

## Appendix

Online appendix for Braun, B., Di Carlo, D., Diessner, S. and Düsterhöft, M. (2024). Structure, Agency, and Structural Reform: The Case of the European Central Bank. *Perspectives on Politics*.

### A. Coding procedure for qualitative analysis of ECB speeches

Our qualitative analysis of ECB structural reform advocacy focused on manually coding the ten speeches per calendar year that contained the highest number of references to structural reforms, yielding a total of 200 speeches across our corpus. The software used to perform this part of the analysis was MAXQDA.

The first step of the coding exercise was to perform a simple keyword in context (KWIC) analysis to identify the paragraphs in each speech that contained the term “structural reform”. We read these paragraphs as well as the immediately preceding and subsequent paragraphs in order to identify, inductively, the universe of reform purposes that ECB executive board members mentioned in their advocacy of structural reforms. In total, we identified twelve different purposes attached to structural reforms that were emphasized across our sample and assigned a code to each purpose. We then re-read the aforementioned paragraphs and coded a speech as “1” if a paragraph referred to one of these purposes. Our scheme allowed for the possibility of a speech making reference to more than one purpose, which most speeches did. The outcome of this first step of our qualitative analysis is reported in Table B.5.

The twelve different purposes, the codes that we assigned to them, and an example speech for each purpose, are: LT (labor taxation: advocating for a decrease in the tax burden on labor; see link to Speech 30 in Appendix C, for example); UB (unemployment benefits: advocating for a decrease in the availability and/or generosity of unemployment benefits; see link to Speech 29 in Appendix C, for example); EPL (employment protection legislation: advocating for a decrease in the protection against job dismissals; see link to Speech 22 in Appendix C, for example); EC (employment contracts: advocating for the use of flexible employment contracts; see link to Speech 18 in Appendix C, for example); WT (working time: advocating for an increase in working time; see link to Speech 24 Appendix C, for example); RA (retirement age: advocating for an increase in the retirement age; see link to Speech 26 in Appendix C, for example); WS (wage-setting: advocating for a decentralization of wage-setting; see link to Speech 30 in Appendix C, for example);

EW (early withdrawal: advocating for a decrease in the availability and/or generosity of early withdrawal schemes; see link to Speech 21 in Appendix C, for example); MW (minimum wage: advocating for a decrease in minimum wages; see link to Speech 17 in Appendix C, for example); ALMP (active labor market policies: advocating for an increase in the availability of ALMPs; see link to Speech 45 in Appendix C, for example); ER (education and research: advocating for an increase in spending on education, research and development; see link to Speech 41 in Appendix C, for example); IOT (investment in other instruments: advocating for an increase in spending on other instruments, such as the provision of child care or improving the prospects of labor market outsiders; see link to Speech 24 in Appendix C, for example).

The second step of our qualitative analysis was to aggregate the simple counts of each purpose into two overarching categories, by means of assigning the different types of purposes either to the label “disembedding reforms” or “embedded flexibilization” (in line with Thelen, 2014). The former label refers to reforms that are aimed at strengthening the market mode of coordination, commodifying labor, and/or weakening authoritative and collective institutional arrangements, while the latter label refers to reforms that can be associated with the broader “social investment” agenda (see Hemerijck, 2017). As a result, we grouped the codes LT (advocating for a decrease in the tax burden on labor), UB (advocating for a decrease in the availability and/or generosity of unemployment benefits), EPL (advocating for a decrease in the protection against job dismissals), EC (advocating for the use of flexible employment contracts), WT (advocating for an increase in working time), RA (advocating for an increase in the retirement age), WS (advocating for a decentralization of wage-setting), EW (advocating for a decrease in the availability and/or generosity of early withdrawal schemes), and MW (advocating for a decrease in minimum wages) into the category “disembedding reforms”. By the same token, we grouped the codes ALMP (advocating for an increase in the availability of ALMPs), ER (advocating for an increase in spending on education, research and development) and IOT (advocating for an increase in spending on other instruments, such as the provision of child care or improving the prospects of labor market outsiders) into the category “embedded flexibilization”. The result of this aggregation is reported in Table 3 in the main text.

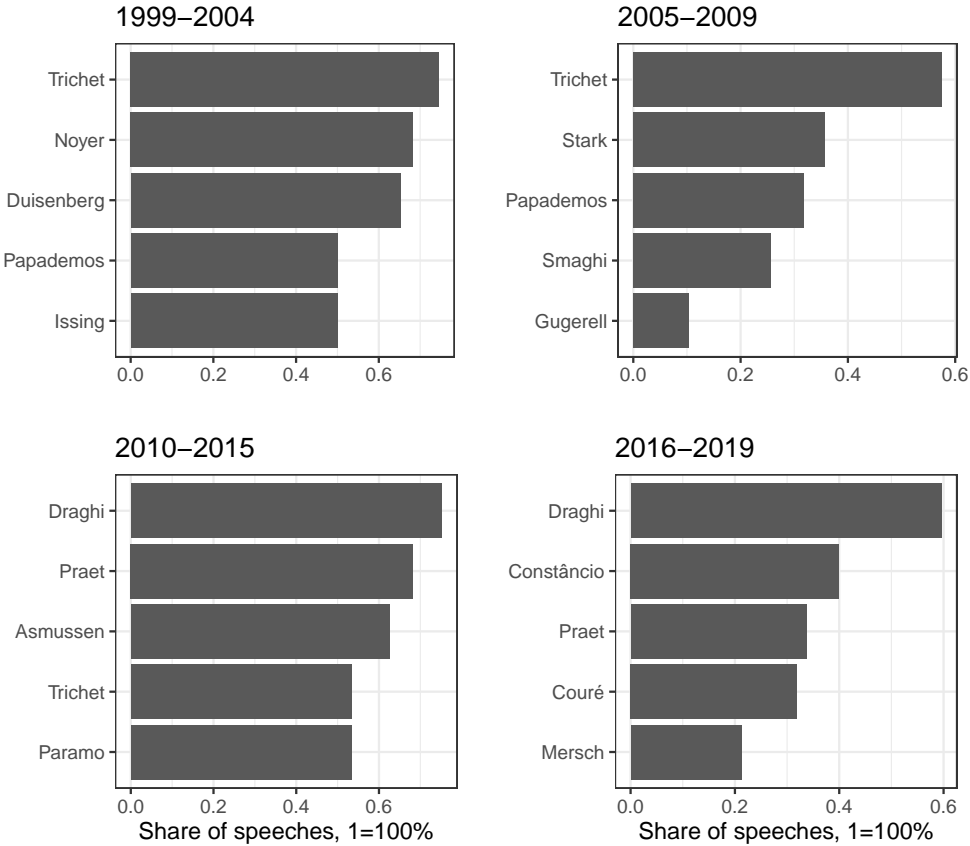
## B. Additional tables and figures

Table B.5: Reform purpose mentioned in the ECB's communicative discourse on structural reforms, 1999-2019

Year	Purpose											
	LT	UB	EPL	EC	WT	RA	WS	EW	MW	ALMP	ER	IOT
1999	5	5	0	0	0	0	4	0	4	4	0	0
2000	0	0	0	0	0	0	0	0	0	0	0	0
2001	1	1	1	0	0	0	0	0	0	0	0	0
2002	1	1	1	0	0	0	1	0	0	1	0	0
2003	1	0	0	0	1	0	0	0	0	0	0	0
2004	5	6	1	3	1	1	6	2	1	3	7	0
$\Sigma$	13	13	3	3	2	1	11	2	5	8	7	0
2005	1	2	0	0	0	1	0	2	0	0	4	0
2006	6	6	4	4	2	1	6	4	0	0	6	4
2007	5	6	6	4	0	1	10	2	1	2	6	1
2008	6	5	3	5	0	1	6	0	0	0	6	0
2009	0	0	0	0	0	0	0	0	0	0	1	0
$\Sigma$	18	19	13	13	2	4	22	8	1	2	23	5
2010	1	1	0	0	0	0	1	0	0	0	2	0
2011	1	1	1	0	0	0	1	0	0	0	0	0
2012	0	0	0	0	0	0	2	0	1	0	1	0
2013	0	1	0	0	0	0	2	0	0	1	0	0
2014	0	2	1	0	0	0	2	0	0	4	3	2
$\Sigma$	2	5	2	0	0	0	8	0	1	5	6	2
2015	0	1	1	1	0	0	3	0	0	6	5	0
2016	1	0	1	0	0	0	1	0	0	2	3	0
2017	0	0	0	0	0	0	1	0	0	1	1	0
2018	0	0	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0	0	0
$\Sigma$	1	1	2	1	0	0	5	0	0	9	9	0

*Legend:* LT = Decrease tax burden on labour, UB = Decrease generosity/availability of unemployment benefits, EPL = Decrease protection against job dismissals, EC = Make use of flexible employment contracts, WT = Increase working time, RA = Increase retirement age, WS = Need for wage-setting decentralisation, EW = Decrease generosity/availability of early withdrawal schemes, MW = Decrease minimum wage, ALMP = Increase availability of ALMPs, ER = Increase spending on Education, Research and Development, IOT = Other Instruments (provision of child care and reduction of labour market dualities)

Figure B.5: Top-5 structural reform advocates on the ECB Executive Board (share of speeches that mention “structural reform”)



## C. Quotes from ECB speeches addressing structural reforms, 1999-2019

Table C.6: Period I: 1999-2004

No.	Date	Speaker	Quotes
1	<a href="#">14/1/1999</a>	Duisenberg	Appropriate fiscal policies and structural reforms implemented by national governments are vital and considerable progress is required in these areas. Moreover, continued wage moderation in both the public and private sectors would contribute to reducing the unacceptably high level of unemployment in many parts of the euro area.
2	<a href="#">8/3/1999</a>	Noyer	Appropriate structural reforms implemented by national governments are of the utmost importance. Much progress is required in this broad area. Moreover, responsible wage settlements in both the public and private sectors are necessary to reduce the unacceptably high level of unemployment in many parts of the euro area.
3	<a href="#">12/3/1999</a>	Duisenberg	The root causes of high unemployment in the European Union are structural rigidities in the labour market as well as tax and public transfer policies. This view is supported by a wide body of academic literature and was also a key finding of the OECD Jobs Study. It is obvious that structural problems require structural solutions. ... in Europe there is an urgent need to improve incentives aimed at getting the long-term unemployed back to work. It also suggests that there is little scope for a stimulus to increase demand, but rather that structural measures should be implemented. ....Although the path of structural reform is not always an easy one, it is the only way in which we can achieve the lasting reductions in unemployment that are so urgently required. ... continued wage moderation in both the public and private sectors would contribute to the reduction of the unacceptably high level of unemployment in many parts of the euro area.
4	<a href="#">25/3/1999</a>	Duisenberg	What is needed appears to be national structural reforms to make sustainable reductions in unemployment rather than a boost to euro area aggregate demand. For example, the Netherlands, Ireland, Portugal, Austria and Luxembourg all currently show unemployment rates well below the euro area average. ...The need for structural reform is widely recognised, for instance in the OECD Jobs Study and at the November 1997 Luxembourg European Council meeting, and some progress with new policy measures is already being made.
5	<a href="#">23/6/1999</a>	Noyer	The root causes of high unemployment in the European Union are structural rigidities in labour markets as well as tax and public transfer policies. This view is supported by a wide body of academic literature and was also a key finding of the OECD Jobs Study. ... Although the path of structural reform is not always an easy one, it is the only way in which we can achieve the lasting reductions in unemployment that are so urgently required. Only structural reforms that aim at stable labour markets where supply and demand meet in a flexible way will ensure that the benefits of EMU for economic growth are really achieved.
6	<a href="#">11/10/1999</a>	Duisenberg	The ECB will continue to cajole governments into implementing necessary structural reforms, but the final hard decisions – and I recognise that they are hard decisions, since the considerable benefits of structural reform only become apparent with time – lie with the national authorities.

7	<a href="#">26/10/1999</a>	Duisenberg	While the contribution it makes through maintaining price stability must not be overlooked, monetary policy clearly cannot solve the serious structural unemployment problem in the euro area. Other policy areas have the instruments needed and are thus responsible for solving the structural problems. . . . structural reforms in labour and goods markets, as well as a moderate development of wage costs, can best address the root causes of currently high unemployment in Europe. . . . the debate on a “balanced and appropriate policy mix” should not be used to deflect attention from the structural reforms that are urgently needed to address the euro area’s serious structural unemployment problem.
8	<a href="#">26/10/1999</a>	Noyer	Another argument supporting better functioning labour and product markets is that the monetary policy of the Eurosystem is and can only be geared to the euro area as a whole. It can thus not take into account purely national or regional developments. The cyclical positions of participating countries have not yet completely converged, although – with the single currency in place – some national differences may disappear over time. This requires national policies and labour and good markets to be increasingly flexible in order to be able to respond effectively to economic shocks that can affect any monetary union.
9	<a href="#">16/10/2000</a>	Hämäläinen	The single currency has been an important catalyst in stimulating the structural reform process. Certainly, we are only at the beginning of the process and much more needs to be done, but I am encouraged by the fact that there seems to be wider and wider support and understanding of the need for structural changes.
10	<a href="#">6/4/2001</a>	Trichet	The Euro is, per se, also a strong catalyst for structural reforms in all non-financial domains in Europe: a single currency facilitates the full comparison of prices, taxes and earnings. I think that the euro could encourage “cross-fertilisation” of best practice through stronger co-ordination of Member States’ structural policies in areas such as labour markets, education and training, job creation incentives, effective welfare safety nets, etc.
11	<a href="#">13/6/2002</a>	Duisenberg	Both high, sustainable economic growth and the ability to adjust smoothly to changes in the economic environment require further economic integration and competition. This, in turn, is closely linked to the process of structural reform, which, to use Schumpeter’s words, can be seen as a necessary precondition for a dynamic economic process, a disturbance of the economic status quo. The introduction of the euro acts as a catalyst for this dynamic process of structural change. . . . Low wage flexibility is also an important factor behind the lack of price flexibility in the euro area. Many studies indicate that in comparison with the United States, real wages are relatively inflexible in Europe. More specifically, I mean that the downward responsiveness of real wages to the level of unemployment is more limited in Europe than in the US. There are, however, notable differences across countries in the euro area.

...11	13/6/2002	Duisenberg	... The irrevocable fixing of exchange rates and the introduction of the single currency may lead to a convergence in the production and export structures of economies in the euro area, thereby reducing the risk of future asymmetric shocks. This argument is often referred to as the “endogeneity” of the optimal currency area hypothesis. Hence, according to the endogeneity literature, the euro area could gradually become more of an optimal currency area, after the introduction of the euro. More generally, it has to be borne in mind that all empirical studies on whether the countries that have entered the euro area constitute an optimal currency area are based on historical data. These data refer to regimes with flexible or fixed-but-adjustable exchange rates. In short, the regime shift to a monetary union may have an impact on economic structures and may alter some of the conclusions drawn on the basis of these historical data. ... In addition to government policies, there are signs of a gradual change in labour market behaviour related to the wage formation process. Discipline seems to have improved in that field over the past decade. Such a change, resulting from lower inflation expectations, is important. Furthermore, there seems to be a growing awareness that, in a single currency environment, the price increases and loss of competitiveness generated by excessive wage settlements cannot be compensated by an exchange rate depreciation and may directly result in a loss of jobs.
12	29/4/2003	Papademos	One of the main messages of 2002 has been that the euro area economy needs to become more flexible and that, to this end, structural reforms need to be stepped up, notably in labour and product markets. Only decisive action to implement structural reforms can make the euro area a more dynamic economy and raise the welfare of its citizens.
13	9/5/2003	Duisenberg	the introduction of the euro has illustrated the need for more co-ordinated efforts in the European Union. I refer in particular to an increased need to enhance the co-ordination of structural policies in Europe, i.e. policies which aim to improve the functioning of market mechanisms and the operation of the economy as a whole. In my view, there are three reasons why such enhanced co-ordination of structural policies is necessary. First, the introduction of the euro has made exchange rate fluctuations obsolete as an instrument of adjustment. For instance, before the establishment of Economic and Monetary Union (EMU), divergent national economic developments could be addressed by a depreciation or appreciation of national currencies. ...to enhance economic adjustment via wages and prices so that it is comparable to the level of adjustment existing between regions of the United States, policies aiming at increasing the flexibility of the markets are necessary. ... Mr. President, I sincerely hope - both in my capacity as President of the ECB and as a European citizen and staunch supporter of European integration - that the introduction of the euro will act as a catalyst for increased co-ordination in the area of structural policies. And, as I already mentioned, I hope the euro will also perform this function in other areas.

14	<a href="#">5/9/2003</a>	Duisenberg	<p>By being strictly geared towards maintaining price stability in a credible and lasting manner, monetary policy makes an important contribution to achieving a high level of output and employment, and to sustaining growth. Confidence in lasting price stability removes the inflation risk premium on interest rates, ensuring low real interest rates, which in turn foster investment, growth and employment. Theoretical and empirical evidence clearly confirm that there is no long-term trade off between price stability and economic growth. Trying to use monetary policy to fine-tune economic activity or to gear it above a sustainable level will, in the long run, simply lead to rising inflation – not to faster economic growth. Structural reforms in the labour and goods markets are a key element of any long-term strategy to improve investment, growth and employment prospects. First, more flexible markets increase the speed with which countries can adapt to economic shocks, thereby speeding up economic recovery. Second, increased competition in labour and product markets is conducive to a high level of innovation and the rapid spread of technological progress. This in turn supports long-term growth, without contributing to inflationary tendencies. Third, structural reform may facilitate the transmission of monetary policy. In more rigid economies, interest rate changes are transmitted to prices after a longer delay, and structural barriers can prevent the economic efficiency gains of the primary objective of monetary policy - price stability - from being fully realised.</p>
15	<a href="#">29/11/2003</a>	Trichet	<p>More than ever there is in Europe a need to push ahead with structural reforms for enhancing the competitiveness of the euro area. Structural reforms in the labour and product markets, and in social security systems, are needed to allow a more flexible allocation and utilisation of capital and human resources, thereby enhancing the euro area’s growth potential and facilitating the adjustment to economic shocks. The Governing Council very strongly supports recent and ongoing efforts by a number of governments in this direction and also encourages social partners to fully commit themselves to the objective of making the euro area a more dynamic and innovative economy as called for by the “Lisbon agenda”, which was agreed upon by the European Council in 2000. Sound supply-side policies should aim to increase the flexibility of the labour markets, reducing the disincentives to work. Such policies would enhance confidence that working hard and undertaking new investments in human and physical capital will not be penalised through costly rigidities. Entrepreneurs and international investors would invest more in equipment and research in the euro area and offer new jobs. Such a reform agenda would enhance supply-side dynamics and thus potential output growth in many ways. ...You may ask what all this has to do with monetary policy. First, as the central bank responsible for the euro area, we place great value on seeing a major necessary condition for growth, job creation and prosperity for current and future generations being fulfilled: ensuring price stability, confidence in the euro and its purchasing power is our own decisive contribution to sustainable growth. And this contribution is less difficult to deliver in an environment where governments and social partners contribute to confidence and potential output growth.</p>
16	<a href="#">26/1/2004</a>	Trichet	<p>More specifically, [labour market] policies should aim at: ... Allowing for a sufficient degree of wage differentiation to ensure that wages reflect divergent productivity growth and regional/sectoral developments.</p>



17	20/4/2004	Trichet	<p>Let me, first of all, stress again the importance structural reforms have for output and employment growth. As the ECB has stressed, what is needed for these objectives to be achieved are economic reforms that ensure that capital, labour and product market rigidities will be substantially lowered. Structural reforms in capital, labour and product markets and in social security systems are needed to allow an allocation of capital and human resources which would be much closer to the optimum, enhancing the euro area's growth potential and facilitating the adjustment to economic shocks. ...This is particularly important for employment growth in the services sectors, which are less exposed to international competition. In this area, structural reforms can yield further reduction in price pressures and at the same time create conditions for moderate wage developments that could enhance more pronounced employment creation. On the one hand, structural characteristics of labour and product markets will have an impact on the wage-price dynamics through the effects they may have on the price- and wage-setting behaviour of firms and trade unions. With imperfectly competitive product and labour markets, firms and employees can affect - at least partially - the price and wage dynamics on a local scale, resulting in stronger inflationary pressure and structurally grounded inflation dynamics that have to be met with more restrictive monetary policy. ...On the other hand, the transmission mechanism of monetary policy can be impaired by overly rigid economies, preventing monetary policy decisions to be properly reflected in price developments. In particular, structural rigidities may imply that monetary policy decisions affect prices and inflation rates only with a substantial lag. Consequently, policies have to be longer in place in rigid economies than in more flexible ones in order to ensure price stability. This not only lengthens the reaction time but will also increase the sacrifice ratio. The creation of a single currency and the introduction of the euro not only raises pressure to speed up the structural reform process but will also change profoundly the behaviour of the euro area economies and in particular the way prices and wages are set. In order to proceed with the necessary structural reforms in the euro area, the Lisbon agenda continues to provide an important benchmark against which to measure progress with reforms. ... In addition, the wide-spread use of undifferentiated minimum wages and the administrative extension of wage agreements do not allow an appropriate differentiation to account for regional asymmetries.</p>
18	23/4/2004	Trichet	<p>Thus far, progress with the implementation of labour market reforms has been uneven in the euro area. ...In many countries, it is important to enhance the flexibility of labour contracts and wage-setting to enhance employment growth in a lasting manner. ... Reforms are also needed that allow wages to reflect more strongly regional and sectoral productivity differences.</p>
19	13/5/2004	Trichet	<p>Let me mention some of the objectives at the top of the reform lists where I think progress is most needed. As far as the labour market is concerned, moderation in wage agreements is essential, not only in order to contain risks to price stability but also to foster employment growth and to enhance competitiveness. Wage bargaining outcomes should allow for appropriate wage developments in the overall economy, as well as a sufficient degree of wage differentiation to reflect more strongly regional and sectoral productivity differences.</p>

20	<a href="#">28/5/2004</a>	Issing	<p>The ECB has always stressed the importance of a swift implementation of structural reform agendas across the euro area. This reflects above all the firm belief that structural reforms enhance the welfare of the European citizens. But structural reforms also tend to facilitate monetary policy and increase its effectiveness. A more flexible economic environment helps the labour and product markets to better adjust to economic shocks and respond to policy actions more quickly. For example, more flexible labour markets may imply that negative supply shocks are absorbed with a smaller short-term increase in inflationary pressures, as second round effects are more subdued. This, in turn, allows monetary policy to react less strongly. Such an environment will not only make it easier for monetary policy to maintain price stability, but it will also help to keep the volatility of inflation and output lower.</p>
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Table C.7: Period II: 2005-2009

No.	Date	Speaker	Quotes
21	18/10/2005	Trichet	Although the structural reforms have been moving in the right direction, they have not been far reaching enough. In fact, we need to step up considerably the implementation of the necessary reforms in order to achieve the Lisbon goals. In particular more progress in labour market reforms is needed to attract more people into labour market and investment in research and development and human capital should be strongly encouraged. What needs to be done is rather clear. But how to deliver it in an environment of rapid change is the more challenging question. ... regarding the insufficiently clear commitment, the Heads of State or Government also clearly set out the responsibilities of the European and the national level. Since the Member States are responsible for most of the policy reforms required for achieving the Lisbon objectives, they have now been called upon to take full national ownership of the Strategy.
22	6/2/2006	Trichet	Let me be somewhat more specific about the areas in labour and product markets where I think that further progress is most urgently needed. Structural reforms are crucial in the areas of employment protection legislation and wage-setting mechanisms, including wage indexation. A sufficient degree of wage differentiation is important to ensure that wage adjustments closely reflect regional and sectoral productivity differences.
23	24/3/2006	Issing	In other words, to quote Rose and Frankel: “countries which join EMU, no matter what their motivation may be, may satisfy OCA properties ex-post even if they do not ex-ante!” This has been termed the “endogeneity of optimum currency area” effect. Several authors have brought forward concepts similar to the above hypothesis of the “endogeneity of OCA”, but in areas other than trade. Artis and Zhang have discussed the endogeneity of symmetry of shocks. Blanchard and Wolfers, and Saint Paul and Bentolila, have discussed the endogeneity of labour market institutions. Kalemli-Ozcan, Sørensen and Yosha discuss the effects of sharing a single currency on financial markets and insurance schemes. Therefore, there may be diverse sources of “endogeneities of OCA.” Such endogeneities can be seen as a set of processes triggered by the start of a monetary union. Hence, monetary union may help to set in motion forces bringing countries closer together, forces that were not present (or strong enough) before.
24	24/04/2006	Trichet	The lack of sufficient structural reform in Europe is, in my view, a major cause of the gap in economic growth between Europe and the US. ... the ECB’s monetary policy has a role to play in supporting the implementation of structural reforms. A credible monetary policy aimed at maintaining price stability in the medium term and solidly anchoring medium and long term inflation expectations contributes decisively to a stable economic environment. In a stable macroeconomic context, it is not only easier to single out where reforms are needed, but the benefits of reforms are also made more visible and convincing, thus supporting their acceptance.
25	29/6/2006	Trichet	... the persistence of growth and inflation differentials also show that some other sources of diversity are not economically justified. They might be partly attributable to insufficient flexibility; in such economies corrections must be made. For example, in some economies the combination of weak labour productivity growth and of strong nominal increases of wages and salaries for a sustained period might lead to a progressive deterioration of their competitiveness. Furthermore, in several euro area countries there exists specificities in wage formation (for example due to indexation mechanisms or due to the influence of the public sector) and in price formation in general. This limits the responsiveness to shocks.

26	13/06/2007	Trichet	<p>... the creation of the euro area – like globalisation – highlights the need for flexible economies. I do not see this as a negative aspect. On the contrary, it is a positive implication. In this sense, EMU has increased the pressure on all policy-makers and also all social partners [...]. They must ensure a well-functioning euro area, by good management aimed at enhanced flexibility, integrated labour, product and financial markets and disciplined fiscal policies. ... Needless to say, the responsibility for the implementation of reforms is in the hands of national governments, of Parliaments and of social partners. We know very well that structural reforms may face both resistance from economic agents and different sensitivities in public opinion. This is why it is extremely important to communicate the fact that the medium to long-term benefits of structural reforms will significantly outweigh any short-term cost. We therefore strongly support governments in their implementation of structural reforms and we consider our duty to stress and explain their benefits. What factors may help to increase flexibility within the euro area? Economic flexibility can be promoted by removing the institutional barriers to flexible wage and price-setting mechanisms. If wages and prices are flexible enough and be able to adjust to the changes in the economic conditions, then this will help to avoid unwelcome fluctuations in unemployment. Specifically, in a monetary union most of the adjustment has to take place through national labour markets.</p>
27	21/9/2007	Trichet	<p>Economic flexibility can be promoted by removing the institutional barriers to flexible wage and price-setting mechanisms. Specifically, in a monetary union, most of the adjustment has to take place through national labour markets. Therefore, wage setting should appropriately reflect the different situations of sectors, of firms and of overall labour market conditions. Let me stress that social partners share responsibility for ensuring that wage settlements fully take into account the need to reduce unemployment and to enhance labour market access and employment. Moreover, governments should also be aware of the way in which wage setting for public servants can serve as a role model for the private sector. And social partners need to take into account the different conditions at the firm and sectoral level, internalising the repercussions of wage settlements on competitiveness and thus employment at their company and in their industry, sector or region. Sufficient wage differentiation would improve employment opportunities for less skilled workers and in regions or sectors with high unemployment.</p>
28	8/10/2007	Trichet	<p>... the public sector also functions as a role model, for example as regards wages or administrative prices. The behaviour of the public sector can, for instance, make social partners more aware of the trade-off between higher salaries and job creation.</p>
29	16/5/2008	Trichet	<p>The smooth functioning of the euro area, taking into account the relative importance of the public sector and of the non tradable sector in a number of economies, calls for not relying exclusively on the working of the competitiveness channel amongst tradable goods and services to engineer corrections of deviations of relative cost competitiveness inside the euro area. Appropriate handling of the unit labour costs in the civil service and public sector, appropriate recommendations to social partners given in a timely manner would avoid in certain cases painful national corrections through the competitive channel. To sum up, changes in relative cost competitiveness provide much more room for manoeuvre than was foreseen prior to the launch of the euro. In several euro area countries, wage formation is still linked to indexation mechanisms or is influenced by the public sector. This limits the ability to respond to shocks. Structural reforms and the liberalisation of product and labour markets can and must contribute to significant increases in flexibility.</p>

30	<a href="#">27/10/2008</a>	Trichet	... national authorities can make a substantial contribution to more modest labour cost developments. In particular, the public sector should be a role model in terms of wage-setting and should not contribute to strong overall labour cost growth.
31	<a href="#">23/11/2009</a>	Trichet	In the future, changes in labour market institutions to make wages adjust to productivity are essential to repairing past cumulative misalignments. There is a need for moderation in wage claims to regain competitiveness. This window of opportunity cannot be missed in those countries where substantial increases of production costs have been one of the causes for widening imbalances in current accounts, and Spain is one of them.

Table C.8: Period III: 2010-2015

No.	Date	Speaker	Quotes
32	<a href="#">7/10/2010</a>	Constâncio	Concerning the third challenge, creating the conditions for growth, the G20 have approved the Framework for Strong, Sustained and Balanced Growth which, alongside a set of structural reforms, has at its core fiscal consolidation, which could lead to 1) internal rebalancing in advanced economies by substituting public stimuli for increased private demand; and 2) external rebalancing by promoting domestic demand in surplus countries and increasing external demand in deficit countries ...the EU-level targets under the Europe 2020 strategy are being translated into precise country-specific targets to guide policy-making at the national level. ... structural reforms should be introduced to increase wage flexibility and the adjustment of wages to appropriate levels. This could be achieved through measures to improve the functioning of labour markets, which would also facilitate the necessary transfer of workers from the non-traded to the traded sectors. In fact, we have already seen wagesetting developments in some European countries that many observers would have believed impossible just a few years ago. The adoption of measures to increase productivity growth is also essential.
33	<a href="#">12/10/2011</a>	Stark	Some countries have built up significant internal and external economic imbalances during the past decade, and recorded inflation rates persistently above the euro area average. The ECB repeatedly warned against emerging imbalances. Increases in labour compensation in some countries, driven in most cases by high public sector wage increases, exceeded productivity gains by a significant margin, leading to increases in unit labour costs in excess of the euro area average and a gradual erosion of competitiveness. Let me stress that governments and social partners share responsibility for ensuring that wage determination sufficiently takes into account labour market conditions and does not jeopardise competitiveness and employment. Governments should also be aware that wage setting in the public sector can serve as a role model for the private sector. ...in the absence of nominal exchange rate flexibility, any real exchange rate adjustment had to be delivered via cuts in wage costs and prices combined with enhancements in labour productivity. The adjustment in wages was both market-driven, owing to a sharp decline in the demand for labour, and supported by policies aimed at cutting public sector wage costs. The labour market adjustment was not only achieved through wage cuts, but also through employment cuts, reductions in hours worked and a restructuring of production processes. As a result, unit labour costs declined significantly, partly offsetting their previous excessive gains.

34	<a href="#">7/2/2014</a>	Mersch	Put simply, there is no way we can achieve higher potential growth in the euro area without them. Structural reforms are essential to raise the trend components of the inputs to production (investment and labour) and the efficiency with which they are used (total factor productivity). . . . These may seem like theoretical arguments. Yet Ireland is a very concrete working example. Thanks to prior structural reforms, relative prices in this country adjusted almost immediately after the 2008-09 recession, allowing the economy to quickly begin regaining its competitiveness. The unemployment rate started declining in 2012, falling from 14% in December that year to 12% a year later. By contrast, in other programme countries with less flexible economies the recovery started much later. . . . Since the 1990s we have known that supply conditions in the euro area needed to be reformed. This was the aim of the failed Lisbon Agenda. And indeed, it was the context for a famous quote about the apparent inconsistency between reform and re-election. What is new today, however, is the urgency for action. We are facing the risk of a structural set back in growth. We can therefore no longer afford to delay, nor should we over-burden monetary policy. Structural reforms are a must.
35	<a href="#">19/2/2014</a>	Praet	A key complement to fiscal adjustment has therefore been structural reform. In several countries a series of bold structural reforms have been implemented. In Portugal in particular, the reform agenda has been broad-based and far-reaching. It has included public administration, health and pension systems, education, judicial systems, competition frameworks, industrial relations, labour markets, energy markets, network industries, services sectors and regulated professions Over time the economic and social pay-offs of reforms will be high, in terms of higher wealth and employment. . . . It is therefore crucial that the reform process is strengthened in all euro area countries, also those not affected by the crisis.
36	<a href="#">9/7/2014</a>	Draghi	I believe that the case for community-level governance does not apply only to fiscal policy, or to the banking union, but also to structural reforms ...structural reforms play a crucial role – and perhaps an even more important role in the euro area than in other unions. Markets can be opened through EU legislation. But it is only through structural reforms that firms and individuals can be enabled to take full advantage of that openness. ...over the past few years, we have seen both the risks associated with insufficient competitiveness in some Member States and the benefit of structural reforms. We have witnessed the accumulation of external imbalances in peripheral economies prior to the crisis, and how that left them vulnerable to “sudden stop” dynamics. And more recently, we have seen the improvement that has taken place when governments implemented reform.

...36	<a href="#">9/7/2014</a>	Draghi	<p>...In fact, the return of market confidence in the euro area results mainly from the acknowledgement that individual governments, in particular in some of the most stressed countries, have taken significant corrective action and will continue to do so where needed. So while lack of reform can threaten the cohesion of the Union, we can already see how decisive reform can strengthen it. But we are only at the beginning. The final judgment now rests on our being able to show that cohesion also produces growth and jobs. The second reason why a stronger role for the Union could be beneficial is that, similar to fiscal policies, establishing rules at the level of the Union may in fact help national authorities implement reform. Structural reforms reach deep enough into societal arrangements and practices that they can only succeed if they are made the object of strong domestic ownership. At the same time, those reforms require substantial political capital. Historical experience, for example of the IMF, makes a convincing case that the discipline imposed by supranational bodies can make it easier to frame the debate on reforms at the national level. In particular, the debate can be framed not in terms of whether, but in terms of how reform needs to take place. In other words, I am not convinced by the argument that, in terms of structural reforms, there is an opposition between rules and ownership. On the contrary, they can be mutually reinforcing.</p>
37	<a href="#">17/10/2014</a>	Cœuré	<p>Reforms can be shown to produce two, opposing sets of forces in the short-term. One is contractionary, as reforms lead to lower prices and higher real interest rates. If monetary policy is at the zero lower bound and unable to respond and fiscal space has been exhausted, higher real rates cause the private sector to postpone consumption and investment decisions and GDP to contract. . . . I see a need today to rebalance our focus: to focus less on achieving internal devaluation, and more on raising productivity. And this entails a broader set of reforms than countries have adopted thus far . . . reforms are a necessary but not a sufficient condition for growth . . . Today the reform agenda facing European countries is largely about productivity, and this means that pursuing reforms aggressively is less likely to have negative short-term effects. Many of the reforms that lead to downward price pressures and higher real interest rates have already been done, and their effects are working their way through the economy now. The remaining reforms are more about boosting investment demand and productivity and so raising growth today.</p>
38	<a href="#">27/11/2014</a>	Draghi	<p>Lack of structural reforms raises the spectre of permanent economic divergence between members. And insofar as this threatens the essential cohesion of the Union, this has potentially damaging consequences for all EMU members. Seen from this perspective, euro area countries cannot be agnostic about whether and how others address their reform challenges. Their own prosperity ultimately depends on each country putting itself in a position to thrive within the Union. And for this reason, there is a strong case for sovereignty over relevant economic policies to be exercised jointly. That means above all structural reforms. . . . over the longer-term, acknowledging the community of interest and the reality of spillovers in the form of a real sharing of sovereignty in the governance of structural reforms.</p>



Table C.9: Period IV: 2016-2019

No.	Date	Speaker	Quotes
39	<a href="#">02/02/2015</a>	Cœuré	The conclusion, therefore, is that constantly tinkering with our common fiscal rules while leaving governance of structural policies entirely at the national level makes little sense. If fiscal policies are to be freed from structural dominance, then we need an equally strong framework in both domains. ... The only way to resolve this paradox is if, behind the “veil of ignorance”, risk-sharing is symmetric between countries. This is only possible if all countries share sovereignty over structural reforms so that they have equivalent growth prospects and shock absorption capacity. ... I am of course aware that structural reforms can have mixed effects on growth and inflation, and in certain situations can impact negatively on both in the short-term. But empirical evidence is mixed and the balance of effects depends crucially on designing reform packages well.
40	<a href="#">22/5/2015</a>	Draghi	In every press conference since I became ECB President, I have ended the introductory statement with a call to accelerate structural reforms in Europe. The same message was also conveyed repeatedly by my predecessors, in three quarters of all press conferences since the introduction of the euro. The term “structural reforms” is actually mentioned in approximately one third of all speeches by various members of the ECB Executive Board. By comparison, it features in only about 2% of speeches by governors of the Federal Reserve. ... A comprehensive package of structural reforms will therefore tend to increase both resilience and growth. These are clearly issues in which any central bank has a keen interest. But this is especially true for the central bank of a monetary union ... For this reason, that every national economy is sufficiently flexible should be accepted as a part of our common DNA. It has to be a permanent economic feature that comes with participation in the euro area, the same way that the Copenhagen Criteria are permanent political features of membership of the EU. And this is why, as I have said many times, I believe there is a strong case for governance of structural reforms to be exercised jointly at the euro area level: to help each country to achieve the necessary level of resilience; and to ensure that they maintain that resilience permanently. Since structural reforms in any euro area country are a legitimate interest of the whole union, there needs to be stronger ownership of reforms not just at the national level, but at the European level as well.
41	<a href="#">15/6/2015</a>	Praet	But the key point is about diversity. It is not enough to give one-dimensional prescriptions such as that the all labour markets must become more flexible. What matters is that the combination of policies and institutions within each country produces an outcome that is satisfactory for its citizens and sustainable for the euro area as a whole. ... There are some minimum requirements that come with being part of a monetary union. But there are various ways of meeting them. This is perhaps a notion that, in the future, we could do a better job of conveying.

42	<a href="#">17/6/2016</a>	Cœuré	I agree that central bankers should tread very cautiously in other economic policy areas. But monetary policy, and particularly so in a monetary union, does not operate in a vacuum. Although central bankers take their decisions independently, they also have to take into account what other parties are doing. . . . there are at least three reasons why central bankers cannot be indifferent to structural reforms. First, the combination of low potential growth and the debt overhang inherited from the crisis threatens the European social contract, a contract that was established in the post-war era and that was fair and affordable at that time. This in turn is a threat to the sustainability of our social market economy, which is the environment in which our monetary policy operates. Second, factor reallocation over time and across sectors is necessary in order to adjust to shocks and therefore key to the smooth transmission of monetary policy. And third, convergence between economies is both an economic and political prerequisite for a well-functioning monetary union. . . . for structural reforms to successfully lift potential growth in a monetary union, they have to fulfil two important criteria: (i) they need to be comprehensive and well sequenced and (ii) all-encompassing. “Comprehensive” means that a narrow focus on labour market reforms is not sufficient. Structural reforms are also about incentivising innovation, competition and fighting rent-seeking and monopolistic structures.
...42	<a href="#">17/6/2016</a>	Cœuré	Labour market reforms should be sequenced carefully, in such a way that a negative short-term effect on employment is ideally felt only when the recovery is gaining momentum. This could in practice mean that employment protection is liberalised only when reforms to increase nominal wage flexibility have been carried out. This can have a quick effect on reducing unemployment even shortly after its implementation. Second, active labour market policies can help to reallocate workers across sectors of the economy while an adjustment is taking place. Third, expansionary fiscal and monetary policy can also dampen the negative short-term impact of labour market reforms. The current low interest rate environment and the mildly expansionary fiscal stance on aggregate in the euro area provide a good opportunity for governments to minimise the short-run costs of labour market reforms.
43	<a href="#">13/4/2016</a>	Constâncio	. . . structural reforms entail short-term contractionary effects many times. Eggertsson, Ferrero and Raffo (2014) highlight that such contractionary short-term effects are amplified at the LB, because they cannot be off-set by expansionary monetary policy through a reduction in interest rates. A recent IMF working paper by Bordon, Ebeke and Shirono (2016) concludes that “Existing studies have shown that the long-run effects of structural reforms on growth and employment are positive. However, the evidence on the short-run effects of structural reforms is rather mixed and limited.” The recently published April 2016 IMF WEO agrees and writes: “. . . reforms to employment protection arrangements and unemployment benefit systems have positive effects in good times, but can become contractionary in periods of slack. These results suggest the need for carefully prioritizing and sequencing reforms.” . . . the effects of structural reforms are contingent on the state of the cycle and the degree of slack in the economy as well as on the accompanying stance of macroeconomic policies.

44	<a href="#">30/11/2016</a>	Draghi	Structural reforms are therefore urgently needed to raise productivity growth and unlock unused labour potential and thereby avoid stagnation in per capita income. . . . There are benefits for fiscal policy too. By lifting output and employment and lowering unemployment, reforms improve governments' structural balances. Moreover, higher levels of potential output reduce the current overhang of public sector debt that is impinging on some countries' ability to carry out stabilisation policies. The greater fiscal space also enables governments to redistribute the benefits of reforms across the whole population. Some reforms can have upfront negative distributional effects, which governments may want to offset.
45	<a href="#">18/10/2017</a>	Draghi	During the crisis, because of powerful vested interests, labour market reforms were not accompanied by product market reforms in some countries, and so wages fell and prices did not adjust in tandem. . . . the case for structural reforms needs to go beyond their efficiency benefits. We need to show that reforms can contribute to both efficiency and equity. One way this can be achieved is by focusing more on reforms with positive distributional effects. . . .some reforms will always have negative distributional effects, at least in the short term. But in these cases we can do more to reduce inequality by ensuring that flexibility is combined with security. Inclusive labour markets are ones with well-functioning active labour market policies that allow people to reskill, and proactive macroeconomic policies that shorten job transitions. Before the crisis, several countries introduced labour market reforms to increase flexibility, but did little to make their labour markets more secure. This ended up disproportionately penalising young people, who had weak job protections and meagre support during unemployment.
46	<a href="#">30/11/2017</a>	Praet	Reforms which improve economic structures make countries more resilient and the single monetary policy more effective. In good times, reforms tend to face strong opposition, which only breaks down during times of economic demise, either following a long period of economic decline or in the wake of a severe crisis. Evidence of crisis-led reforms is plentiful: for instance, not just the Latin American trade reforms in the 1980s and 1990s, but also the most recent experience in the euro area goes in this direction. The long-run benefits of reforms are largely undisputed, but the potential short-term costs have increasingly been highlighted. Such undesirable effects can materialise through a number of channels. Reforms that enhance competition can displace workers and capital in the short run. In bad economic times, there is a risk that these factors of production will not be absorbed by new entrants, thereby aggravating the recession. Reforms that lower wages can depress consumer demand in the short term if not rapidly offset by employment gains and the prospect of future productivity related income gains that would materialise in normal times. To ensure that the expansionary effect of reforms dominates in the short run, both the sequencing of reforms and the policy mix matter. . . . may be better if product market reforms precede labour market reforms and if product market reforms focus on reducing entry barriers in service sectors with large pent-up demand. As regards the policy mix, if there is fiscal space, IMF research has underscored the beneficial effects of carefully designed fiscal packages which can overcompensate for the short-run cost of reforms.
47	<a href="#">19/6/2018</a>	Draghi	annual growth in negotiated wages has also started to move upwards. Looking ahead, recent wage agreements notably in Germany, but also in other large countries such as France and Spain, point to a continuation of these wages dynamics. There are signs that the restraint in public-sector wage growth, which had in the past dragged on aggregate wage growth, is starting to relax.

48	<a href="#">29/3/2019</a>	Cœuré	<p>Although pre-crisis policy advice strongly focused on reducing nominal and real rigidities in product and labour markets, today there are still significant differences across countries in the response to common euro area-wide shocks. ... The upshot is that, in this environment, monetary policy is more difficult to calibrate. Different transmission mechanisms propagate the same shock to different degrees and with lags that may vary across countries. Minimising these differences in transmission does not require all countries to adopt the same economic structures. What matters is for countries to have institutions that deliver the right outcomes, both individually and jointly. Our system of economic coordination, the European Semester, still falls short of achieving this objective. And as a consequence, it still falls short of supporting adequately the single monetary policy. ...Heterogeneity is part of the euro area's DNA. It is a source of strength, provided our institutions and markets have the instruments and ability to effectively absorb idiosyncratic shocks.</p>
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