4. Conclusion

The evidence collected for the five countries under scrutiny allow us to draw some broad conclusions. In the following section we first provide some concluding remarks on the key characteristics of the structural reforms adopted in these countries. Then we look at the key factors that have shaped these reform trends.

As far as the nature of the reforms is concerned, we should first stress that the structural reform path of the different countries has changed over time. While some form of social standards devaluation – for example, fiscal austerity, wage freezing, weakening of collective bargaining institutions, more limited employment protection – has characterised the whole period under scrutiny (2008–2014), the five countries have gone through different phases. Just after the recession started to hit Europe, some of these countries adopted anti-cyclical packages. This first step, largely involving improvements in social standards, was a short-term strategy, followed since 2010 by austerity packages. All the five countries have seen, in the period between 2010 and 2013, the implementation of a social standards devaluation strategy. The only major exception is Germany, where more favourable economic conditions and a huge reform programme between the end of the twentieth and the beginning of the twenty-first century allowed more room for investment. A third phase has been characterised by a more relaxed budgetary policy – inspired by the EU – and a shift towards some selective investment, if not a more ambitious social standards improvement path. This is the case of the Czech Republic, Italy and Germany, while in Finland and Ireland persistent financial stress has limited the opportunity for pro-growth reforms.

Second, while the paradigm of fiscal austerity and pressure on social standards has dominated the reform process in all the countries under
scrutiny, its actual implementation has varied from one country to the other. The two countries hardest hit by the sovereign debt crisis – Ireland and, to some extent, Italy – have seen the most radical social standards devaluation. In Ireland, cutbacks to social spending have been accompanied by the deconstruction of the system of industrial relations inherited from the past. The coordination of socio-economic and employment variables, mainly through social pacts, has been replaced by unilateral reforms adopted by the government with the help of the so-called Troika. Italy has also experienced weakened social standards with cutbacks in pensions, a further reduction in EPL for typical workers and the decline of social dialogue. These countries, at least between 2010 and 2013, have experienced an overall devaluation strategy with a reduction of both social protection and investment. The case of Italy is intriguing, in that both the social standards devaluation phase and the subsequent more growth-oriented strategy have been characterised by a non-selective approach. Both the reduction and then partial improvement in social standards have been implemented by means of both investment and protection policies. In other words we do not see any proof of a move towards social investment or pro-competitive policies. Finland has experienced a less severe adaptation to the new recessive economic cycle. National coordination of wages, welfare and labour market reforms has been maintained, but the apparent consolidation of the system may hide an institutional drift. Social investments, at the core of the Finnish model, have been cut and this risks undermining the country’s ‘high road’ to competitiveness. As stressed above, Germany has experienced a peculiar trend in structural reforms. Some social standards devaluation began well before the Great Recession and reflect a selective investment strategy in a context of fiscal stability. Finally, the Czech Republic has seen the parallel development of austerity measures, on one hand, and selective investment and pro-growth reforms, on the other. All in all, the four ideal-typical reform paths proposed in Section 2 (social standards devaluation, social standards improvement, selective investment and protectionism) have been useful for assessing complex structural reform paths involving both devaluation and some measures to boost investment and/or consumption.

With regard to the key factors shaping structural reforms in Europe, the report provides evidence of the complex interplay between domestic and supranational stimuli. The role of path-dependency is evident in the case of Finland, where the old institutions of a national coordinated market economy have survived. Italy is another case where old institutions (and
paradigms) largely survived in the context of austerity: both devaluation and improvements have been implemented across the board, with limited proof of any paradigm shift. In such a context, some institutional features of the varieties of capitalism under scrutiny seem crucial to shaping structural reform decisions. We have spoken, with reference to the Czech Republic and Ireland, of the role of FDI in shaping policymakers’ agenda on R&D and education reforms. The need to attract foreign investors has led to ongoing investment in knowledge and to the safeguarding of tax benefits to provide incentives for private sector investment. The role of exports in the country’s economic model seems to be another key dimension. Countries more open to international trade and with an export-led economic model have invested more in knowledge and R&D, with the exception of Finland. These traits of national political economies need further investigation.

While supranational constraints are particularly important in this phase, national policymakers have been seen to have some room for manoeuvre: the Czech Republic, Italy and Germany provide evidence of a more pro-growth orientation of left-wing parties or coalitions including left-wing parties.

As far as the EU is concerned, the study of five EU members has provided evidence of increased EU constraints on national decision-makers. This is particularly the case of those countries subject to some form of conditionality: Ireland under the MoU and Italy under the Securities Markets Programme. The European Semester has also shaped some reforms, as we have seen with regard to the Czech Republic and Finland. But the EU has also activated other tools to influence structural reforms: the structural funds and the Youth Guarantee programme have had a role in promoting (and financing) active labour market policies (for example, in Ireland, Italy and the Czech Republic), and public sector reforms (Czech Republic).

What is more, the EU strategy with regard to social, economic and labour market reforms has not been stable, but has changed over time. While the neoliberal paradigm remains dominant, its actual implementation has changed slightly, with more flexible implementation of fiscal consolidation and more explicit priority given to structural reforms since 2014.