

1. The interpretative grid: the crisis, domestic factors and the EU's leverage

According to the most recent contributions in the literature (see Stamatí and Baeten 2014; de la Porte and Natali 2014), we maintain that the structural reforms implemented in the shadow of the current economic and financial crises are influenced by two sets of factors: (i) domestic factors, namely the ‘policy legacy’ dating back to the original welfare capitalist model and domestic political dynamics; (ii) supranational factors, mainly the EU constraints on national reform processes (see Table 1).

As we shall see, the magnitude of the crisis is a first element to consider. The ways in which European countries have reacted to the crisis are shaped by domestic and supranational factors. The former consist of socio-economic institutions (for example, capitalist models, employ-

Table 1 Structural reforms in the wake of the crisis

	Domestic factors		Supra-national factors (EU leverage)	Structural reforms
Great Recession	Policy legacy	Variety of capitalism Welfare regime Labour market regime	Conditionality - MoU - SMP/OMT Economic coordination - European Semester - SGP - Euro Plus Pact EU regulation - MFF - ESF	Social standards devaluation Social protectionism Selective investment Social standards improvement
	Political dynamics	Political orientation of governments and political majorities		

Source: Authors' elaboration.

ment and welfare regimes) inherited from the past (policy legacy) and domestic politics. As far as socio-economic institutions are concerned, and as stressed by Schröder (2009), in Europe (and in the EU) we have a number of varieties of capitalism. Coordinated market economies (CME) are based on high-level institutional capacities for coordination (for example, in terms of wage setting and skills formation), consistent with export-led growth and high value-added production. This is often combined with generous welfare systems (high coverage and high-level benefits). Liberal market economies (LME), by contrast, are based on competitive industrial relations and formal contracting, and the operation of supply and demand in line with price signalling (Kang 2006). These traits are accompanied by typical 'liberal' welfare programmes (not very generous and even residual in some cases). By contrast, mixed market economies (MME) are characterised by more active macroeconomic policies to boost domestic demand and productivity, a low-skilled workforce in need of public investments and subsidised jobs. Embedded neoliberal market economies (ENLME) are typical of the Visegrad countries. They are based on a compromise between economic competitiveness and some form of social and industrial protection, with the former dominating the latter. It is precisely these institutions that shape the recent economic and social trends in EU members. It is the interaction between these sets of institutions that provides a much more effective analytical tool to trace and interpret recent reforms and to anticipate possible further developments (Hicks and Kenworthy 2003). Economic, social and labour market policies inherited from the past – and represented by the typologies mentioned above – are a key variable for interpreting reforms in the shadow of the crisis.

Domestic politics is a third factor to analyse. National policymakers have maintained some room to manoeuvre in the design and implementation of their national reform agenda. Here we will limit our analysis to the nature (left/right orientation) of governments and parliaments in the countries under scrutiny and the strategies they have pursued to develop and implement reforms. We also consider the role of technocrats who have been asked to steer reforms in many EU countries. EU constraints are the fourth, supranational potential driver of reforms. In line with Stamati and Baeten (2014), we use the 'EU influence effort' as a qualitative working concept that takes into account the content of country recommendations and other EU governance instruments. In the next section we focus on each of the variables of our analysis.