two are market-correcting recommendations.

- **2007 Country Specific Recommendations**

In 2007, the European Commission issued a new set of CSRs for member states on the implementation of their 2005 National Reform Programmes. Nevertheless, the European Commission considered that, since the first recommendations had only been issued recently, and given that implementing structural reforms required perseverance and continuity, it would be advisable to 'maintain the current set of recommendations largely unchanged' and only 'fine-tune them in the light of progress made since their

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<sup>79</sup> COM 2006c:14

<sup>80</sup> COM 2006c:14

<sup>81</sup> COM 2006c:14

adoption'<sup>82</sup>. As a result, in 2007 the European Commission proposed a set of CSRs that were very similar to the ones issued to Spain on its 2006 implementation report<sup>83</sup>. As the aim of reiterating the CSRs already proposed to Spain the previous year is to reinforce the implementation of these policy recommendations, it can be said that these new CSRs pursue the same aims as the ones issued in 2006, and therefore the analysis made in the previous section also applies to the CSRs proposed for 2007.

### **3) Conclusion**

The previous analysis shows that, out of the 17 flexicurity-related CSRs issued to Spain during the years 2005-2007, 5 presented a market-making orientation and 10 pursued market-correcting aims, while other 2 were too broadly defined as to be possible to classify them into one of these two categories. The contextualisation of this analysis shows that the predominant market-correcting of CSRs during the years 2005-2007 takes place in an expansionist economic scenario in which Spain had a strong economic and fiscal position, position that made it possible for the Spanish government to focus on this kind of policy measures. The predominant market-correcting orientation of CSRs during this period also takes place against the background of a poor performance of the Spanish labour market in terms of employment security, what required the adoption of market-correcting measures intended to address the existing deficiencies. This helps to explain the greater emphasis made on market-correcting measures, and meets the expectations raised for this period.

In any case, and given the low levels of flexibility of the Spanish labour market and the insufficient attention paid by the Spanish government in its reform programme to employment flexibility, CSRs during the period 2005-2007 also made emphasis on the need to reinforce employment flexibility in Spain. However, contrary to the expectations raised for the period, CSRs focused on modernising employment protection to reduce labour legislation, and did not pay attention to the need of increasing internal flexibility for companies. In any case, and bearing in mind the

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<sup>82</sup> COM 2007:2

<sup>83</sup> COM 2017:18

expectations raised for this period, it can be said that flexicurity-related CSRs issued to Spain during the years 2005-2007 present a relatively balanced ideological orientation.

## **2008-2011 IMPLEMENTATION PERIOD**

### **1) General context:**

#### **▪ Economic context:**

The period 2008-2011 covers the second cycle of implementation of the renewed Lisbon Agenda and the first year of the European Semester. This period was characterised by an intense economic downturn and readjustment of the Spanish economy. The slowdown of the Spanish economy started at the end of 2007 as a consequence of the deceleration of its oversized construction sector. The domestic economic downturn coincided with a disadvantageous international economic scenario and a global financial crisis that further aggravated the slowdown of the Spanish economy. As a result of all the previous, the Spanish economy experienced a sharp reduction of domestic demand and economic activity. This also initiated a phase of strong readjustment of the macroeconomic imbalances accumulated during the previous expansionary phase of the Spanish economy. At first, it was believed that the Spanish economy had some room for manoeuvre to face the difficult economic situation by pursuing a strong countercyclical fiscal policy. However, the deceleration of the Spanish economy was so profound that it resulted in a severe deterioration of Spain's public accounts and a considerable growth of its public debt. This limited the policy options available to respond to the serious economic situation.

#### **▪ Labour market and flexicurity performance:**

The profound deceleration and strong readjustment of the Spanish economy had a high impact on employment levels. Indeed, this period was characterised by high levels of job destruction, levels that were especially high in some economic sectors and among certain groups of workers, especially young people, unskilled workers, temporary employees and old workers. When it comes to flexicurity, in this period the Spanish



labour market continued to be characterised by low levels of employment flexibility. This was the result of the strictness of its employment protection regarding the dismissal of permanent workers, the existence of a highly centralised collective bargaining system and wage indexation mechanisms, and the reduced internal flexibility possibilities for companies<sup>84</sup>. Nevertheless, this started to change after the 2010 labour reform introduced some flexibility in the Spanish labour market, especially in terms of dismissal protection, collective bargaining and internal flexibility within companies<sup>85</sup>.

With regards to employment security, the Spanish labour market continued to be characterised by a generous provision of unemployment benefits and a medium level of investment in active labour market policies and life-long learning strategies<sup>86</sup>. However, put into perspective, the increasing number of long-term unemployed who had exhausted their unemployment benefits and the rising number of people exposed to the risks associated with unemployment and employment transitions made these levels of investment insufficient to ensure employment security in the Spanish labour market. On the other hand, and although Spain made improvements in terms of human capital thanks to its investments in the educational and training systems, these were still low and not sufficient to mitigate the high levels of job destruction. As a result, it can be said that Spain's performance in terms of employment security, which was already relatively low, worsened during this period.

- **Policy program:**

During the first two years of the period, the employment policy followed by the Spanish government was essentially a continuation of the previous period of implementation. Indeed, in 2008 and 2009 the ruling social-democratic party maintained a predominant market-correcting orientation focused on the enhancement of human capital and the fight against labour market segmentation. In addition, and in order to address the high levels of job destruction, the Spanish government made special emphasis on the use of active labour market policies and increased the funds available for unemployment benefits.

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<sup>84</sup> Cerviño 2009; OECD 2013; Bandrés Moliné 2015; OECD 2015

<sup>85</sup> Ministry of the Presidency 2011; Bandrés Moliné 2015; OECD 2015

<sup>86</sup> OECD 2017; OECD 2018

But in 2010 and 2011, the deterioration of its public accounts and the austerity policy adopted by Spain limited the possibilities of using market-correcting policies and compelled the government to adopt an increasing market-making approach in its employment policy. Thus, while trying to maintain the previous market-correcting efforts, the Spanish government undertook an important market-making labour reform in 2010. The new reform was primarily intended to increase the flexibility of the Spanish labour market as a way to address the high levels of job destruction and create jobs. For that purpose, the 2010 Spanish labour market reform tried to increase internal flexibility within companies and allowed for the suspension of collective agreements for companies in difficulties in order to avoid a further destruction of jobs. This market-making approach was also present in its new efforts to fight labour market segmentation, which focused on reducing the high levels of temporary employment in Spain by reducing dismissal protection for all types of contractual arrangements.

- **Expectations:**

Bearing in mind the previous economic and policy context, it can be expected that a balanced approach in European Commission's policy recommendations to Spain during the period 2008-2011 would present a balanced combination of market-correcting and market-making recommendations. First, it can be expected that CSRs will make a greater emphasis on market-making measures than in the previous period. This is the case because the strong deterioration of Spanish public accounts would limit the possibilities of developing market-correcting policies in order to address the high levels of job destruction. In this sense, and taking into account the strategy prescribed by the policy model of flexicurity, during this period CSRs are expected to focus on increasing labour market flexibility as a way to avoid a further destruction of employment and create jobs. CSRs can also be expected to address the need to reduce labour market segmentation through the recommendation of market-making measures. This should especially be the case during the first half of the period, a moment in which the policy program designed by the Spanish government still presented a predominantly market-correcting approach.

Nevertheless, the existing high levels of unemployment and the need under the policy model of flexicurity to compensate labour flexibility with employment security would make it necessary for the Spanish employment policy to maintain strong market-correcting efforts. Therefore, a balanced approach in European Commission's policy recommendations would be expected to make emphasis on the use of active labour market policies, the re-training of workers and the adequate provision of unemployment benefits. This should especially be the case in the second half of the period, a moment in which the Spanish government adopted a predominantly market-making approach in its employment policy.

## **2) Analysis of Country Specific Recommendations**

### **▪ 2008 Country Specific Recommendations**

European Commission's policy recommendations on Spain's 2008 implementation report focused on two main points. On the one hand, the European Commission made emphasis on the need to create jobs by 'promoting a swift transition into employment' through the elimination of labour market barriers<sup>87</sup>. In order to attain this goal, the European Commission issued two policy recommendations. First, the European Commission recommended Spain to adopt measures to further encourage mobility<sup>88</sup>. The classification of this recommendation is not completely clear-cut, as this is a policy goal that can be pursued through different policy measures with different orientations. Nevertheless, the examination of the 2008-2010 guidelines for the employment policies of member states shows that, when talking about labour mobility, the Council tends to make reference to market-making measures that eliminate restrictions on companies to make use of geographic mobility possibilities and allow for a greater adaptability of enterprises<sup>89</sup>.

Secondly, the European Commission recommended Spain to continue countering segmentation in the labour market<sup>90</sup>. This is not a straightforward recommendation, as

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<sup>87</sup> COM 2009:24

<sup>88</sup> COM 2009:24

<sup>89</sup> See Council 2008, guideline no. 21, p. 52

<sup>90</sup> COM 2009:24

this is a broad policy goal that can be pursued through various policy measures with different orientations. But as it was the case in previous years, and taking into account the 2008-2010 guidelines for the employment policies of member states, it can be concluded that this policy recommendation refers to the need of adopting market-making policy measures that allow for more flexible employment legislation and adaptable forms of work organisation<sup>91</sup>.

The second focus of attention of European Commission's 2008 policy recommendations in the area of flexicurity relates to the enhancement of human capital. Again, the European Commission issued two policy recommendations aimed at attaining this goal. Its first recommendation focuses on the need to upgrade skills<sup>92</sup>. This recommendation falls under the flexicurity component of comprehensive lifelong learning strategies. Indeed, and even if also intended to increase labour productivity, this recommendation is predominantly aimed at improving the employability of both workers and unemployed people. In its second recommendation, the European Commission recommended Spain to ensure the effective implementation of educational reforms 'with the main objectives of reducing early school leaving and increasing the graduation rate in upper secondary education'<sup>93</sup>. These predominantly educational measures are also intended to enhance the employability of future workers. In both cases, and independently of the specific policy measures adopted by Spain to attain these goals, these will be market-correcting measures aimed at correcting existing or potential negative market outcomes: the lack of relevant professional skills and/or the mismatch between skills and existing labour market needs.

- **2009 and 2010 Country Specific Recommendations**

2009 and 2010 were the only years in which EU member states did not receive country-specific recommendations since the European Commission started systematically issuing these policy recommendations in 2005. These were years of change in the European governance architecture due to the exigencies imposed by the economic crisis and to the transition to a new framework for policy coordination at the EU level. As a

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<sup>91</sup> See Council 2008, guideline no. 21, p. 52

<sup>92</sup> COM 2009:24

<sup>93</sup> COM 2009:24

result, the process of socio-economic policy coordination was set in standby until the beginning of the European Semester in 2011. This makes it impossible to include an analysis of the ideological orientation of these EU policies during these two years.

- **2011 Country Specific Recommendations**

In 2011, European Commission's policy recommendations made emphasis on three main elements. First, the European Commission focused on the need to introduce more flexibility in the Spanish labour market as a way to avoid a further destruction of employment and create new jobs. In this sense, the European Commission issued two recommendations. Firstly, the European Commission recommended Spain reform its collective wage bargaining process and wage indexation system in order to link wage growth to productivity developments, local conditions and firm level circumstances<sup>94</sup>. The idea behind this recommendation was to eliminate the barriers that impeded wage flexibility and prevented companies from adjusting to changing market conditions. Therefore, this recommendation presents a clear market-making orientation advocating for market solutions as a way to prevent companies from resorting to the destruction of employment and create jobs.

The second recommendation made by the European Commission with the aim of increasing labour-market flexibility relates to the need of assessing the impacts of the 2010 labour market reform, with a special focus on the reduction of labour market segmentation<sup>95</sup>. As noted before, the 2010 labour market reform represented a change of approach in Spain's employment policy as it opted for promoting internal and external flexibility for companies as a way to address the high levels of job destruction and create jobs. Consequently, a recommendation to evaluate the impacts of this reform is aimed at assessing whether the implementation of the reform has actually allowed for greater internal and external flexibility for companies, advising Spain to effectively implement the necessary measures to attain these goals. In the case of labour market segmentation, the approach followed by the 2010 labour market reform focused on reducing the high levels of temporary employment in Spain by reducing dismissal

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<sup>94</sup> COM 2011:7

<sup>95</sup> COM 2011:7

protection for all types of contractual arrangements. It is clear then that this is a market-making oriented recommendation intended to eliminate the barriers that hinder the functioning of market mechanisms in the Spanish labour market.

The second point of attention of the European Commission in its 2011 policy recommendations to Spain focuses on the use of active labour market policies. More specifically, the European Commission recommended Spain to assess the impacts of the 2011 reform of active labour market policies, with a special focus on ‘employment opportunities for young people’<sup>96</sup>. This reform was conceived as a strengthened strategy to correct the profound effect of the economic crisis on the labour market in terms of unemployment. Consequently, a recommendation to evaluate the impacts of this reform is aimed at assessing whether the implementation of the reform has been translated into an improved assistance to unemployed people in terms of employability, job search and hiring incentives. The specific mention of young people, a social group especially affected by unemployment, makes it more evident that this is a recommendation intended to improve Spain’s market-correcting efforts in its labour market through the use of enhanced active labour market policies.

The final recommendation issued to Spain in 2011 relates to the enhancement of human capital. More specifically, the European Commission recommended Spain to evaluate the effectiveness of the measures implemented with the aim of reducing early school leaving and facilitating ‘the transition to vocational education and training’<sup>97</sup>. As noted in previous occasions, these educational measures can be included in the flexicurity component of comprehensive life-long learning strategies, and they are aimed at enhancing the employability of future workers. In this sense, this recommendation is intended to improve the efforts made by Spain in order to correct existing and potential deficiencies in its labour market, namely, the lack of relevant professional skills and the mismatch between skills and existing labour market needs. Therefore, it can be concluded that this is a recommendation with a market-correcting orientation.

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<sup>96</sup> COM 2011:7

<sup>97</sup> COM 2011:7

### **3) Conclusion**

The previous analysis shows that, out of the 8 flexicurity-related recommendations issued to Spain during the years 2008-2011, 4 presented a market-making orientation and 4 pursued market-correcting aims. In principle, the apparent balanced approach of country-specific recommendations would meet the expectation raised for this period. However, an analysis of the content of these policy recommendations reveals the predominance of a market-making orientation in the policy approach followed by the European Commission in the period 2008-2011. The predominance of a market-making orientation results from the more far-reaching nature and deeper impact of the market-making recommendations issued by the Commission during this period, whereas market-correcting recommendations are rather conceived as supporting measures complementing the structural reform of the labour market.

The contextualisation of this analysis shows that the predominant market-making orientation of European Commission's recommendations takes place against the background of a deep economic deceleration coupled with high levels of job destruction and a strong deterioration of public finances. This helps to explain the greater emphasis on market-making measures during this period. The low levels of labour market flexibility and the initial continuation of a predominantly market-correcting orientation in Spain's employment policy also allows to understand the European Commission's focus on market-making measures during this period. However, and even if European Commission's recommendations in this period also include a number of market-correcting measures, the high levels of job destruction and unemployment and the consequent deterioration of employment security levels would have required a greater emphasis on substantial market-correcting measures, especially in terms of hiring incentives, the re-training of unemployed people and the adequate provision of unemployment benefits. As a result, it can be concluded that, even if not totally biased, the orientation of policy recommendations during this period presents a certain bias towards market-making measures.

## 2012-2014 IMPLEMENTATION PERIOD

### 1) General context:

#### ▪ Economic context:

The period 2012-2014 covers the first years of the new European Semester and the central years of implementation of the 2010-2014 guidelines for the employment policies of member states. This period coincided with an unfavourable international environment marked by the deceleration of the international economy, a high financial instability and a profound debt crisis in the Eurozone. The adverse international context had an especially negative impact on the Spanish economy, which in this period presented a continuation and deepening of the economic deceleration initiated in 2008. In turn, this domestic economic downturn led to a process of strong adjustment of the macroeconomic imbalances accumulated during the previous expansionary phase of the Spanish economy. This was coupled with a profound deterioration of public finances and a rapid growth of public debt, which was the result of the activation of countercyclical fiscal policies and the recapitalisation of the Spanish banking system. In order to correct its increasing budgetary deficit, Spain strengthened its austerity efforts, which further limited the policy options available to address the economic situation. Nevertheless, towards the end of the period the Spanish economy started to show some signs of stabilisation and recovery that pointed to the possible initiation of a cyclical change.

#### ▪ Labour market and flexicurity performance:

The economic deceleration and macroeconomic readjustment experienced in Spain during the period 2012-2014 continued to have a high impact on its labour market. Indeed, this period was again characterised by high levels of job destruction and a high unemployment rate, especially among young people, unskilled workers, temporary employees and old workers. This was caused by the profound domestic economic downturn, but it was also the result of the characteristics of the Spanish labour market: strong labour market segmentation, employment inflexibility and high labour costs. When it comes to flexicurity, it must be noted that as a result of the 2012 labour market



reform Spain gained in employment flexibility, especially in terms of dismissal protection, collective bargaining, wage-setting systems and internal flexibility options for companies<sup>98</sup>. Nevertheless, Spain continued to be slightly below the OECD average in the main flexibility indicators<sup>99</sup>.

On the other hand, employment security in the Spanish labour market continued decreasing during this period. This was especially the case when it comes to investments in active labour market policies and life-long learning strategies, elements in which Spain was now below the average of OECD countries<sup>100</sup>. With regards to income support during unemployment, and although Spain continued to present a generous provision of unemployment benefits<sup>101</sup>, the increasing number of long-term unemployed who had exhausted their unemployment benefits and the rising number of people exposed to the risks associated with unemployment and employment transitions made these levels of investment insufficient to ensure employment security in the Spanish labour market.

- **Policy program:**

With regards to the employment policy followed by Spain during this period, it must be noted that the recently elected economically-liberal government adopted a predominant market-making approach focused on the attainment of a more flexible, competitive and productive labour market<sup>102</sup>. For that purpose, the new Spanish government based its employment strategy in the adoption of a structural reform that would enhance the internal and external flexibility of the labour market. The main measures included in the 2012 labour market reform focused on the clarification and easing of the objective grounds for dismissal, the reduction of dismissal costs, the decentralisation of collective bargaining to the firm level, the moderation of wages and its linkage to productivity and company performance, the non-application of collective agreements for companies undergoing difficulties, and other measures that allowed for a greater internal flexibility

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<sup>98</sup> Ministry of the Presidency 2013; Bandrés Moliné 2015

<sup>99</sup> OECD 2015

<sup>100</sup> OECD 2017

<sup>101</sup> OECD 2017

<sup>102</sup> Ministry of the Presidency 2012

for companies in terms of working times, functional and geographic mobility. The 2012 labour market reform was accompanied with a subsidiary reform of active labour market policies that included a number of predominantly market-correcting measures aimed at enhancing employment security. These measures were intended to increase the efficacy and efficiency of job search services, promote employment and employability through improved training systems, rationalise active labour market policies by focusing on young people and permanent hiring, and establish stronger links between active and passive employment policies.

- **Expectations:**

Bearing in mind the previous economic and policy context, it can be expected that a balanced approach in European Commission's policy recommendations to Spain during the period 2012-2014 would present a combination of market-correcting and market-correcting recommendations, although with a greater emphasis on market-correcting measures aimed at restoring employment security. Indeed, the high levels of job destruction, together with the strong deterioration of the Spanish public finances and the austerity measures adopted by the Spanish government, would limit the possibilities of developing market-correcting policies. In this sense, and taking into account the relatively low levels of employment flexibility in Spain at the beginning of the period, European Commission's policy recommendations during this period are expected to support the Spanish government's market-making efforts as a way to avoid a further destruction of employment and create jobs.

Nevertheless, the high levels of unemployment and the considerable deterioration of employment security in the Spanish labour market would make it indispensable to maintain strong market-correcting efforts. This is even more the case due to the predominant market-making orientation of the government's reform programme during this period, which primarily aims to increase flexibility and only pays secondary attention to employment security and market-correcting measures. Therefore, a balanced approach in European Commission's policy would be expected to make a big emphasis on the need of strengthening market-correcting and employment security-related measures, especially in terms of active labour market policies, protection from

dismissal, the re-training of workers and the adequate provision of unemployment benefits.

## **2) Analysis of Country Specific Recommendations**

### **▪ 2012 Country Specific Recommendations**

European Commission's policy recommendations on Spain's 2012 national reform programme focused on four points. First, European Commission's policy recommendations focused on the structural reform of the Spanish labour market, recommending Spain to effectively implement the measures observed in its 2012 labour market reform<sup>103</sup>. As noted above, the 2012 Spanish labour market reform presented a notable market-making orientation and was intended to enable the free functioning of market mechanisms as a way to avoid a further destruction of jobs and create employment. As such, and taking into account that the introduction of flexible labour arrangements is one of the recommendations included in the 2010-2014 guidelines for the employment policies of the Member States<sup>104</sup>, it can be concluded that this recommendation presents a market-making orientation, as it is intended to ensure the effective implementation of the previously mentioned type of policies.

The second point of attention in European Commission's policy recommendations concerns active labour market policies. More specifically, the European Commission recommended Spain to effectively implement the 2012 reform of its active labour market policies and to take a number of additional measures intended to increase the effectiveness of these policies<sup>105</sup>. As noted above, Spain's 2012 reform of active labour market policies was based on a number of predominantly market-correcting measures intended to improve active labour market policies and public employment services as a way to address some of the deficiencies of the Spanish labour market, especially to reduce the high levels of unemployment. As such, it can be said that a recommendation to ensure the effective implementation of this reform presents a market-correcting orientation. The same can be said about the additional measures recommended to Spain,

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<sup>103</sup> COM 2012:6

<sup>104</sup> See Council 2010, guideline no. 7, p. 49

<sup>105</sup> COM 2012:6

as they are all intended to increase the effectiveness of its active labour market policies in correcting labour market deficiencies.

In the third place, European Commission's policy recommendations focused on one of the social groups most affected by unemployment in Spain: young people. In particular, the European Commission recommended Spain to 'review spending priorities and reallocate funds to support [...] the young people'<sup>106</sup>. This is a quite broad and vague recommendation, as it does not identify specific measures to attain this goal. Nevertheless, its focus on a disadvantaged group and its reference to spending and funds makes it possible to conclude that this is a market-correcting recommendation intended to correct a negative labour-market outcome: the high impact of unemployment rates among young people in the Spanish labour market.

Finally, European Commission's policy recommendations paid attention to the enhancement of human capital and the acquisition of relevant labour-market competences. For that purpose, European Commission's policy recommendations focused on the need of improving and increasing the quality and labour-market relevance of the education, vocational education and professional training, as well as on reducing early school-leaving<sup>107</sup>. This recommendation falls within the flexicurity component of comprehensive life-long learning strategies, and it is aimed at enhancing the employability of future workers. As such, it can be concluded that this recommendation presents a market-correcting orientation intended to correct one of the main flaws of the Spanish labour market: structural unemployment resulting from the lack of relevant professional skills and the mismatch between skills and labour market needs.

- **2013 Country Specific Recommendations**

In 2013, European Commission's policy recommendations covered four flexicurity-related elements. First, European Commission's policy recommendations focused on the 2012 structural reform of the Spanish labour market. More specifically, the Commission

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<sup>106</sup> COM 2012:6

<sup>107</sup> COM 2012:6

recommended Spain to finalise the ongoing evaluation of the implementation of this reform against the background of its objectives, with the aim of presenting the necessary amendments to attain those objectives<sup>108</sup>. As noted before, the main goal of the 2012 Spanish labour market reform was the deregulation of a number of labour market institutions in order to enable the free functioning of market mechanisms as a way to avoid a further destruction of jobs and create employment. As such, it can be said that a recommendation to evaluate the implementation of this reform and to adopt the necessary amendments to attain its objectives presents a clear market-making orientation.

The second point of attention in European Commission's 2013 policy recommendations refers to Spain's active labour market policies. In this case, the European Commission recommended Spain to adopt a new Employment Plan for 2013 and to enact a number of measures in order to reform its active labour market policies<sup>109</sup>. In both cases, the European Commission refers to measures intended to introduce improvements and increase the effectiveness of Spain's active labour market policies with the aim of correcting some of the main flaws of the Spanish labour market: the high rate of unemployment and the need to attract people to employment. As such, it can be said that this is a market-correcting recommendation, as it calls not for market mechanisms but for greater state engagement to correct the flaws of the Spanish labour market.

The third flexicurity-related element covered by European Commission's policy recommendations is that of life-long learning strategies. In this regard, the European Commission issued two recommendations. First, the European Commission focused on re-skilling training programmes for older and low-skilled workers, recommending Spain to reinforce their effectiveness<sup>110</sup>. Secondly, the European Commission identified a number of measures intended to improve education and training systems, increase their labour market relevance and retain students in education<sup>111</sup>. In both cases, the logic behind these recommendations is to enhance human capital, increase the employability of future workers and avoid potential structural unemployment caused by the lack of

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<sup>108</sup> COM 2013:7

<sup>109</sup> COM 2013:7-8

<sup>110</sup> COM 2013:7

<sup>111</sup> COM 2013:8

relevant professional skills or the mismatch between skills and labour market needs. This, together with their focus on disadvantaged social groups (older people, low-skilled workers and young people) reveals the market-correcting orientation of these policy recommendations, which are aimed at increasing public engagement to correct some of the main flaws of the Spanish labour market.

The last flexicurity-related element included in European Commission's 2013 policy recommendations concerns young people and the need to reduce the high unemployment rate in this social group. For that purpose, the European Commission recommended Spain to 'implement and monitor closely the effectiveness of the measures to fight youth unemployment set out in the Youth Entrepreneurship and Employment Strategy 2013-2016'<sup>112</sup>. The measures identified by the European Commission to attain this goal refer to different kinds of active labour market policies and life-long learning strategies especially focused on young people. In general terms, these measures call for a greater and improved public engagement in order to address one of the main deficiencies of the Spanish labour market, namely the high impact of unemployment among young people. Consequently, it is possible to conclude that this is a policy recommendation with a market-correcting orientation.

#### ▪ **2014 Country Specific Recommendations**

In 2014, European Commission's policy recommendations covered five flexicurity-related elements. First, European Commission's policy recommendations focused on labour market duality, and recommended Spain to 'reduce labour market segmentation, [...] including through reducing the number of contract types and ensuring a balanced access to severance rights'<sup>113</sup>. This is not a straightforward recommendation, as the measures identified to attain the goal of reducing labour market segmentation are quite vague and can be oriented in different ways. Nevertheless, the examination of the 2010-2014 guidelines for the employment policies of Member States shows that, when talking about labour market segmentation, the Council tends to make emphasis on market-making policies based on the promotion of flexible employment legislation and

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<sup>112</sup> COM 2013:7

<sup>113</sup> COM 2014:8

adaptable forms of work organisation<sup>114</sup>. In consequence, it can be said that the goal pursued by the European Commission in this recommendation is to reduce labour market segmentation by increasing employment flexibility for all different contract types. It is clear then that this is a market-making oriented recommendation.

The second point of attention of European Commission's 2014 policy recommendations concerns the structural reform of the Spanish labour market. In this regard, the European Commission issued two recommendations. First, the Commission recommended Spain to 'continue the regular monitoring of the labour market reforms' in order to ensure its effective implementation and the attainment of its objectives<sup>115</sup>. As noted before, the main goal of the 2012 labour market reform was the deregulation of a number of labour market institutions in order to enable the free functioning of market mechanisms, avoid a further destruction of jobs and create employment. As such, it can be concluded that this recommendation presents a market-making orientation. Secondly, the European Commission recommended Spain to 'promote real wage developments consistent with the objective of creating jobs'<sup>116</sup>. Although it is quite vague, its reference to 'real' wage developments reveals that the idea behind this recommendation is to link wage growth to productivity developments, local conditions and firm level circumstances. As such, the objective of this recommendation would be to eliminate these barriers that impede wage flexibility and prevent companies from adjusting to changing market conditions. Therefore, this recommendation presents a clear market-making orientation advocating for the free functioning of market mechanisms.

In the third place, European Commission's 2014 policy recommendations focused on active labour market policies. On this point, the European Commission issued two recommendations. First, the European Commission recommended Spain to take strong action with the aim of improving the general quality and effectiveness of public employment services and active labour market policies, paying special attention to those social groups in need of special support in accessing employment<sup>117</sup>. The European Commission then issued a second recommendation to improve active labour market

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<sup>114</sup> See Council 2010, guideline no. 7, p. 49

<sup>115</sup> COM 2014:8

<sup>116</sup> COM 2014:8

<sup>117</sup> COM 2014:8-9

policies specifically targeting young people<sup>118</sup>. In both cases, the European Commission refers to measures intended to introduce improvements and increase the effectiveness of Spain's active labour market policies with the aim of correcting one of the main flaws of the Spanish labour market: the high rate of unemployment in the Spanish labour market and its high impact on certain social groups, especially young people. As such, it can be said that this is a market-correcting recommendation.

Finally, European Commission's 2014 policy recommendations refer to the need of enhancing human capital and promoting the acquisition of relevant labour market competences. More specifically, the European Commission recommended Spain to effectively implement the measures envisaged to reduce early-school leaving, take additional action to increase the quality and labour-market relevance of the educational and professional training systems, and adopt the necessary measures to ensure the adequate re-training of unemployed people<sup>119</sup>. This recommendation, that falls within the flexicurity component of comprehensive life-long learning strategies, is aimed at enhancing the employability of future workers and active people. As such, it can be concluded that this recommendation presents a market-correcting orientation intended to correct one of the main flaws of the Spanish labour market: the lack of relevant professional skills and the mismatch between skills and labour market needs.

### **3) Conclusion**

The previous analysis shows that, out of the 15 flexicurity-related CSRs issued to Spain in the period 2012-2014, 5 presented a market-making orientation and 10 pursued market-correcting aims. This reveals a policy approach based on a combination of both, market-correcting and market-making policy recommendations, although with a greater emphasis on market-correcting measures. The contextualisation of this analysis shows that this policy approach takes place against the background of a profound economic deceleration with high levels of job destruction, relatively low levels of employment flexibility and a serious deterioration of public finances. This helps to explain the identification by the European Commission of market-making policy recommendations

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<sup>118</sup> COM 2014:9

<sup>119</sup> COM 2014:8-9



aimed at supporting Spanish government's efforts to increase the flexibility and enable the free functioning of the Spanish labour market.

Nevertheless, these policy recommendations also take place against the background of a high unemployment rate, a serious deterioration of employment security for Spanish workers and the predominantly market-making oriented policy program designed by the Spanish government in this period. This allows to understand the greater emphasis made by the European Commission on market-correcting policy recommendations aimed at restoring employment security in the Spanish labour market. However, and even if European Commission's recommendations in this period include a number of market-correcting measures, the serious deterioration of employment security levels would have required more far-reaching market-correcting measures, especially in terms of protection from dismissal. In any case, and bearing in mind the expectations raised for this period, it can be concluded that flexicurity-related CSRs issued to Spain during the years 2005-2007 present a relatively balanced ideological orientation.

## CONCLUSION

This thesis has aimed to contribute to the debate on the existence of a neoliberal bias in the process of European integration by addressing some under-researched elements and bringing new evidence to this debate. For that purpose, this thesis has conducted a qualitative and contextualised in-depth study of the process of implementation of European economic governance, with a special focus on the role played by the European Commission in this process. The implementation of EU policies within the framework of European economic governance is based on a complex process through which abstract policy goals are translated into specific policy measures. Due to the coordination nature of the process, the implementation of these EU policies also requires the adaptation of common EU goals to specific national contexts. As a result, a process that was supposed to be merely technical has become a rather political task, and one that can have a considerable influence on the final ideological orientation of these policies.

The importance of the political nature of the process of implementation is the considerable room for discretion that it offers to the actors involved in it. In this sense, it is necessary to consider the key role played by the European Commission in managing the process of implementation of European economic governance through the issuing of country-specific recommendations. These highly political and almost enforceable instruments are key elements through which the European Commission can steer policy implementation, as the European Commission enjoys considerable discretion to decide which elements it makes more emphasis on in its policy recommendations. Therefore, the analysis of country-specific recommendations appears as the most suitable option to examine the existence of a possible neoliberal bias in the implementation of European economic governance by the European Commission.

In order to allow for a qualitative and contextualised in-depth analysis, this thesis has conducted a single case study that focuses on flexicurity-related CSRs issued to Spain during the period 2005-2014. By means of this analysis, this thesis has aimed to answer the following research question: to what extent has the European Commission displayed a preference towards neoliberal policies in the Country Specific Recommendations issued to Spain in the area of employment policy during the years 2005-2014? The goal was to find patterns in the ideological orientation and combination of flexicurity-related CSRs issued by the European Commission that could reveal the existence of a neoliberal bias in the implementation of this EU policy.

The analysis conducted in this thesis shows that, out of the 40 flexicurity-related CSRs issued to Spain in the period 2005-2014, 14 presented a market-making orientation and 24 pursued market-correcting aims, while other 2 were too broadly defined as to be possible to classify them into one of these two categories. In principle, this would point to a predominant market-correcting orientation in European Commission's policy recommendations, and would deny the existence of a neoliberal bias in the implementation of European economic governance. Nevertheless, the qualitative content analysis of these policy recommendations shows that European Commission's market-making recommendations are many times more far-reaching than market-correcting ones, which are rather conceived as supporting measures complementing the market-making structural reform of the Spanish labour market. This attenuates the quantitative predominance of policy recommendations with a market-correcting

orientation and reveals a more balanced approach in European Commission's recommendations.

As for the contextualisation of the analysis conducted in this thesis, the examination of flexicurity-related CSRs issued to Spain during 2005-2014 reveals that the European Commission tends to adapt its policy recommendations to the limitations and opportunities offered by the national economic context. However, this analysis shows that European Commission's policy recommendations are less balanced when it comes to the flexicurity performance of the specific member state. In the Spanish case, which presents a poor performance in terms of both labour-market flexibility and employment security, European Commission's policy recommendations have identified far-reaching market-making measures aimed at enhancing flexibility in the Spanish labour market, whereas sometimes it would have been necessary for the European Commission to make a greater emphasis on substantial market-correcting measures aimed at enhancing employment security. With regards to their adaptation to the policy programme followed by the national government, the analysis conducted in this thesis shows that European Commission's policy recommendations present a relatively balanced approach.

All in all, the findings of the analysis conducted in this thesis make it possible to say that European Commission's policy recommendations present a relatively balanced approach, although sometimes they are slightly biased towards market-making solutions. However, this is not true for all the sub-periods analysed, and in any case this finding is not solid enough as to be able to talk about a clear neoliberal bias in the implementation of European economic governance. In addition, it must be taken into account that country-specific recommendations tend to be short policy messages which are also often quite vague. This makes it difficult to conduct an objective interpretation and therefore to present solid conclusions about the ideological orientation of these policy recommendations. The same can be said about the complexity of evaluating the national contexts to which CSRs are supposed to adapt. For these reasons, further research should conduct more qualitative and contextualised analyses on the ideological orientation of European Commission's policy recommendations issued to other member states and in other policy areas. This would allow this debate to collect more conclusive evidence on the existence of a neoliberal bias in the process of European integration.

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