A leopard never changes its spots
Explaining Greek pension reform

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Abstract

The paper examines the major pension reform initiatives undertaken in Greece during the 1990s and in 2002 in an attempt to draw conclusions about the future evolution and prospects of the Greek pension system. Drawing on the new institutionalist approach and path dependence theory, it is argued that even in cases where change occurs this is "bounded" change; however, even small incremental steps can have implications on the patterns of distribution of resources and risks and ultimately the system's design.

Keywords

welfare state, pensions, reform, politics

Introduction [i]

Pension reform figures prominently on the political agenda in many industrialized countries for over two decades. This trend stems from the pressures exercised to the structure of welfare states from a series of challenges such as population ageing, changing socio-economic and family patterns and globalization. The fact that pensions receive priority in the restructuring of the welfare state debate should not come as a surprise given that pensions-along with expenditure on health and education-represent a significant part of social expenditure and by consequence of GDP, having knock-on effects on patterns of consumption, saving and investment.

Pension expenditure occupy a prominent position within the Greek welfare state, while pension reform –the policy domain the present paper is concerned with- has once again been brought on top of the political agenda following the publication of

[i] I would like to thank Nikos Koutsiaras for his comments on an earlier draft of the paper.

the IMF Report recommending the speeding up of the reform process before 2012 and the imminent publication of the ILO commissioned report. In view of the official opening up of the debate by the government, the present paper examines the major reform initiatives undertaken during the 1990s and in 2002 in an attempt to draw some useful conclusions about the future evolution and prospects of the Greek pension system.

Our core hypothesis is that although the literature on the Greek pension reform more often than not refers to it as "reform by installments" denoting its gradual and open character while at the same time emphasizing the inability-unwillingness to implement more radical measures, even these small incremental steps can have quite important implications on the patterns of distribution of resources and risks and ultimately the system's design.

Drawing on the new institutionalist approach and path dependence theory it is argued that even in cases where change occurs this is "bounded change" in the sense that "initial movements in a particular direction encourage further movement along that same path" (Pierson 2000: 74). Such claim seems particularly true in the Greek case where the options available to policy makers in the early 1990s were limited given the system's maturation; therefore a move towards capitalization was not essentially an option, while established patterns of action and decision making constituted an important obstacle in the reform process. Nonetheless, even small changes can ultimately have quite important implications.

The paper is structured as follows: The first section focuses on the basic characteristics of the Greek pension system that distinguish it from other Bismarckian ones and then proceeds by examining the major challenges prompting the need for reform. As argued the main factor stems from the distortions and disincentives created by the system, rather than by exogenous forces such as the European integration process. The following section describes the major reform initiatives from the early 1990s until 2002.The final section concludes with an interpretation of the implications of reform initiatives on patterns of distribution of resources and risks.

The Greek welfare state: an introduction

Esping-Andersen's seminal work on welfare regime classification did not include the Mediterranean countries, with the exception of Italy. South-European welfare states have nonetheless attracted the attention of scholars classifying them either as a subcategory of the Continental Model (Katrougalos 1996, Katrougalos & Lazaridis 2003) or as a separate cluster (Leibfried 1992, Ferrera 1996, Bonoli 1997).

The development of the Greek welfare state took place following the restoration of democracy in 1974, as welfare policies were until then largely rudimentary. In the years that followed Greece managed to catch up with its European partners; social expenditure in 2002 amounted to 26.4% compared to 27.7% in the EU-15 based on Eurostat's figures, a fact that has been interpreted as an aspect of Europeanisation of its welfare state (Sotiropoulos 2004: 269). Nonetheless, aggregate expenditure is no more than an indicator of a country's welfare effort. In the case of Greece this rise has not been matched by an increase in the effectiveness of cash transfers (Guillen & Matsaganis 2000: 122). This paradox can be understood by reference to the distinctive features of the Greek system; heavily politicized, centralized policy-making, impoverished administrative infrastructures and poorly developed social services (Venieris 2003: 134).

Cash benefits (and pensions in particular) occupy a prominent position within the welfare state structure, while benefits in kind such as social care remain at an early stage of development. Income maintenance is based on occupational status, following the Bismarckian tradition, and resulting in institutional fragmentation. According to Ferrera (1996) Greece represents an extreme example of fragmentation; the latter is horizontal (i.e. across sectors of economic activity, ultimately resulting in a plethora of schemes (175) operating alongside IKA which covers private sector employees), vertical (i.e. across levels of protection) and between birth cohorts. Inevitably, this fragmentation results in marked differences in eligibility conditions and benefit levels, which also explains the coexistence of high expenditure on pensions as a percentage of GDP and the concentration of poverty among the old (Borsch Supan &Tinios 2001). Hence the existence of "islands of privilege in a sea of insufficient provision"(Tinios 2005: 404).

The Greek system is also heavily polarized: generous protection is offered on the hand to the system’s “insiders”, such as civil servants, workers in finance and insurance industries, and workers in nationalized industries and weak or no protection to those falling outside the privileged core sector of the labor market such as the young and long-term unemployed (Guillen & Matsaganis 2000: 122).

Its fragmented and polarized character, along with the existence of clientelistic access to resources and the reliance on family and kin for informal protection have hindered the development of social citizenship and a culture of universalism, while sustaining discretion and perverse redistribution. The absence of minimum income for those with insufficient resources confirms the country’s weak culture of universalism (Petmesidou 1996: 330). The above characteristics are no more than an indicator of the state’s inability to satisfy social needs.

Pressures for change

Since the publication of the World Bank’s Report (1994), the pension reform discourse has been heavily dominated by the “demographic time bomb” argument. In the case of Greece the “old age crisis” can be better understood by reference to the following figures; fertility rate was at 1.2 in 2003 compared to 1.5 for EU-15, while the old age dependency ratio is expected to increase from 26% in 2000 to 54% in 2050. At the same time total employment rate stood at 59.4 in 2004, well below the Lisbon target. Demographic changes, along with employment trends assume an additional importance in the case of PAYG systems, since a shrinking labor force results in diminished revenues. Pension expenditures are therefore expected to rise from 12% in 2000 to 24% in 2050 (EPC 2001).

Nonetheless, even though demographic change and its implications for the future viability of the Greek system have been repeatedly stressed especially in recent years (IMF 1992, Spraos Report 1997) the case for reform stems mainly from internal factors (Provopoulos & Tinios 1993: 331). The system’s weaknesses have been emphasized for several decades with remarkable consistency; the problems stated in a Government Report in 1958 are still present to a large extend given the modest pace of reform initiatives (Featherstone & Tinios 2006: 175).

The main symptoms of the current pathology are as follows:

Pensions absorb the bulk of social expenditure, yet the absence of uniform rules on eligibility conditions and benefit levels result in a type of welfare provision that reinforces inequalities (O'Donnell & Tinios 2003: 266, Venieris 2003: 134). In addition, despite the fact that over 12% GDP is spent on pensions, society spends 3% GDP annually to supplement the statutory revenue of the pension system (Greek Report on Pension Strategy 2002: 10). The second weakness is linked to the PAYG structure of the system which results in a weak budget constraint as costs can be easily deferred to future generations, a practice that has more often than not proved tempting. The third weakness relates to the system's most distinctive feature: fragmentation. The existence of multiple funds, coupled with a weak budget constraint encourages clientelistic practices; individuals play the system through early retirement, disability pensions or contribution evasion, while occupational groups can formulate collective strategies in order to gain preferential access to resources while passing the cost to future generations or to other sectors of the economy. This fragmentation and complexity has also led to significant indirect costs and distortions in the labor, product and capital markets (Greek Report on Pension Strategy 2002: 10).

The above pressures exist in parallel to those emanating from the EU level and globalization, even though it has been argued that the need for reform would have existed even in the absence of the EU argument (Featherstone 2005: 737).

The case for reform

The case for reform appears strong, with the dominant discourse emphasizing the need for rationalization rather than retrenchment. Yet, although an agenda for rationalization is expected to be successful in inequitable systems such as the Greek one this has not been confirmed, as reform attempts have been marked by strong reactions (Myles & Pierson 2001: 324). What is even more striking is the coexistence of strong opposition to reform initiatives with widespread and intense dissatisfaction for current arrangements (O'Donnell & Tinios 2003: 270). This paradox can be interpreted by recourse to path-dependence theory arguing that the development of the welfare state has created "dense interest group networks" capable of blocking reforms (Pierson 1994, 1996).

The process and outcomes of the reform initiatives can be better understood by examining the goals and capabilities of the major actors involved; political parties and trade unions. Both political parties and trade unions have vote-seeking and policy-seeking goals. Political parties try to gain votes and control the government. Given that reforms involve tangible costs and diffuse gains, and the public's biased reaction towards perceived cuts, they engage in blame-avoidance strategies in an attempt to minimize costs. As to their policy goals, in the case of the Greek pension system, these relate to equity, viability (cost containment) and maintaining credibility towards their European partners. Trade unions on their part defend the interests of their members, as well as their involvement in the policy making and implementation process. In the Greek case the most powerful trade unions have the major interest in maintaining the status quo as reforms will most probably lead to a reduction in their benefits.

The pursuit of these goals is mediated by the domestic policy process. The Greek state is weak, a "colossus with feet of clay", which political parties succeed to bend to their own needs (Sotiropoulos 1993: 49). Political parties however prove equally weak in implementing policies a fact attributed to the mobilizing capacity of the trade unions or other professional associations, and further accentuated by the absence of institutionalized relations between the two parties that would allow the development of advocacy coalitions supporting reforms (Sakellaropoulos & Angelaki 2006). An additional point relates to the role of public attitudes which are not simply an external constraint, but also a product of the system, as the latter structures perceptions, expectations and ultimately attitudes. Hence, it appears that the strongest labor unions that enjoy a privileged position are more easily organized and successful in maintaining the status quo (O'Donnell & Tinios 2003: 274). At the same time the complexity of the system renders it opaque to the non-experts and increases the difficulties in communication the cost of inaction (Tinios 2003, 2005).

These features provide an explanation of the incremental and on going character of the reform process, which has also been described as "reform by installments" ultimately resulting in a failure to ensure future viability and remedy its inherent weaknesses (Council EU 2003, Tinios 2005).

Major reform initiatives

The first significant reform initiatives were introduced in the early 1990s by the Conservatives within a context of severe economic crisis. The case for reform was built on the grounds of containing the soaring costs of pensions, supporting macroeconomic adjustment, while giving the system some "breathing space" in order to arrive at a consensus as to the basic characteristics of the new one. Law 1902/1990 was therefore the first step towards a more comprehensive reform of the Greek system. The key provisions included: increases in contributions, introduction of contributions for civil servants, tightening of eligibility rules for disability pensions, increases in pensionable age and changes in the calculation of pensions. The strong opposition on the part of trade unions that preceded the passing of the law forced the government to pass the cost to the non privileged, while the privileged funds were faced only with minor cuts (Matsaganis 2006: 164).

The second significant reform took place in 1992. The events that preceded the reform (discrediting of government commissioned committee as being hastily prepared, trade unions accusing the government of using the report as smokescreen) culminated in a series of strikes that soon spread from public sector workers, to those in state banks, transport organizations and public utilities. The government, possessing a slim parliamentary majority, was further threatened by some of its party members opposing certain provisions (Featherstone 2005: 742). Under these circumstances, the government shifted the burden on future generations while the interests of those over-represented by the trade unions remained largely untouched. The law unified pension rights and obligations for all public and private sector employees and made them less generous for those entering the labor market after 1st January 1993. The new system strengthened the earnings related character, while it enhanced intra-generational solidarity through the unification of provisions.

The 1990-92 measures were unable to restore the viability of the system or limit its fragmented character. According to OECD projections additional measures would soon be needed (Mylonas & De La Maisonneuve 1999: 25). Thus, it could be argued that the reform "came too late and achieved too little" (Venieris 2006: 77).

The advent of the Socialists in power (1993) was followed by a “mini pension reform” dealing mainly with organizational issues. The debate reappeared on the political agenda only after the 2000 elections giving the socialists a new mandate under the leadership of C. Simitis who had identified pensions-along with labor market reform-as a top priority issue in his modernization agenda (Tinios 2005). It seems that the pressure exercised by the EU on the Greek government along with its desire to enter the euro-zone, and the recurrent recommendations by international organizations contributed to the strengthening of the case on pension reform (Featherstone 2005: 736).

Following an unsuccessful reform attempt in 2001 that resulted in strong trade union opposition and threatened the governing party’s cohesion, a new initiative was undertaken in 2002. This was seen as the government’s last opportunity to bridge the differences and regain the citizens’ and trade unions’ trust, while sending a message to the European Commission and international organizations regarding the government’s readiness for undertaking reforms. The strategy adopted by the new minister during the 2002 reform was based on confrontation avoidance and consensus seeking (Matsaganis 2006: 167). Restoring the trust of Greek citizens in the system and its prospects was identified as the basic challenge (Greek Report on Pension Strategy 2002). Following lengthy consultations with the social partners and the radical reformulation of the 2001 proposals a new reform was approved in 2002. The main provisions consolidated regulations, ultimately resulting in eliminating discrimination against workers who had entered the labor market after 1st January 1993, limited fragmentation, provided for an institutional and supervisory framework for funded occupational funds based on capitalisation and the separation of primary from auxiliary pensions, adding flexibility to the system and secured financial autonomy of IKA until 2030.

As stated by the Commission *the reform should be seen as a starting point for a long-term reform strategy, providing a road map for future changes*. For *while reform addresses a large range of issues with the aim of making the system more credible and socially sustainable…significant further efforts will be required* (Council EU 2003: 115). Nonetheless, the reform managed to temporarily take pensions off the political agenda.

Future Policy Implications

Pension reforms are considered as typical cases of path-dependent processes in which past choices constrain future options, creating "lock in" effects. In the case of employment related, defined benefit schemes, reform proves particularly difficult as benefits are considered as quasi-property rights. However, change has been possible. In countries with mature earnings-related programs reform initiatives entailed the strengthening of the link between contributions and benefits and the separation of contributory from non contributory benefits, the later financed from general revenue and not payroll taxes. This has been seen as entailing important implications in the distributive logic of these systems; the strengthening of the earnings related character signifies a reduction of the risk pooling within and between generations, while a more systematic targeting of interpersonal transfers signifies an expansion of risk pooling financed by general taxation (Arza 2006). A typical example is the Italian pension reform of 1995 that resulted in the introduction of a Notional Defined Contribution model (NDC). Under the new system, benefits are strictly related to past contributions, while the poverty prevention function is separated from that of social insurance and is financed from general taxation.

The Greek case seems to fit perfectly in the "frozen landscape", characterized by continuity rather than change as institutional legacies are still strong. Reform initiatives undertaken throughout the 1990s and in 2002 have assumed an incremental character, displaying path-dependence. Against this background, the Greek case stands in sharp contrast to the path-breaking approach adopted by another Southern state, Italy.

However even within this framework it is still possible to identify some elements that could have implications for the future design of the system. The novel characteristic is to be found in the introduction of funded elements during the 2002 reform, which is considered as a first hesitant step towards the adoption of a multi-pillar system (Sotiropoulos 2004: 277). Such a proposition may seem strong nonetheless the introduction of funded elements implies a new distributional principle where the risk is borne by the individual and not the state.

Throughout the past decade there has also been a continuous attempt to strengthen the link between contributions and benefits. However, whereas in other countries this has been coupled with the introduction of increased targeting this has not been the case in Greece. The Greek system still lacks a comprehensive social safety net of last resort financed from general taxation, separating the poverty prevention from the social insurance function. It has been argued though, that the question of increased targeting remains largely secondary in a system that is still struggling with the issues of fragmentation and inequality. Therefore as long as these more pressing issues are still open, targeting has little to offer as an effective solution (Matsaganis 2005: 236).

As the main weaknesses remain unsolved, further reform is unavoidable. Future initiatives will once again revolve around issues like restoring the equality of treatment, curtailing fragmentation and introducing a social safety net. The success or failure of future reform initiatives will largely depend on the state's capacity to form broader advocacy coalitions. The restoration of trust in the system and its prospects –a goal stated in the Greek Report on Pension Strategy (2002)-will therefore prove a crucial element in enabling the implementation of future reforms in a climate of consensus. The task is thus identified as "building trust and making up for the deficiencies in social capital" (Featherstone & Tinios 2006: 182).

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Responsiveness of the Greek health care system

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Introduction

Quality of health care is much more than simply the ability to enhance health through better quality of medical care. Since the 1980s many attempts have been made to measure patient satisfaction with the use of appropriate questionnaires. However, today the World Health Organisation (WHO) has developed the concept of responsiveness, which is a measure of how the system performs in relation to people's legitimate expectations for the non-health aspects when they use health services (WHO, 2000; Valentine et al, 2003).
This paper provides the first descriptive results on responsiveness of the Greek health system collected in a national household survey.

Methods

Data was obtained through the national household "Survey Study of Health and Health Services Evaluation" conducted by the Department of Health Economics of the National School of Public Health, Athens, in collaboration with the Department of Medicine of the Dimokrition University of Thrace. The sample consisted of 4000 people and was stratified by county, age and gender in order to obtain representative results.

Results

From the first analysis of the data, it seems that the responsiveness of outpatient care is rated higher than inpatient care responsiveness. Most of the demographic and socioeconomic factors are statistically significantly associated with responsiveness. People consider prompt attention to be the most important domain of responsiveness and access to social support the least important.

Conclusions

Preliminary analysis of the data suggests that the Greek health care system has a law level of responsiveness to people and particularly for some sub-domains. Further analysis of the results is being undertaken, in order to explain how the independent variables influence aspects of responsiveness in primary and secondary health services (both public and private).

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New wine in old bottles: Tracing the politics of the Greek pension reform.

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1) Theoretical framework

A large part of the Greek welfare state literature stresses the institutional shortcomings of the various welfare sectors with a particular focus on the pension system, since the latter is the most extensive program in terms of public expenditure. A wide variety of factors have been put forth to justify the complexity as well as the opacity of the Greek welfare arrangement. At the economic level it is stressed that the weak institutionalization of capitalism, which is expressed through the low concentration of capital and the low rate of wage labour, coupled with the extensive functions performed by the family hindered a welfare development similar to that of the west European countries[1]. At the political level it has been argued that the lack of consensus between social classes combined with the lack of social planning culture resulted in the creation of a rudimentary welfare state[2]. In addition to the rudimentary character there is a tendency towards institutional fragmentation produced by the capacity that various occupational groups posses to exercise pressure on the political authority in order to receive beneficial treatment[3] .

When it comes to pensions, which is the only welfare sector where there is an open conflict over state policies, the political level approaches are employed to account for the fragmented and asymmetric character of pension provision. Furthermore this kind of approaches proposes a solution to the "Greek State Paradox" which is manifested in the attempts of the Greek government to pass pension reforms. The "paradox" refers to the fact that while the Greek state seems to preponderate throughout its history over civil society, it is not in position to implement crucial reforms due to severe civil society resistance and hence the state apparatus ends up to be hostage of particular social interests . Despite their theoretical parsimony, this is best illustrated in the analysis of the role performed by social classes vis à vis welfare expansion[4], the political approaches leave adequate space for criticism. For instance, the hypothesis that particular occupational groups are pressing the state apparatus so as to gain benefits is tautological. Such kind of pressure always exists in the political scene; the

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[1] Robolis , Chletsos (1995) . p 71-72 . Economou and Maloutas believe that the system of land and residence which promotes home ownership makes up for the welfare shortcomings . see Economou , Maloutas (1988) , p 37-39 , 43-45

[2] Petmesidou (1992) , p 144-147

[3] Sotiropoulos (2003)

[4] Petmezidou (1991) , (1992)

real question is on what grounds this pressure is exercised. In other words the actual problem is to identify the position that each occupational group assumes in the political and in the economic structures as well as to indicate the resources (symbolic, political or economic) which each group can mobilize to achieve its goals.

Building upon the aforementioned theoretical remarks, we will now turn to scrutinize the "pension problem" per se. The institutional configuration of a pension regime is conditioned upon the combination of the political and economic structures. The application of state power is required to build and nurture a viable pension system, yet on the other hand the state intervention is circumscribed within the limits of capital reproduction[5]. Despite its theoretical importance a detailed analysis of the economic structure and its relation to pensions would exceed the limits of this presentation since its main focus is on the political elements. Therefore any reference to the economic structure will be made only to stress its political elements, such as fiscal or monetary policy, which underpin the reproduction of a pension regime.

Let us proceed to examine the characteristics of political structure with reference to pensions. The political structure can be divided in two levels. The former refers to the formation of pension policies and includes the process of legitimation while the latter corresponds at the level of policy planning and refers to the state capacity in recognizing particular risk categories[6].A further distinction could be introduced within the process of legitimation along the lines of time horizons [7]. In this respect we can distinguish among actual legitimation and ex-post legitimation . According to the former type, the process of legitimation occurs at a synchronic level and it is presented as a quid pro quo where particular social groups or classes offer their allegiance to political authority in exchange for the promotion of their interests[8]. The latter type sets the process of legitimation in a historical perspective. In this case certain social groups are in position to ground a right to beneficial treatment on the basis of their collective action which took place sometime in the past and it has contributed to the formation of the current political regime within witch those groups

[5] Esping-Andersen (1990) , p 79-82
[6] The process of risk categories recognition on the part of the state is presented in Baldwin (1990)
[7] The concept of time horizons is analysed in Pierson (2000) ,p 261-262
[8] The civil servants's pension schemes which were founded at the initial stages of welfare development is a good example.

operate . A case in point here is the expansion of civil war benefits in the late nineteenth century financed by the U.S federal budget and backed by both Democrats and Republicans[9] . The introduction of the time factor in the study of pensions is of particular relevance since the function of a pension system is overshadowed by a projection of the past to the present. This holds true particularly with the Pay as You Go system[10] because the current generation of workers pays for the previous generation's rights that where grounded within a completely different historical context. In any case both types of legitimation are conducive to the development of increasing returns processes since they provide the space for the political structuration of social interests and thus they are in position to determine the outcome of any reform attempt.

With regard to the identification of risk categories, during the period of welfare expansion risk was associated with the hardships met by particular social groups as a result of their position in the production process. A political appraisal of these hardships[11] produced the actuarial criteria on the basis of which social insurance was provided first by mutual assistance funds and subsequently by state sanctioned funds. Once formulated as risk categories, these groups competed with each other in order to reapportion the social burdens of social insurance redistribution[12] by using their position in the legitimation process. The process of risk categories formation on the basis of actuarial criteria is dislocated by the attempted pensions' reforms which are taking place in the context of welfare retrenchment. The so called new politics of welfare in order to overcome the path dependent characteristics which are closely related to the collective action of risk categories; they detach the actuarial criteria from the production process and reattach it on logic of administrative rationality. In this respect the age of retirement, for example, does not depend on the working conditions but it is linked to the extent of the pension deficit. Schematic though it may be, the foregoing theoretical analysis provides us with some general research guidelines in the light of which we can partially interpret the developments of the Greek pension arrangement.

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[9] Skocpol (1993) , p 101-102
[10] The Greek pension system operates on a Pay as You Go basis
[11] The political appraisal of Labour hardships is best illustrated in Marx (1977) p 404-416
[12] Baldwin (1990) , p 48-49

2) Early beginnings: the creation of the first pension funds

At the outset, the development of pension provision in Greece followed a similar path to that of the other European states that cluster around the corporatist type of welfare[13]. In this respect the first pensions were granted neither on the basis of social need nor on the basis of social citizenship right, but on the basis of privilege and status. The first state-funded pension schemes offered protection to the professional groups linked with the exercise of state power. In this way the state secured the actual legitimation of its agents and paved the way for the formation of a unified administrative space which would facilitate the enforcement of its policies. The teacher's fund was created in 1855 followed by the army officer's fund in 1858, the civil servant's fund in 1867 and finally the National Bank employee's fund in 1867[14].

As the Greek economy gradually abandons, in some sectors, traditional economic structures and shifts to the capitalist mode of production, an increasing amount of professional categories create mutual aid insurance funds in order to face the newly ascended conditions of production. The state did not intervene neither did officially recognize their operation except in two cases: The veteran seamen fund and the mine workers fund. The former was state sanctioned in 1861, it offered old age pensions and it was financed by seamen contributions and state subsidies. The state intervention came at a nodal point of the Greek merchant marine development. By the middle of the 19th century the traditional type of shipping business, which was based on an association of joint hands of the enterprisers (Gesamthandvergesellschaftung)[15] where all the members of the crew had a share in the ship , was substituted by the new type of joint stock companies . This institutional shift was brought about mainly by the expansion of steam boats , the building of which required a high concentration of capital , and it eventually introduced dependent wage labour (with all its welfare concomitants) in the Greek shipping business[16] . At the political level , the particular state interest in seamen's pension was justified on the grounds of ex post legitimation

[13] The threefold typology of welfare is analysed in Esping-Andersen (1990) , p 26-28 . There is a debate as to whether the Greek welfare state approximates to the corporatist continental model or to the south European model , see Symeonidou (1997) and Katrougalos (1996)
[14] Liakos (1993) , p377 . Robolis ,Chletsos (1995) , p 76 . The army officer's fund covered 7500 persons in 1873 while this number was almost doubled in 1900 , see Pizanias (1985) ,p 97
[15] Weber (1978) , p 709
[16] Papathanasopoulos (1988) offers a good account of the fist Greek steaming boat company .

; After all this specific occupational category played a crucial role during the Greek revolt against the Ottoman rule , a role that is also praised in the very text of the bill[17]. Miners, on the other hand were constituted as a risk category due to the severe risks incorporated in the production process and they received accident insurance. Their fund was reorganised in 1901 after a serious of strike activities[18] , but it was dissolved in 1933 partly because the Greek mining business failed to establish itself as the energy provider of the Greek industry[19] and thus it lost both its political as well as its economical leverage.

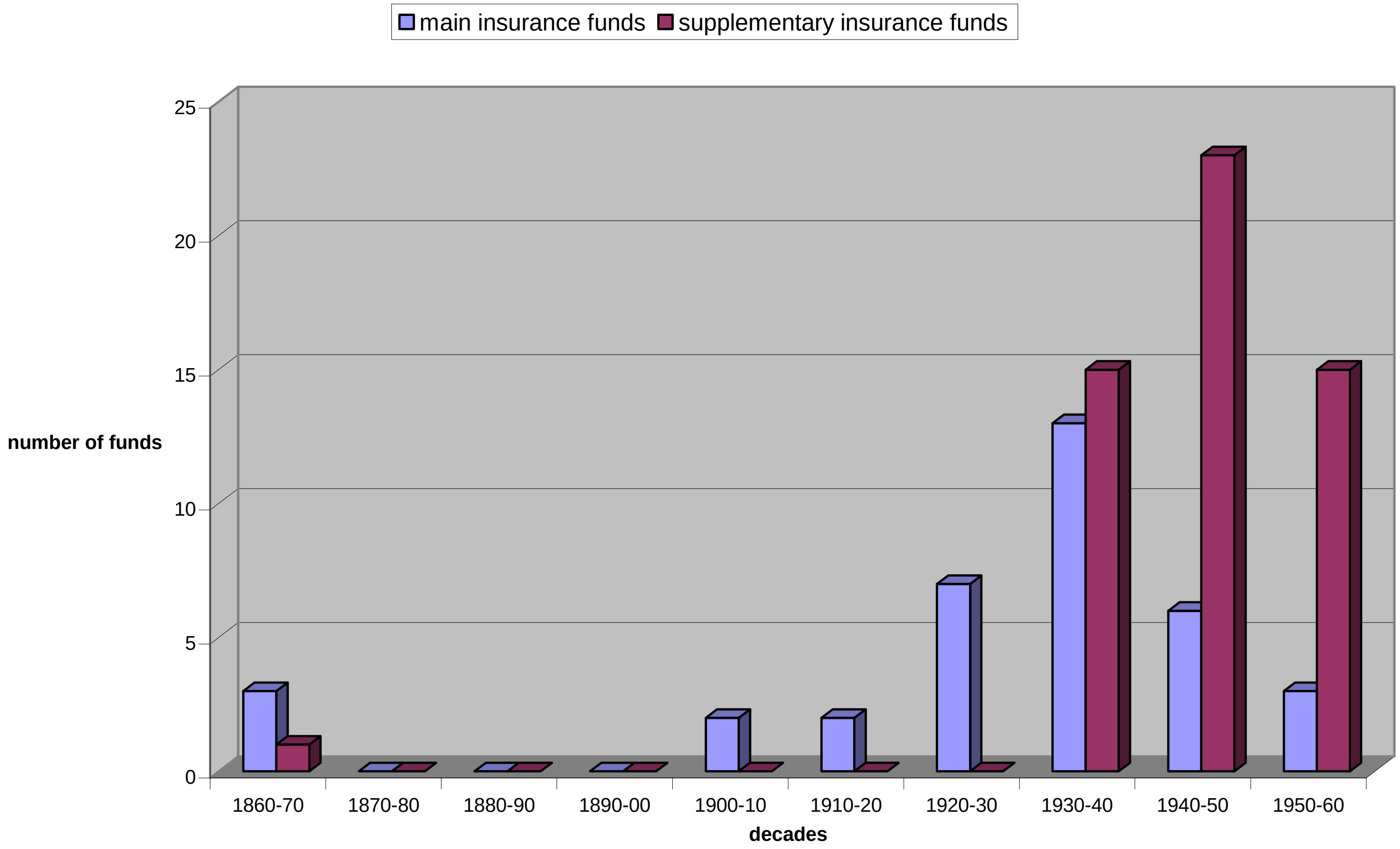
Eventually the Greek state , after suffering a defeat in 1897 by the Ottoman empire which triggered a severe change in the political elite , offered legal status at the mutual aid societies with the 281 Law passed by the Venizelos government in 1914[20]. During the first decades of the twentieth century, the Greek state underwent a series of important structural changes, since it managed to get involved in more or less five wars from 1912 to 1922. At the level of welfare provision these changes were marked by the creation of the ministry of social assistance in 1917 whose aim was to protect orphans and handicapped people[21]. Five years later the first general social insurance law (2868/ 1922) , which did not target at any particular occupational category but it was concerned with the wage-labour in general, was passed by the Conservative government of Gounaris . According to the bill the employees who worked at companies which employed over 70 wages –earners were to be insured (amongst other risks) for old age retirement in social security funds run by themselves or by the company they worked in. The rest of the employees who worked in smaller companies were to be insured by state funds [22] . The law was enacted in 1924 and despite of its shortcomings, it formed the institutional framework that underpinned the proliferation of social security funds throughout the 20's.

[17] Liakos (1993) p 381 . It is also worth mentioning that the law was passed under the premiership of Antonis Miaoulis son of the commander of the Greek fleet during the war of independence . *ibid* , p 377
[18] Kordatos (1972) , p34 -43
[19] Hadziiosif (1993) , 174-179
[20] Liakos (1993) , p 384
[21] Katrougalos (1996) , p 47
[22] Liakos (1993) , p 395

In the meantime the successful Turkish resistance against the Greek invasion in the Asia Minor territory led to the defeat of the Greek army and subsequently to its withdrawal from the region in 1922. Together with the Greek army an amount of approximately two million refugees fled to Greece so as to avoid the Turkish retaliations. The influx of so many people altered completely the demographic characteristics of the country and reshaped its Home market[23] , while at the same time refugees formed the reserve army of labour upon which the industrial boom of the 20's was based. The developments in the economic structure were accompanied by the foundation, on shaky grounds, of the Second Republic a democratic regime which attempted unsuccessfully to survive through the contradictions that tantalized it. In this context, a series of socio-economic developments were pointing at the necessity of social security reform. The expansion of wage labour, the intensification of the class struggle, the economic crisis of 1929, the pressures exercised by the ILO (International Labour Office) and the redefinition of risks within the production process established the issue of social security as a priority at the political agenda of the epoch. Venizelos' government was the first to act in collaboration with the ILO in order to create a unified social security institution. Finally the creation of the Social Insurance Foundation (IKA) was sanctioned by the People's Party government but remained inactive until 1937 , thus it was not until the post war years that the foundation started to operate properly[24]. However IKA's basic rationale, which was the provision of unified insurance and pensions schemes, was rejected in the first place since the already existing funds were suspicious about the government's intentions; the suspicions were enhanced by the fact that the government did not participated in the finance of the new institution. On this premise, those occupational categories, such as tobacco workers or railway workers, which already had economically viable funds opposed to the amalgamation with IKA[25]. In fact throughout the 40's there was a further fragmentation of the system because the high level of inflation had driven certain occupational categories to create supplementary pension funds in order to improve their pension's substitution rate. The following figure illustrates the tendency of pension funds' creation throughout a hundred's years period [data based on Ministry of Social Services (1973)] .

[23] Riginos (1987) p 97
[24] Venieris (1996) p 262
[25] Liakos (1993) , p 496

figure1 : Creation of pension funds throughout a hundred years period



To sum up, the attempts of the Greek state to create a general insurance fund can be judged as premature. Similar developments have been taken place in the rest of the European countries during the post-war years and not all of them were successful. However, contrary to the Greek case, they where all founded upon the enforcement of citizenship right. IKA's main goal was to insure all urban workers and to incorporate the already existed funds and mutual aid societies without any state contributions. In other words the guiding principle was not that of citizenship but that of a compulsory equalization of different occupational categories under state auspices. It became clear that the state, in line with the corporatist tradition, wanted to control pension funds without giving anything in exchange. In this respect this state driven initiative failed to secure the actual legitimation of a wide variety of occupational groups, and it is exactly at this moment that a culture of resistance against any attempt of pension schemes' unification starts to emerge.

3) State and the pension funds in the post-war years: A double faced domination.

During the post-war years the Greek state deviates from the European standard in terms of welfare expansion. While most of the European countries achieved a "keynsian consensus" which involved a direct relation between economic development and welfare expansion, the very same period Greece experienced a rapid economic growth accompanied by a residual welfare state[26]. The reasons for this poor welfare performance should be traced at the new role which the state assumed during the '50's. After World War II and the termination of Nazi's occupation, Greece was ravaged by a severe civil war between the communist-led democratic army and the royalist armed forces. The defeat of the democratic army in 1949 marked the inauguration of the so called "authoritarian" democracy which was based on the political persecutions of left-wing citizens. In this new context the state did not legitimized itself through the achievement of a social consensus. Rather it enforced its policies through police and repression on those social forces which did not concur with the new regime.

[26] Gravaris (2006) , p 55

These developments had a series of consequences on the pension regime. The primal concerns of the conservative governments of the 50's were monetary stabilization and the industrial development of the country based on cheap energy and low wages[27]. In order to pursue the former concern the government established in 1946 the monetary committee which was entrusted with the execution of monetary and fiscal policy[28] .The transition of executive power to this independent of parliamentary control institution marked the subordination of the social policy' s goals to those of monetary policy[29] . An example of this policy re-orientation is the compulsory law 1611/ 31.12.50 which obliged the insurance funds to deposit their assets to the Bank of Greece at very low interest rates[30]. What the law actually did was to sacrifice the opportunity for the pension funds to accrue their deposits in order to preserve the Bank of Greece's reserves. With respect to the latter concern (i.e labour cost containment) the state apparatus controlled the trade union structures and simultaneously repressed any kind of working class mobilization .

Conservative policy over pensions was no doubt contradictory. Papagos' administration attempted to deal with the fragmentation of the pension system and passed the compulsory law 1846/51 which prohibited the creation of new pension funds. On the other hand, the fact that the state apparatus based its reproduction on repression and not on the achievement of a broad social consensus led it to pursue the actual legitimation of particular social and occupational groups. In an assessment published upon the completion of Papagos' mandate, it is explicitly stated that the government secured a lower age of retirement to civil servants (amongst others) and to all those who rendered national services[31]. Furthermore certain occupational categories which were located in key areas crucial to the implementation of economic policy exploited the government's desperate need for legitimation and managed to crystallize a beneficial treatment in terms of pension provisions. Two cases to be considered are those of energy workers and bank employees. Seizing the opportunity of political instability the employees in the Public Corporation of Electricity (ΔΕΗ) and those of the Greek Bank of Industrial Development (ETBA) withdrew from

[27] Iordanoglou (2004)
[28] Compulsory Law 944/1946
[29] Gravaris (2004) , p 41
[30] Venezis (1955) , p 413-415
[31] Ministry of Presidency (1955) , p 103

IKA's pension arrangement and formed their own pension funds in 1966 and in 1965 respectively[32] . The same course was followed some years later by the employees of Greece's Telecommunication Organisation (OTE) [33].

The foundations of the "authoritarian" democracy started to sake during the '60's due to the intensification of the contentious cycle which followed the failure of the conservative governments to achieve the institutional modernization of the Greek society. The contentious cycle evolved at the political scene with the juxtaposition of Papandreou's Union Centre to Karamanli's National Radical Union (ERE) and expanded at the societal level with the protest activities of students and workers[34]. In view of the extensive urban unrest ERE's government tried to expand the contours of its legitimation to the countryside by instituting the Organisation of Agricultural Insurance (OGA, Law 4169/61) in 1961. OGA offered a scheme for old age pensions aiming at the universal coverage of the agricultural population. The new organisation introduced a novel characteristic in the pension system since it was financed on the basis of general taxation and not on the basis of contribution, yet the level and quality of coverage was very poor compared to the urban pension funds[35] .

After a prolonged political crisis, which started in 1965, the bourgeois political forces did not manage to prevent the success of a military coup staged by a small group of middle –rank officers on the 21st April of 1967. Because of the fact that the junta regime had little acceptance amongst the Greek society, it tried to forge alliances with certain fractions of capital and to secure the actual legitimation of the reactionary petty-bourgeois fractions. To this end the regime adopted a series of social policy measures which intensified the inequalities in pension provision by favouring once again particular occupational groups[36].

[32] Zugoyiannis , Leandros (1993) , p 174
[33] Tinios (1999) , p 203
[34] Seferiades (2005)
[35] Sotiropoulos (1996) , p 113
[36] Sotiropoulos (1999) , p 124-125

4) Metapolitesfi : The legitimation shift

4.1) New Democracy and the transition of legitimation

The foundation of a robust democratic regime after the collapse of the dictatorship in 1974 altered the political conditions within which the pension arrangement has been operating. From the beginning the newly founded regime had to deal with the two petroleum crises that ravaged the Western Economies throughout the '70's, while at the same time its survival presupposed the transition to new types of legitimation. In this context the pension policies attempted to strike a balance between the actual legitimation and the ex-post legitimation . With regard to the former type, the main question could be formulated as to whether there would be a transition on the grounding of pensions from the occupational status to the citizenship right. None of the actors involved in the political arena of the mid 70's took seriously this question. The labour movement, which until 1977 was predominated by the factory associations, aimed at the democratisation of the employment structure and at the purge of the trade unions by the government- appointed cadres who patronised the workers .The idée recue of the worker's mobilization at that period is well encapsulated in their motto: "We are struggling to bring metapolitefsi in the factories"[37]. Democratization in the sphere of production was also linked to expectations of wage increase a demand which has been partially accomplished[38]. In an attempt to deal with the extensive industrial action the Conservative governments of New Democracy (1974-1977, 1977-1981) substituted the 3239/55 Law which penalized strike activities for political purposes with the 330/1976 Law which permitted strike actions for social security purposes[39]. Despite the sanction of pensions as a legitimate labor demand, little initiatives were taken to this direction. On the other hand the government continued to intervene selectively in the pension system particularly during electoral campaign periods. In particular cases, such as the rise in OGA's pensions or the pension provision to non-secured old aged persons in

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37 Mavris (1993) , p76 .
38 Voulgaris (2002) , p 135
39 Karakatsanis (1979)

1981, it granted benefits through the adoption of acts of legislative content so as to skip parliamentary debate[40].

The gap left by the absence of pensions granted on the basis of citizenship was partially filled by the pensions that where granted on the basis of political actions. All those citizens who where persecuted during the “authoritarian democracy” years were now started to claim compensation from the state in order to make up for their formerly degraded citizenship. In the beginning several occupational associations, such as the Union of Persecuted Employees of Greece which demanded the full reinstatement of pension rights to all those who were persecuted from the Nazi occupation until the military regime of Junta, asked for compensation. A committee was formed under the presidency of minister of finance Zaimis in 1975 so as to reach a settlement[41]. Apart from these occupationally oriented demands, there were also associations, like the Central Committee of Repatriated Political Refugees, asking for the full pension reinstatement of all political refugees[42]. The matter of pension’s rights reinstatement turned out to be of grave political importance because it was backed up by a shift in the basis of legitimation of the political system. Contrary to the authoritarian democracy, whose function was premised on anticommunism, the democratic regime of metapolitefsi legitimate itself on the basis of antifascism praising the deeds of national resistance and constituting the people as the guardian of the nation[43]. This line of argument was promptly adopted by PASOK which managed to represent on this premise the new petty bourgeois fractions formerly excluded from the political scene[44].

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[40] This particular legislative practice was applied by the New Democracy in various cases. The act of legislative action gave the right to the government to pass legislation through parliament without debate on the grounds of national urgency. If one examines the frequency with which the conservative governments resorted in that measure, he will eventually shape the picture of a country in a constant national crisis . This practice is analysed in Alivizatos (1981) ,p86

[41] Avgi 12/12/1975

[42] Avgi 14/08/1974

[43] Voulgaris (2002) , p 29

[44] Vernardakis , Mauris (1987)

4.2) PASOK in power: Crystallizing the double legitimation

Once elected in office the PASOK government attempted, in an international context of economic recession coupled with welfare retrenchment, to further develop the rudimentary welfare institutions. With regard to pensions its electoral program proclaimed the gradual abolition of pension scheme inequalities via the formation of a unified national insurance system, the boost of pensioners' purchasing power through the introduction of automatically indexed cum partially tax-freed pensions , the establishment of a minimum substitution rate at the level of 80% and finally the introduction of common eligibility rules[45] . Despite its initial aspirations , the socialist government did not manage to achieve the transition from occupational status-driven social security to a citizenship-based system[46] .This failure is attributed to the fact that the social policies were facets of the economic crisis management and not attempts towards a Keynesian type of economic development[47].

The incomplete transition led PASOK's government to oscillate between actual and ex-post legitimation with the latter taking the lead when it comes to the pension arrangement. Indeed the actual legitimation of the new petit-bourgeois fractions was secured through distribution policies exercised in the field of employment. The extensive recruitment of the civil service was a case in point[48]. The expansion of the public sector through the state management of the so called "ailing" business was another case. Despite the fact that this measure was adopted by the government as an attempt to prevent de-industrialization and to restore the relations between the financial and the industrial fractions of capital, it turned out to be a protection of particular occupational interests[49]. The extensive recruitment of the public corporations was backed by the 1405/83 Law which extended the right of subsequent insurance [50] to the employees who moved from the private to the public sector ; this practically meant that all those who where benefited from the government

[45] PASOK (1981) , p84-86
[46] Only in the Health Sector this transition was partially achieved with the establishment of the National Health System (ΕΣΥ)
[47] Gravaris (1998) , p 108
[48] Spourdalakis (1998) , p 59 . Sotiropoulos (1991), p 185
[49] Sakellaropoulos (1992) , p 207-216
[50] when an employee changes employment sector he has the right to transfer his contributions from the old to the new pension fund in order to establish a right to pension provision

“benevolence” secured a full scale pension provision from the public sector “noble” funds . Another direction of the pension policy was to stimulate demand through the automatic indexation of pensions (Law 1305/82, the so called ATA) and the increase of benefits in particular pension schemes (Law 1275/82 concerning the merchant’s fund, the professional driver’s fund etc).

Notwithstanding its crisis management perspective outlined above, the pension policy was mainly employed to secure the ex-post legitimation described in the previous sub-chapter. State intervention assumed two forms in this respect. Firstly the Law 1285/82 included the participation at the national resistance against the Nazi’s occupation (1941-1944) in the eligibility criteria for the granting of pensions. Secondly a large number of invalidity pensions were granted to those who proved that they took part in the resistance while at the same time some pensions were granted to the Greek political refugees who stayed at the socialist countries of Eastern Europe.
PASOK’s policies combined successfully the two types of legitimation and forged strong alliances amongst the new petit-bourgeois fractions that secured a second governmental mandate to the socialists. However the measures adopted did not succeed in managing the economic crisis and this resulted in the deterioration of the social security funds deficit.

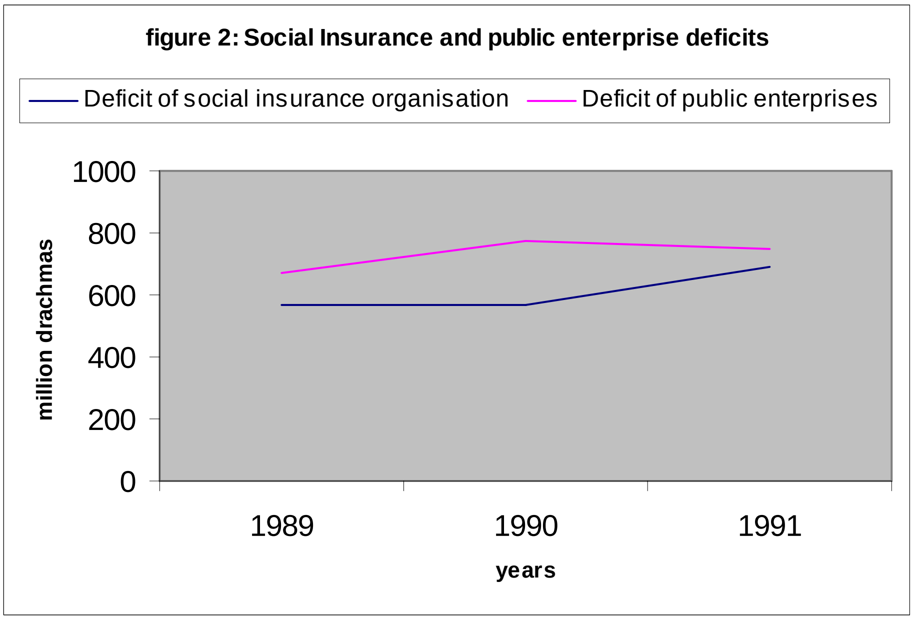
5) Pension Reform in the age of welfare retrenchment

5.1) Legitimation under siege

After two years of governmental instability, the Conservative party (New Democracy) was re-elected in office in 1990. At that period the neo-liberal reconstruction of the welfare state had reached its peak both in the European countries and in the United States. The object of the neo-liberal policy was to break up the social coalitions underpinning the Keynesian consensus as well as to create new coalitions via the reconstruction of welfare services[51]. A similar path was followed by the conservative government in the field of pensions.

[51] In the case of Britain, the conservative government gave housing tenants the opportunity to buy the houses they where staying in at a low price. In this way welfare dependents were transformed into

In order to deal with the economic crisis the New Democracy's government implemented tough stabilisation measures aiming at the reduction of the public deficit so as to meet the E.C criteria. These measures included the privatisation of large state-owned companies, such as the AGET-Hercules or OTE, and the overhaul of the social security deficit[52].

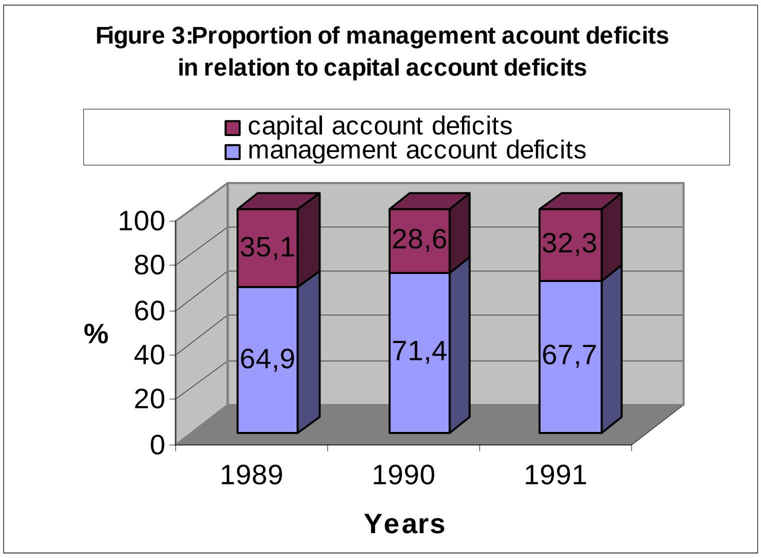


Using as an excuse the necessity for economic stability, the conservative government proceeded to break up the social coalition formed by PASOK on the basis of pension provision. This involved the dissolution of both actual and ex-post legitimation ; the former was the first to be dissolved . Law 1902/90 was passed on 4/10/90 and aimed primarily at the pension regime of public employees and subsequently dealt with the contribution evasion, the invalidity benefits and the investment of the social security funds' capital. Clauses 1 to 11 attempted to tighten the eligibility criteria of civil servant's pensions with respect to the age of retirement and to take back some benefits provided by the PASOK government. The New Democracy's intention to openly confront with civil servants is manifested itself in the purpose of statement which accompanied the law. According to the statement the social security deficit was not attributed neither to the extension of pension coverage nor to the ageing of the Greek

property owners. The Conservatives always enjoyed strong political support amongst home owners . Dunleavy (1979) , p 433-435

[52] Pelagidis (1997) , p 70 . The figure 2 is based on data by Bank of Greece (1991)

population. The main factors contributing to social security deficit were, amongst others, the low age of retirement, the high percentage of invalidity pensions and the power of organised occupational groups in certain monopoly sectors (i.e public enterprises) . The last factor is emphatically stressed since those organised interests are in position to exercise pressure in order to receive benefits at the expense of the consumers[53]. Curiously enough the Law did not address the question of administrative mismanagement even though this was the main factor of the social insurance organisation deficit, as it is presented in the figure below[54].

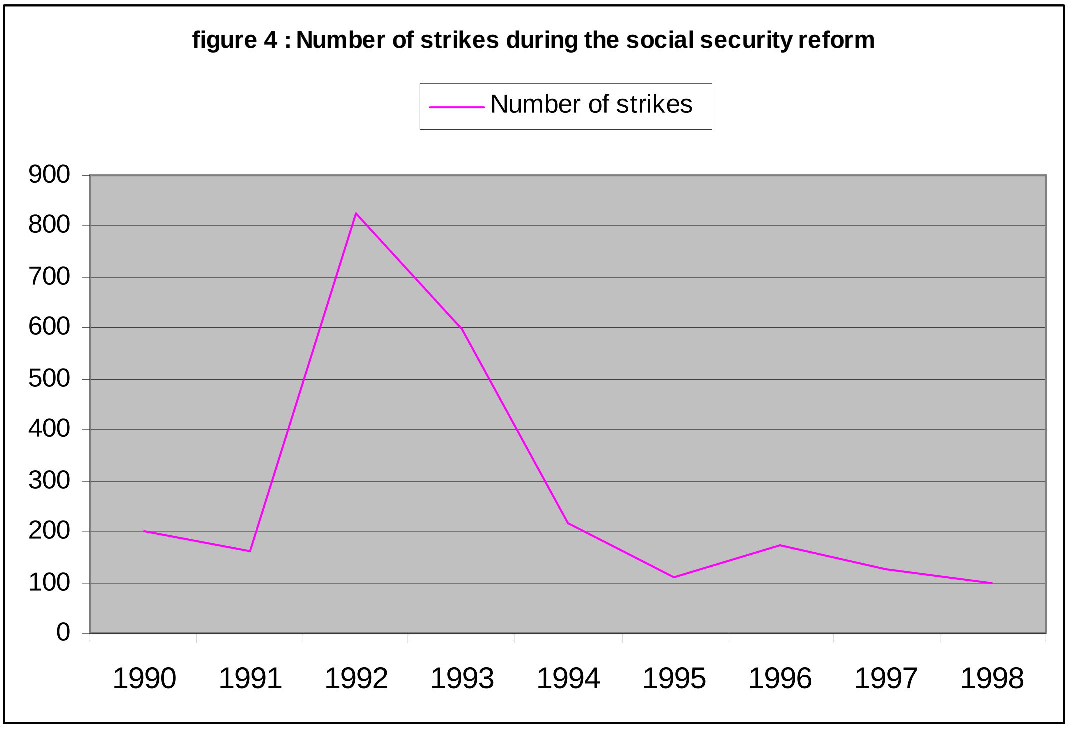


As one can easily expect the trade unions, especially those of the public sector, ferociously opposed the new law. Employees in the banks, the Public Corporation of Electricity (ΔΕΗ) , the Greek Telecommunications Corporation (OTE) and the Post Office (ΕΛΤΑ) went on a long strike in September 1990 and they managed to paralyse the country's economy . In view of the extensive social unrest the government withdrew and revised the Law[55].

Once the civil servants who were the basic driving force behind the actual legitimation proved to be die-hard, the governmental policy shifted to confront with the social forces backing up the ex-post legitimation . The amended bill (Law

[53] Parliamentary sessions second period tome D
[54] Data based on Bank of Greece (1991)
[55] Petmesidou (1991) , p 42

1976/91) was passed on 13/11/1991 and it was mainly preoccupied with the reform of National Liberation fighters' pension arrangement. According to the statement of purpose presented by the government, the Law's main goal was to relieve the government budget from the burden of the national resistance's pensions. A suggestion was made to eliminate the pension provision only to those who were severely injured during their action of resistance. The eligibility to pension provision would be granted by a medical committee instead of the statement of two witnesses which was the standard procedure up until then[56]. Eventually the amended bill did manage to weaken the ex-pot legitimation which was prevalent throughout the 1980's. However it did not manage to skip the strong wave of protest launched by the trade unions in 1992 which is presented in the following figure[57] .



[56] Parliamentary sessions second period tome A . It is worth mentioning the shift of legitimation at the symbolic level. The following day after the amendment of the National Resistance's pension arrangement (14/11/1991), the Conservative government passed a law that sanctioned pension provision to the victims of the terrorist attacks and their dependent relatives.
[57] Data based on ILO (2001)

5.2) In search of a new legitimation .

The last reform attempt that the Conservative government undertook was the Law 2084/92. This legislative initiative marked the inauguration of a new era in the field of pension policies, since henceforth any reform attempt was planned along the lines suggested by the respective bill. The political strategy adopted by the government corresponded to the so called new politics of the welfare state taking place in the period of welfare retrenchment. Once again an analysis of the bill's statement of purpose is revealing. In the first place the principle of blame avoidance is followed[58]. Contrary to the previous bills this one avoids to put the blame of the social security deficit on particular occupational or risk categories and in so doing it avoids an open collision of legitimation. Instead it resorts to the experts' opinion to justify the need for reform. In the particular bill a wide variety of experts is being invoked ranging from those affiliated with the international organisations (OECD, EC, IMF) to those of domestic origin such as the committees of Pavlopoulos and Fakiolas or that of ΓΣΕΕ (General Confederation of Greek Workers). Another characteristic is the change in the identification of the causes leading to the deficit. In this respect the administrative mismanagement caused by the system's fragmentation is being addressed for the first time amongst a comprehensive list of seven internal and eight external causes.

The new measures introduced by the bill concerned only those employees who would be insured for the first time on 01.01.1993 and onwards. This was proposed by the government so as to avoid another wave of trade union reaction .The measures included the establishment of a common age of retirement at 65 years, the sanction for the first time of the tripartite financial contribution to the social security system (employee-employer-the state) and finally a change in the way pensions were calculated in relation to wages[59].

The measures adopted by New Democracy's government did not manage to overhaul the social security deficit. What they did instead, was to pave the way for the ideological rearrangement of the political forces with respect to the pension problem.

[58] Pierson (1996) , p 178
[59] Parliamentary Sessions second period tome C

This was enhanced by the weakening of both actual and ex-post legitimation which have backed up the pension regime throughout the '80s. PASOK returned in office in 1993 at a time when the old allegiances subsided before the advent of "europeanization". This new phenomenon had a double impact on the pension system. On the one hand there was a pressure to constrain social security deficits in order to meet the criteria for the entry to European Monetary Union; in this way once again the social policy was conditioned upon monetary stability. On the other hand there was a tendency, throughout the EU members, towards the harmonization of the pension systems along the lines suggested by the multi-pillar model which was proposed by the experts of the World Bank and the IMF. According to this a pension system in order to be viable should combine a pillar of tax-financed scheme, another one based on contributions and a third one based on private pension provision[60].

In this new context the socialist governments attempted to reform the pension regime without recourse to any form of legitimation except the justification provided by the experts' opinion. In 1997 the government commissioned the Spraos Committee to offer its expertise on the pension problem. The committee's conclusions were published in October of the same year and they were met with great discontent on the part of the trade unions[61]. Two years later the Law 2676/99 was passed constituting a mini-reform of the system. The Law aimed at the amalgamation of certain struggling pension funds of minor political importance with larger and healthier ones[62]. The decisive step towards a wholesale reform of the system was taken in 2001 with the so-called Gianitsis 's proposals who was then minister of labour . The proposals included the raise of the retirement age to 65 for all the insured employees , the reduction of the replacement rate to 60% and the gradual amalgamation of all pension funds into 8 main funds. Once again the trade unions opposed the proposals and called for a general strike on 26th of April 2001.

It should be mentioned here that the political by-product of the new proposals was the de-statusation of the pension system through the equalization of the so-called noble pension schemes with those of the rest employees. This strategy brought PASOK in

[60] Word Bank (1994)
[61] Matsaganis (2003) , p153
[62] Petmesidou (2006) ,p42-43

an open confrontation with the occupational categories of the broader public sector (such as bank employees, workers in public corporations and civil servants) , who were the traditional electoral clientele of the party as well as the providers of the actual legitimation throughout the 80's. Thus the trade union resistance seemed quite justifiable at least in terms of political strategy.

After the success of the April strike, one hundred PASOK's party members under the capacity of trade union representatives complained directly at the Prime Minister Kostas Simitis and asked him to withdraw the proposals for the pension reform[63]. The P.M succumbed to the trade union pressure and launched a government reshuffle in October which resulted in the substitution of Minister of Labour Giannitsis by Dimitris Repas[64] . The last one managed to pass the 3029 Law whose main target was to incorporate all the main pension's schemes into a unified pension fund that would secure the equality among basic pensions. Moreover all the distinctive insurance funds were to be merged to no more than ten funds that would provide supplementary schemes. These measures will take effect from 2008 when all the salaried employees, irrespective of their occupational status, will be obliged to affiliate into the unified insurance fund. However the government conceded an opportunity to particular occupational categories to preserve their independent pension funds. According to clause 5 of the Repa's Law 10 pension funds (seven funds of bank employees, the urban railway workers fund and the respective funds of OTE and ΔΕΗ) have the right to rest independent if they are in position to prove their fiscal viability for thirty years. In view of this the success of the pension reform launched by the socialist government still remains to be seen, especially when the incumbent government of New Democracy speaks for a new pension reform to be launched the following years. In any case what this essay tried to saw is that any reform attempt is doomed to failure if it is not backed up by a certain kind of legtimation .

[63] Ta Nea 19/07/2001
[64] Ta Nea 23/10/2001

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Explaining Domestic Structural Reform of Employment and Pension Policy in Greece: Towards Europeanization?

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Abstract

This paper[1] presents some theoretical considerations as regards to explaining domestic reform in employment policy and pension reforms in Greece. First, it sets the empirical puzzle observed in Greece regarding the different reform path in these policy sectors. Although, in both policy sectors Greece faces significant challenges, only in the former does it implement a number of extensive reforms, while on the latter, a stalemate is observed. Second it provides the main questions that will be addressed and the preliminary working hypotheses. My working hypothesis is that the different reform record can be explained by the different politics of Europeanization: the EU has a much more developed policy in employment policy compared to pensions. Thus, domestic change in labour market and pensions is caused or at least shaped by the EU stimuli. Third, it discusses existing explanations of welfare reform found in the literature, globalization and domestic pressures in particular, arguing that both schools of thought provide insufficient evidence to explain domestic welfare reform. Fourth, it examines the importance of Europe as a cause for welfare reform in the national level arguing that the EU is erroneously neglected in the literature as a plausible cause for domestic reform; rather, there are many reasons for considering the process of European integration as a crucial cause for reform; a reference to Europe and its policies provides us with a new understanding of the (realization or not) of national welfare reforms. Consequently, the paper is engaging with the literature that tries to conceptualize the domestic impact of Europe -the Europeanization literature- and provides some answers to the challenges of Europeanization studies. In the final part it provides the methodology of this research.

[1] This paper is part of my PhD project with the provisional title: Labour Market and Pension Reforms in Greece and Portugal: A story of Europeanization? Work in progress; comments are mostly welcome.

Introduction

(Un)Employment and pensions are two of the most crucial and controversial problems of Europe. In an ever increasing number of countries employment rates are decreasing and unemployment rates increasing; structural unemployment is a chronic element of the employment problem of Europe. Youth unemployment reaches almost a fourth of the young labour force causing additional social problems. At the same time, all economic studies claim that current pension systems are unsustainable. All actuarial projections on pension expenses claim that very soon pensions systems will collapse due to the lack of resources due to the extraordinarily large number of pensioners and the equally small number of employed workers who are supporting financially current pensions. These closely interlinked problems are more urgent in Continental, Central-Eastern and South European countries (the situation is only better in good performers such as the Scandinavian and the Anglo-Saxon countries). The former countries, however, have a poor record of response and reform in order to tackle these problems. Since the early 1990s a number of international organisations[2] are increasingly entering the domestic policy arena either by recommendations or by sanctions[3]. The European Union is at the forefront of this process of internalization / transnationalization of policy making as it has developed a variety of policies in order to help countries to reform; some of these policies (under soft law) are there to suggest new policies by facilitating policy learning or by funding new policies which are in accordance with EU's social policy and some are designed to put serious constraints in domestic policy making through (hard law) binding obligations.

This paper first sets the empirical puzzle observed in Greece regarding the different reform path in employment policy and pensions. Although, in both policy sectors Greece faces significant challenges, only in the former does it implement a number of extensive reforms, while on the latter, a stalemate is observed. Second it provides the main questions that will be addressed and the preliminary working hypotheses. Third, it discusses existing explanations of welfare reform found in the literature, globalization and domestic pressures in particular, arguing that both schools of thought provide insufficient evidence to explain domestic welfare reform. Fourth, it examines the importance of Europe as a cause for welfare reform in the national level arguing that the EU is erroneously neglected in the literature as a plausible cause for domestic reform; rather, there are many reasons for considering the process of European integration as a crucial cause for reform. Consequently, it discuss existing literature that tries to

[2] Namely the EU, the OECD, the World Bank and the IMF.

[3] Although, all organizations promote a comprehensive list of recommendations regarding these policy sectors it is the EU, that has developed the most advanced policy which includes sanctions.

conceptualize this domestic impact of Europe -the Europeanization literature- and provide some answers to the challenges of Europeanization studies. In the final part it provides the methodology of this research.

1. Setting the Puzzle[4]: Employment Policy and Pension Reforms in Greece: Two different reform paths – one explanation?

a. Employment Policy

Greece traditionally has one of the most rigid labour markets in Europe. In addition, the Greek labour market is characterized by a high degree of unemployment and a low participation of women who are not treated equally with men (gap in salaries, women managers or CEO's are almost non-existent, etc.). Moreover, immigrants have only recently been included in the official labour market since they were employed mostly in the unofficial (black) economy; even if they are registered workers they still face significant problems in social insurance, equal pay, etc. Similarly, minorities face significant obstacles in entering the Greek labour market. In short, the Greek labour market traditionally fails to meet most of the EU binding technical criteria. Three major reforms regarding employment policy took place in Greece during the 1990's under the Simitis Government – in 1996, 1999 and 2001 in particular (Katrougalos and Lazaridis 2003: 59-62). The emphasis of these reforms which attracted significant domestic resistance (see Papadimitriou 2003) was on employability, activation, education and vocational training especially for the young unemployed, gender equality.

Besides concrete policy changes, there is a change in policy discourse regarding the Greek Employment Policy. Drawing on the Greek press we witness that the government[5] has been recently promoting a public debate on 'flexicurity', a labour market model adopted by Denmark in the early 1990s (and in similar forms by other Nordic countries and Austria), which combines flexibility in labour laws with a high level of social benefits. Although, the government made a formal call to the social partners to discuss the introduction of this measure in the Greek labour market, it is still unclear whether the different Greek social partners involved will support any changes to existing laws, but the government has yet to put forward any concrete proposals.

b. Pensions

Greek social security system is deeply problematic: not only it fails to provide adequate levels of support (social dimension) as the majority of people under the poverty level are pensioners

[4] This section summarizes the findings of preliminary research carried out to date.
[5] In particular, the former minister of Employment and Social Protection E. Tsitouridis.

or old age people who have no pension because they are not fulfilling the criteria for the minimum pension (which is very low). Besides the social dimension, pensions are fiscally unsustainable posing a constant threat to the state finances and above all to the existence of an efficient social security system. Despite these serious and multi-faceted problems, surprisingly post-authoritarian Greece has implemented very few and parametric pension reforms. In this respect, Greece is a 'société bloque' with minimal reforms (Featherstone and Tinios 2006; Featherstone 2005; Tinios 2005). After the early 1990s political concern on pensions arose and a Committee of experts were established to deal with the problem of fiscal sustainability and funding of the system. The aim of the Committee was clear: a viable and long term solution of the pension fiscal problem should be sought in order to assist Greek membership in the EMU (Featherstone 2005: 743). Although the Committee forecasted a significant financial deficit in the short future, Greece did not implement any radical reform. One of the most 'advanced' reforms took place during the period 1990-1993 under the New Democracy government which by any standard can be classified as parametric. Since then, despite the continuous efforts of successive governments to promote reforms the outcome was gridlock (Featherstone and Tinios 2006; Featherstone 2005). Another (minimal) reform occurred in 2002 known as the Reppas Law. In late June 2005 the European Commission launched its excessive-deficit procedure against Greece. Greece, however, it managed to postpone pension reform after the next elections[6].

Hence, a puzzle emerges after preliminary research of the empirical record of reforms in employment policy and pensions. Although, in both policy sectors Greece faces significant challenges only in the former does it implement a number of extensive reforms, while on the latter, a stalemate is observed.

2. The main questions and hypothesis of the work

This paper provides some theoretical considerations concerning the explanatory framework of this divergent empirical record; is it possible to delineate one factor that can elucidate the different reform path in these two policy sectors? In essence, it provides some

[6] According to press reports which followed the negotiations between the Greek Minister of Economy and the EU Commissioner for Economic and Monetary Affairs: the Greek Minister first presented his program to reduce the public deficit which had to be approved by the EU commissioner. In this program an extensive list new tax measures was included and a forecast of public deficit projecting deficit under the 3% threshold. However, the pressure of the Commissioner was very strong for 'structural' reforms. Hence the Greek Minister promised to the Commissioner to implement a pension reform after the elections. In this respect, the Commissioner recently declared in an interview in Greek TV that Greece must reform its social security until 2010. This statement was followed by the Greek Minister of Economy and the Minister of Social Affairs publicly accepting that the government is planning a pension reform after the elections (expected this or the next year).

preliminary theoretical answers to why these reforms took place; what determined their content and nature? In specific, it deals with the following questions:

1. Did Greece implement reforms in the period under study?
2. What is the mechanism and logic of domestic change?
3. What defined the nature and direction of these reforms?
4. Is there one record or rather, different paths and record of reform? If the latter is true, is there one variable that can first explain the difference and second, provide a sound explanation for the entire picture?
5. Is there any significant relationship between domestic reforms and the European integration process? In essence, did the EU stimuli alter the domestic policy in labour market and pensions?
6. If so, how? By coercion or persuasion? What is the role of the EU as an actor that promotes legitimacy regarding reforms
7. Besides policy is there also a change in the ideas, terminology and discourse of policy makers? If so, what is the cause and content of this change?

My working hypothesis is that the different reform record can be explained by the different politics of Europeanization: the EU has a much more developed policy in employment policy compared to pensions. Thus, domestic change in labour market and pensions is caused or at least shaped by the EU stimuli[7]. In essence, my hypothesis is that there is a causal relationship between EU stimuli and domestic public policy formation and structural reforms, making the EU one of the prime agents of the latter. An additional hypothesis is that the EU induces change not only on policy but also on the ideas, terminology and discourse of policy makers and political elites. I argue that a reference to Europe and the EU policies in particular provides us with a new understanding of the (realization or not) of national welfare reforms. EU membership has a multi-faceted impact on the formation of public policies and the structural reforms necessary for EU countries. Nevertheless, the EU stimuli for reform do not replace existing domestic problems; in essence, it acts as a catalyst; its role is about facilitating or speeding up by providing incentives, and/or coercing with penalties domestic reforms. If the domestic level has no domestic problems so there is no need for the EU to interfere and thus, cause reform. In contrast, when problems do exist, the EU provides sticks through the EMU, carrots through the EU funds (ESF, CFS) and road signs through the OMC.

[7] The EMU rules, the formal and informal legislation provisions of European Social Policy, the Lisbon Strategy and the Open Method of Coordination have created a common external stimulus to welfare reform in the EU countries. For a detailed analysis of the EU stimuli in labour markets and pensions see below.

3. The Shortcomings of Existing Explanations of Welfare Reform

The current debate on welfare state reforms has been structured mainly around the causes of welfare reforms. The literature is dominated by two big schools of thought: the first argues that the main cause for welfare state reform is the globalisation process; the second argues that instead of globalisation, domestic structures and pressures are determining welfare reforms. In this part of the paper I discuss the arguments of these two schools of thought and examine whether they are theoretically and empirically sufficient in explaining welfare reform. I argue that both schools provide insufficient evidence to explain domestic welfare reform.

3.1. Globalization

A number of scholars (Scharpf and Schmidt 2000; Rodrik 1998; Garrett 1995; 1998a; 1998b) trace the cause of welfare state reforms in globalization. After the 1970s the world has entered a new era of global economic interconnectedness dominated by liberalisation of economy, increasing trade and capital market integration -associated with higher capital mobility, and global competition between national economies. All these developments included in the notion of globalization put pressure to countries to reform. Surprisingly, the expected reforms are in two opposite directions: some authors argue that globalization exposes incumbent governments to invulnerabilities (relocation of investors and capital) (Scharpf and Schmidt 2000) forcing them to retrench social protection in order to reduce labour costs, the deterrents to work and invest, public sector debt, and to otherwise foster efficiency and international competitiveness (Swank 2005: 186). The result of this process is a race to the bottom in welfare provision.

On the contrary, some authors argue that globalization leads to welfare state expansion. The logic is that because globalization (namely ‘economic openness’ or trade flows as measured by the share of trade in GDP) exposes domestic economies to volatility, uncertainty and threats, governments are obliged to increase public spending (as measured by the share of government expenditure in GDP) in order to protect their citizens from the new risks (Rodrik 1998). Hence, the more open is a domestic economy to global competition the greater the pressure to create a more advanced welfare state. In other words, it should be expected that the intensifying openness of the economy and trade flows (a crucial part of globalisation) would lead to a race to the top. In this line of reasoning, Garrett (1995; 1998a; 1998b) extends the trade openness argument to globalization more broadly, including growing capital market integration. He argues that ‘the most important immediate effect of globalization is to increase social dislocations and economic insecurity, as the distribution of incomes and jobs across firms and industries becomes increasingly unstable' (1998a: 7). These challenges promoted by globalization, when met by strong left-labour power within the domestic political system, combine to produce a compensation strategy that entails a large and vibrant welfare state since left governments are more responsive to popular demands for compensation than right governments (Garrett 1998a; 1998b).

Although very popular in political debates, the media, and academic studies the 'globalization hypothesis', has received extensive criticisms. Despite its dominance, sceptics pose some crucial questions which are almost eradicating the academic importance of the term. First, the notion of globalization is a profoundly contested one. It has more contradictory definitions than widely accepted truths. Second, the novelty of the process is challenged: What is described as globalization is not so different to the internalization processes which have evolved over the last centuries (Gray 2002; Held and McGrew 2003). The globalization hypothesis, furthermore, is also discounted in empirical terms. Most globalization scholars would agree that this process began in the 1970s and intensified throughout the late1980s and 1990s. During that period, however, there is no dramatic change in welfare provisions regarding public spending and consumption discounting both expected results of the globalization argument (race to the bottom or welfare expansion). Moreover, after extensive and systematic research on the impact of globalization, political economists have generally concluded that there are few if any strong, direct and systematic impacts of economic internationalisation on social welfare provision (Swank 2005: 187). In this respect, Iversen and Cusack (2000) Castles (2004), Huber and Stephens (2001), Kwon and Pontusson (2002) and Swank (2002; 2003; 2005) find no systematic causal relationships between trade openness, the multiple dimensions of international capital mobility and multiple dimensions of social welfare protection.

3.2. Domestic Pressures

Alternatively, the literature focuses on domestic developments as the cause for welfare reform. In this respect, the real causes for welfare reform are domestic changes that put pressure to the outdated welfare structures. One of the most prominent suggested causes is the process of de-industrialization (Iversen and Cusack (2000). In this line of reasoning, the variable that determines welfare spending is the degree of de-industrialization which 'varies greatly in both time and space' (ibid: 328). The higher the magnitude of de-industrialization[8]

[8] According to the authors, de-industrialization refers to this secular, long-term, and structurally driven process of labour shedding / dislocations associated with major shifts in the sectoral occupational structure in both agriculture and industry beginning in the early 1960s.

the bigger the need is for welfare expansion in order to protect labour force from the dangers of restructuring. The authors support their argument by extensive regression analysis between a number of 'globalisation', 'de-industrialization', 'political' and other 'unexpected' variables and they also show that de-industrialization is the result of domestic factors other than the welfare state (ibid: 333). The authors follow Garrett's argument regarding partisanship and arguing that partisanship continues to be important in the redistributive aspects of the welfare state because 'public consumption, which has expanded much more rapidly in counties where the left is strong' (ibid: 346).

Both the de-industrialization and globalization theses have been challenged by the 'new politics' of the welfare state, originating largely in the work of Paul Pierson (1994; 1996) arguing that welfare states are highly resistant to pressures attendant to international and domestic structural socio-economic change (e.g., internationalisation, deindustrialisation, and ageing). This approach also rejects the significance of partisanship since it argues that whatever their ideology, incumbent governments find it very difficult to reduce concentrated benefits to well-defined, mobilised constituencies in return for future, diffuse benefits. Overall, welfare states are path dependent in that the cognitive and political consequences of past policy choices constrain and otherwise shape efforts at programmatic and systemic welfare retrenchment. In a similar path dependent perspective, but focusing instead on existing programme structures and the constituencies that they have formed, on different 'varieties of democratic capitalism' (Hall and Soskice 2001) or on different welfare regimes (for a concise presentation of the typology of welfare regimes see Sapir 2006) authors maintain that it is impossible to locate one causal mechanism and explanation for welfare change. In this respect, Sharpf and Schmidt (2000) show that the three welfare state regimes do not have the same vulnerabilities when they face the same (external/international) challenges due to different institutional arrangements. Likewise, Pierson argues that in each of the three worlds of welfare capitalism, a specific type of reform is predominantly performed: 'recommodification' in the Anglo-Saxon liberal welfare states, 'rationalizing recalibration' in the Nordic welfare states and 'updating recalibration' in the Continental ones (2001: 455).

In a similar vein, authors that follow this neo-institutionalist path dependent approach, argue that the differences between the different types of welfare states provide an explanation of the different kind of reforms. The general argument is that recent reforms are only reinforcing the existing logic of each welfare system: the liberal welfare states have become more market oriented, residual and liberal (Taylor-Gooby 2001); the Nordic or social-democratic they did an egalitarian distribution of cuts and increased employment, updating thus, their traditional road to welfare (Kuhnle, 2000; Palme et al. 2002); the continental remain the same, not only because the reforms reinforced their characteristics but also because they seem almost unable to implement any important reform (Esping-Andersen 1996). The reason for the lack of reform can be explained by the varieties of capitalism model: the greater the national or sector coordination of the economy, the higher the costs (e.g., economic uncertainty, political resistance) to policy makers from adoption of neo-liberal welfare state reforms in the face of pressures from globalisation, deindustrialisation or other extant socio-economic structural changes (Swank 2005: 189).

Despite the already mentioned weaknesses of the aforementioned approaches and their mutual discount, they also share some shortcomings. First, both globalization and domestic pressures hypotheses adopt a very quantitative perspective focusing only on data and benchmarks neglecting the actual policy content. In this respect, government consumption as percent of GDP may be less relevant and important to study than, for example, the content and discourse of welfare reform. An obvious example of this shortcoming is the study of reforms in UK and France regarding economic policy. Hall assuming a rather qualitative approach convincingly argues for a third order change (1986; 1993) in economic policy from Keynesianism to Monetarism in UK and France. In contrast, choosing a quantitative approach will lead to the conclusion of minimal or no reform (Pierson 1994) although a change in policy paradigm did occur. The problem is obvious: trying to understand welfare provision and reforms in UK and France in terms of government spending or consumption is very difficult and hides crucial aspects of domestic policy making.

Second, the aforementioned explanations (except the varieties of capitalism approach) focus exclusively on a group of the most developed OECD countries. This is understandable since only the developed OECD countries have developed a significant welfare state. However, they do not include all OECD countries with relatively developed welfare state such as the South Mediterranean or Central and Eastern European (CEE) countries. Except Italy, they omit systematically Greece, Spain and Portugal. The reason for this seems to be that they follow Esping-Andersen's (1990) welfare typology[9] which does not include these countries.

[9] Other authors, however, following this approach have proposed various classifications regarding the South Mediterranean countries – in this case excluding Cyprus and Malta. Despite the disagreement regarding the classification of these countries there is a unanimous agreement that Greece, Italy, Spain and Portugal form a distinctive welfare regime / type. Among many efforts to categorize the welfare state of these counties a unique typology Leibfried (1992; 1992b) argues that these countries form a Latim-rim model; Ferrera (1996) argues in favour of a distinctive Mediterranean model; in contrast, Katrougalos and Lazaridis (2003) argue that these countries constitute a separate cluster – a sub-category of the state-corporatist welfare model introduced in the Esping-Andersen's (1990) typology. The European Commission (European Commission 1997) classify these countries together except Italy which is included in the more developed welfare type of France, Belgium, or Germany (see below – ft. 9)

Moreover, (and now the Varieties of Capitalism approach is also included) these typologies raise the question of the value of the categories that describe empirical reality. In all the approaches, the categories used do not describe in an precise manner empirical reality but rather provide a generalization that tries to include different countries and situations with dissimilar record and reforms in the same type (see for example an extensive criticism regarding the categories and the internal inconsistencies among the countries that are included in each category Hopkin and Blyth 2004;). In this respect, a very important question is whether these explanations are adequate to explain reforms in these countries. I will try to answer this question after discussing an alternative explanation of welfare reform which challenges this path-dependent view of welfare reforms that is, Europe[10].

4. European Integration as a cause for welfare reform

In this section, I critically discuss the arguments against the importance of Europe as a cause for domestic reform arguing that the EU is erroneously neglected as a plausible cause for domestic reform; rather, there are many reasons for considering it as a crucial cause for reform. Before engaging in this debate, however, it is necessary to describe what constitutes the EU stimuli for reform at the domestic level.

4.1. Defining the EU stimuli for domestic reform

The European Union has mainly three channels of influencing domestic labour market policies and pension reforms:

- Binding technical criteria that align the common rules, standards, and policies that make up the body of EU law.
- Indirectly binding legislation such as the SGP
- Non-binding processes such as the Lisbon agenda, and the Open Method of Coordination which is applied both in Labour markets and Pensions[11].
- Informal Criteria and Processes which despite their 'informality' they have an impact on the domestic level.

As regards to labour markets, the binding technical criteria refer to the alignment of the standards of worker protection. In this respect, member states have to adapt their domestic

[10] As it will be shown below, the EU causes reforms that cannot be fully explained by a path-dependency perspective; focusing particularly on the selected case studies we witness an 'unexpected' path to reform compared to the assumptions of path-dependency.

[11] According to a illuminative study of Falkner et. al (2005: 54) 'binding and non-binding decisions have developed approximately in parallel'.

structures, law, and practices in four areas: harmonization of labour law; equal treatment of gender and other groups (ethnic, race, religious minorities); health and safety conditions; and (iv) inclusion of social partners in the determination of social policy. The main goal of all these measures is to ensure that workers in all member states have the same level of protection of rights, no matter where they work. The harmonization of labour law has to take place in the following areas: provision of information and consultation to avoid redundancies and to protect workers if redundancies occur; safeguarding of employment rights if the firm is sold to a new owner; provision of information to employees by employers regarding the employment contract; worker guarantees against insolvency; posting of workers (ensuring employees working in particular member states obtain basic contractual rights set out in the law of the member state); specifications on hours of work; protection of youth and children; and protection of workers on part-time and fixed-contracts. Equal Treatment of Gender and other groups is at the forefront of European social policy. Introduced as a separate article (Article 141) in the Amsterdam treaty the equal treatment of men and women takes a leading position in the EU's social competences. In this respect, in all its activities the Community must aim to eliminate inequalities and to promote equality between men and women. The practical implementation of this gender mainstreaming is spelled out in the Community Framework Strategy on Gender Equality (2001-2005) which includes an extensive policy analysis and planning, the collection of statistical data broken down by sex, as well as training and awareness-raising of the key actors involved. Legislation is also to be used to achieve equality especially to prohibit discrimination on the basis of sex (ibid: 70-71). The considerable acquis in health and safety conditions are aimed at harmonizing, through directives, minimum health and safety standards for working conditions in the EU. To achieve the goals set at the EU level, the member states have to accompany the timely and complete implementation of EU legislation with the effective operation of labor inspection institutions.

The Open Method of Coordination in labour markets is the formalization of the European Employment Strategy (EES) –a radically new mode of governance (or Open Method of Coordination) that signals a radical shift from hard law to soft law and from employment protection to employment promotion (Rhodes 2005: 283-284). The EES began to take form after the Essen European Council (1994) following a new effort to change the EU policy orientations launched by the Delors Commission with the White Paper on Growth, Competitiveness, and Employment. In discourse the tactical aim was to find a balance between solidarity and competitiveness (Goetschy 1999) in order to reconcile the views of social democrats and liberals. The five recommendations for the Member States were to (i) invest in vocational training, (ii) to increase employment intensive growth, (iii) to reduce non-wage labour costs, (iv) to increase active labour market policies and (v) to fight youth and long term unemployment.

The Lisbon Summit in 2000 ‘theorized the EES’ (de la Porte 2002: 45) by introducing the Open Method of Coordination (OMC). The OMC is described as a vehicle for spreading best practice, a learning process for all players and achieving greater convergence toward the main EU goals (European Council, 2000). In sum, it has four elements (ibid; Hodson and Maher 2001: 724; de la Porte 2002: 40):

- Setting guidelines for the EU combined with specific timetables for achieving the goals which the Member States set in the short, medium and long term;
- Establishing, where appropriate, quantitative and qualitative indicators against the best in the world and tailored to each Member State and different sectors in order to allow comparison of best practice;
- Translating the European guidelines into national and regional policies by setting specific targets and adopting measures, taking into account national and regional differences;
- Periodic monitoring, evaluation and peer review, organised as mutual learning processes.

Besides the OMC, an additional non-binding process is the European Social Charter which includes a list of rights that member states of the Council of Europe have to abide by in order to secure for their populations social rights to improve standards of living and social well-being (ibid: 72). Articles 2, 3, 4, 24 and 29 are directly related to labor markets.

Informal processes such as policy documents, non binding decisions, advisory bodies (such as the European Economic and Social Committee, the European Committee of Social Rights, etc.). For example, the conformity of member states’ law and practice with the ESC is decided upon by the European Committee of Social Rights. Although, its conclusions are not binding they are official documents of the EU and as such they have significant influence (Rashid et al 2005: 70). Drawing on the Europeanization literature (see below) these bodies with their respective non binding official documents can be used by domestic actors (social partners, governments, policy experts, etc.) to enhance their position in negotiations or to set some new targets benchmarks in the domestic level.

An often neglected EU stimulus, the European Social Fund (ESF) is the EU's main source of financial support to develop employability and human resources. It helps Member States combat unemployment, by preventing people from dropping out of the labour market

The ESF -created in 1957- funded labour market programs long before the OMC and relevant acquis which had significant impact in the domestic level. Likewise, the various programs funded by the structural funds under the Community Support Frameworks (CSFs) provided the resources for active labour markets policies quite before the start of the EES. An obvious conclusion, therefore, is that contrary to most of the literature (for an authoritative presentation of the EU employment policy and a concise literature review see Rhodes 2005), the study of the domestic impact of the EU on labour market and employment policy should not to be confined in the 1990s when the EU's employment policy was introduced, since the EU was financing employment policy programs through the ESF and the CSF in the Cohesion countries. There we can trace the beginning of policy paradigm change from a traditional statist supply side to Active Labour Market Programs (ALMPs) and the introduction for the first time in the domestic policy making and discourse of the notions of activation, employability, flexibility –notions that have become the current policy paradigm in these countries.

Concerning pensions, the EU stimuli are of a different kind. Binding EU legislation on pensions is limited, because social security lies within the competence of member states. Binding legislation covers the portability of pension rights as part of the free movement of people, the freedom to establish pension funds, and a directive on Institutions for Occupational Retirement Provision, a provision on capital movements and procedures for the elimination of tax discrimination (Barr 2005: 142). Indirectly binding legislation is the Stability and Growth Pact which equally (and likely more) puts pressure on national pension systems[12]. Public spending generally and public pension spending in particular should be compatible with fiscal sustainability which is primarily a macroeconomic constraint (Barr 2005: 143). As regards to Non Binding measures the EU has recently expanded the application of the OMC in the area of pensions. The Gothenburg meeting of the European Council in June 2001 laid the groundwork for the application of the OMC to pensions. The process of applying the OMC to pensions was finally launched by the Laeken European Council in December 2001. It refers to three general aims of a pension system which break down into several more specific objectives:

- Adequate to meet social objectives: pensions should help to prevent social exclusion, to maintain living standards, and to strengthen solidarity.
- Fiscally sustainable: pension design should help to increase employment, to prolong working lives, and to consolidate public finances. Further objectives

[12] Despite the recent 'softening' of the SGP, they are still very important in the domestic level and particularly in the countries under study. Both countries are facing budgetary / financial penalties in the case they do not conform to the SGP criteria.

include adjusting the parameters of pension schemes and developing funded pensions.

- Responsive to changing societal needs: Pension design should foster labour market flexibility, gender equality, transparency and adaptability.

The OMC is introduced as a step toward using comparable indicators and translating common pension policy objectives into national policy objectives and specific national targets. The tactic may lead to more robust approaches in the longer term, making pension systems more similar, despite being subject to the principle of sovereignty. This approach may be necessary given the scale of the problem and the power of supranational reform if domestic reform faces continuing political difficulties (Barr 2005: 145)[13]. However, the OMC on pensions is not so developed/advanced compared the OMC on employment (see Eckardt 2005).

4.2. The neglect of Europe as a cause for welfare reform

Although the existing literature about welfare states studies extensively European countries, it usually neglects the European integration as a cause for welfare reform. The main reason was the falsification of the initial hypotheses regarding the domestic impact of Europe. First, European integration is perceived as a regional variant of globalisation posing an alternative threat to national welfare states which may lead to a race to the bottom (Scharpf and Schmidt 2000). The rationale is very similar to the globalization hypothesis: Europe introduces a number of threats that will lead to a convergence to the lower possible standards. These 'threats' that will inevitably cause social dumping, that is, a race to the bottom regarding welfare provision (Scharpf and Schmidt 2000; Beck, van der Maesen, Walker, eds. 1997) are the following:

- the legal constraints implicit in the European treaties guaranteeing the 'four freedoms' (free movement of goods, persons, services and capital) between EU member states;
- the Single Market which prevents member state governments from protecting national firms through 'non-tariff barriers to trade';
- the principle of 'mutual recognition' that imposes deregulatory bias in product markets favouring economies characterized by low cost, and low productivity production over the high productivity industries of rich European states;

[13] Barr describes that as 'the hopes' of OMC. In an extensive edited volume studying labour market and pension reforms in the CEE's Barr (2005: 14) concludes: 'although the acquis relevant to labor markets and social policy is not as comprehensive as in other areas it has considerable influence on the reform specifics'. According to most of the authors who studied the social policy trends in CEE's the EU is the most significant outside influence on domestic reforms

- the successive round of enlargement of poor and low cost (regarding wages, taxes, and social standards) countries;
- the single currency and the relevant fiscal constraints, along with the increasing competition among EMU countries;
- Finally, the activism of European Court of Justice (ECJ) causes a ‘negative reform’, since its decisions restrict and redefine the social policies of member states (Leibfried and Pierson 1995: 45). For example, evoking the ‘four freedoms’, undermine member states’ ability to exclude foreign nationals from their welfare systems which poses the threat of ‘welfare tourism’.

Similar to the globalisation hypothesis, this rather bleak perception of the impact of European integration was not verified empirically. As already mentioned above, there was no race to the bottom in welfare; rather, a significant rise in welfare expenditures especially in EU countries (Majone 1993). The role of the ECJ, furthermore, was also misinterpreted: instead of causing welfare retrenchment it seems to move welfare standards upwards in a pan-European level (see for example Leibfried and Pierson 1995: 50-53; and Leibfried 2005: 256-262). In addition, there has been no convergence to one European welfare state. Evidence shows that national differences remain and that contemporary Europe still shows wide diversity of social models. Hence, the importance of European integration as a cause for welfare reform from this point of view was eradicated.

The aforementioned literature, however, has some significant flaws. First, instead of focusing on the absence or presence of problems created by European integration for welfare states and perceiving the EU as a creator (or not) of new threats one could gain a better understanding of this relationship by examining whether the EU is providing or at least shaping specific solutions for the problems met by welfare states no matter the causes of the latter (Palier 2004: 7). In this respect, Europe after the mid 1990s has been trying to influence the intellectual process aimed at redesigning social policy. Recent developments in EU social policy –the Luxembourg Process and the European Employment Strategy launched in 1997 concerning employment policy and the Lisbon process launched in 2000 regarding pension and social exclusion have created a new ‘soft’ form of intervention which is less aimed at harmonising institutional or legal structures than at harmonising ideas, visions, conceptions knowledge and norms of action (Palier 2004; De La Porte 2001; Radaelli 2004; 2003b; Regent 2003). Likewise, the aim of the Open Method of Coordination (OMC) is not to oblige EU members to reform but to be a vehicle for spreading best practice, a learning process for all players and achieving greater convergence toward the main EU goals (European Council, 2000).

The significance of these new developments and of the OMC in particular has been challenged in the literature. The first criticism emerges from the comparison of the role of Europe in influencing the ideas and knowledge in policy making to the role of other international organisations such as the OECD or IMF, etc. However, this critique has significant shortcomings: first, the OECD recommendations -contrary to the EU policies- have no sanctions, sticks and carrots. Second, the EU employment policy and agenda is different from the OECD Jobs strategy as was convincingly shown by Casey (2004) and Schelkle and Mabbett (2006). Third, the EU offers a much more concrete and structured process of learning as member states have to provide National Reform Programs - NRPs (former National Action Programs - NAPs) where they report their response to the OMC contrary to other international organizations. The second criticism concerns the nature of the OMC which is too vague and non-binding (Scharpf 2002) and a gratuitous evasion of commitment and accountability that characterizes the Community Method (Chalmers and Logde 2003). The logical question that follows is why national governments raised expectations and engaged in ‘cheap talk’ which may end up being politically costly? (Schelkle 2005: 150).

Another significant reason that Europe has not been included in the debate of welfare reform is the perceived limited power of the EU in the field of social policy. In this line of argument, the EU’s social legislation is minimal and social policy is a regulatory policy, that is, its aim is not to redistribute resources between employers and employees or between rich and poor but to address market failures (Majone 1993). The core redistributive powers remain under the control of national administrations while the role of the EU is confined to the coordination of social security systems for migrant workers (whose number is very small - see for further details Andersen 2003), gender equality, health and safety at work, worker consultation, and working conditions. Hence, the EU social policy does not affect large programmes such as unemployment cover, pensions, health, and education. Also there is no European welfare state per se in the sense that there is no European welfare law granting individual entitlements vis-à-vis Brussels; there are not any direct taxes or contributions nor an EU social budget. In this respect the European welfare states is a collection of strictly national regimes (Leibfried 2005: 244) Moreover, the diversity of the European welfare states, labour market organization and industrial relations and the core ideological differences concerning the appropriate degrees of economic regulation and the levels at which it is applied (Rhodes 2005: 281-282) make the importance of Europe as a cause for welfare reform redundant.

This argument, however, is equally problematic. It adopts a very narrow understanding of European social policy and its potential impact on domestic social policy making as it argues that the only impact can stem from EU social regulation (see for example Falkner 1998). This assertion, however, neglects some other much more important EU policies that put a variety of pressures in domestic economic and social policies – the European Single market program, and the EMU. In this respect, the process of European integration has eroded both the sovereignty (legal authority) and autonomy (de facto regulatory capacity) of member states in social policy (Leibfried 2005: 244); although national welfare states remain the primary institutions of European social policy they do so in the context of an increasing constraining multi-tiered policy (Lebfried and Pierson 1995). Leibfried argues that there is significant evidence that the perceived absolute separation between 'market issues' belonging to the EU sphere and 'social issues' belonging to the national sphere is unsustainable. This development is not the result of an emerging European welfare state but of a spill-over from the single market project whereby the completion of the internal market invades the domain of social policy (2005: 244). Nevertheless, Leibfried focuses his analysis mainly on the role of the Single Market legislation and the ECJ decisions.

The significance of the role of the Single Market and the EMU, however, is of a different order regarding domestic policy making. The Single Market and especially the EMU is not about a list of technical criteria which the domestic policy makers had to conform with; rather, they caused a profound shift in the economic policy paradigm from Keynesian to monetarist neo-classical policy: deregulation, limitation of budgetary and state deficit, low inflation and a gradual loss of sovereignty was the new paradigm that all European countries had to follow (Palier 2004: 4-7). The pressure of Maastricht was not only on economic policy but also on social policy. The latter, remained throughout the 1990s within the same (Keynesian) demand side logic. There are two possible explanations for this discrepancy: the institutional stickiness and resilience argued by Pierson (1996; 2001) and the reluctance of national governments to implement such changes in order to use social policies as buffers to smooth the consequences (essentially raising unemployment) of the changes in economic policies (Levy, 1999). The pressure for domestic policy makers was evident: on the one hand they had to follow the monetarist economic paradigm of Maastricht and on the other a supply-side Keynesian policy of passive benefits. Besides dealing with domestic pressures of ageing or unemployment the social policy paradigm in the 1990s had to be re-aligned to the new global economic paradigm of more market, less public expenditure and sound public finance (Palier 2004: 7).

The third argument regarding the insignificance of Europe as a cause for welfare reform stems from Pierson (2000) who regards it as a prime example of the 'new politics of welfare state'. The argument is that, instead of retrenchment or expansion, Europe is promoting a minimal restructuring of existing welfare systems. Moreover, Europe is used opportunistically (as a scapegoat) by domestic actors that want to promote their agenda of unpopular reforms. Europe provides the opportunity for domestic actors to include in the decision making domestic interests and overcome uncertainty in the reform process. The role of Europe, therefore, is not causal; it is merely a tool in the domestic arena for pro-reform governments against domestic opposition. In this respect, the cause of welfare reform lies in the domestic level not in Europe.

Although, the aforementioned are often true and domestic actors exploit the EU and its policies to promote their own agenda this argument has the following limits. First, the EU has such an extended list of laws, policies and processes that it would be quite extraordinary for domestic policy makers and political elites to be fully aware of and completely in agreement with the EU policies. Moreover, the unintended consequences of the European integration are equally important to the anticipated ones (see for example Héritier 2001; Green Cowles et. al 2001). An example of this is the impact of the EMU in Germany and France. As Hall (1986; 1993) has shown this paradigm change occurred much earlier in UK and France while the institutional logic of EMU is very similar to the German model (Dyson and Featherstone 1999). In spite of this, the EMU had extensive 'unexpected' consequences for domestic policy makers in these countries (Dyson and Goetz 2003; Dyson 2002) Hence, in many ways, the domestic actors are having a degree of incompatibility with the EU stimuli. Because of the supremacy of the EU law the opportunistic use of the EU can be confined to some specific cases. It should also be stressed that in some countries with policy voids such as the Mediterranean or the CEE's the EU is something more than a constraint (Dyson and Goetz 2003): it is producing and transferring policy models, ideas, know-how and above all it is quite often genuinely perceived as an improvement – a change that 'will improve and bring closer to the European core' (see for the experience of South Mediterranean countries Featherstone and Kazamias (eds), 2001; for the CEE's Schimmelfennig and Sedelmeier (eds), 2005). In other words, the blame-shifting or opportunistic use of the EU despite its merits has significant limitations.

Second, in the areas under study, member states do not have to abide by an extensive list of hard laws or directives. The significance of soft / not coercive provisions is equally important and member states comply with non – obligatory EU social standards without being coerced as Falkner (1998) has persuasively shown. In addition, one of the most recent EU initiatives -the OMC- is not a binding mechanism. It is based on soft law and is mainly ‘a process in the background’ in the sense that it does not attract media attention and it is mainly for the policy makers and interested parts (i.e. social partners, NGO’s). In other words, except the EMU criteria in the policy areas under study it will be almost absurd for national actors to claim that the EU is obliging them for a specific change or a general reform under the OMC. First, the blame-shifting technique seems unlikely to have any use in the domestic arena since the governments are not obliged to follow the OMC recommendations. Second, the electorate is unfamiliar with the OMC and the EU policies in these areas (Ardy and Umbach 2004; Govecor 2004; Zeitlin and Pochet (eds.) 2005). Therefore, it is very difficult for domestic policy makers and politicians to frame the OMC as a coercive mechanism in order to promote their own agenda using the blame-shifting method. Rather, it is more likely that the EU’s legitimacy has a real effect in transferring policy models through processes of socialization or policy learning in the domestic level than being merely used opportunistically by domestic actors to promote their own agenda.

5. Europeanization: Conceptualizing the domestic impact of Europe

In the aforementioned, I discussed the literature of explanations of welfare reform arguing that the importance of Europe and its policies as a cause for reform has been erroneously neglected. A new concept that has recently emerged in the literature as a framework to study the domestic impact of Europe is the notion of Europeanization. In the following, I briefly discuss the Europeanization literature and deal with its theoretical and methodological problems, arguing that Europeanization requires a set of analytical choices; the latter are also presented in this section.

Traditionally, the literature in the field of European studies was mainly concerned with how to conceptualize the process of European integration with a specific interest in the role that member states play at the European Union level adopting a ‘bottom-up perspective’. In this respect, the main concern was to trace the main actors at the member state level that control the integration process and induce change at the EU level assuming a one way direction from the national to the EU level. In other words, the literature was trying to conceptualize the process of uploading national preferences to the European level (Börzel 2005: 47). For decades, the theoretical debate was dominated by two competing paradigms: the inter-governmentalist and the neo-functionalist approaches (for the theoretical debate about the European integration process see Rosamond 2000; Bulmer and Lesquesne 2005).

After the 1990s, Europeanization became a fashionable term for several reasons. First, the rapid widening (Mediterranean, Nordic and Eastern enlargement) and deepening (single market, EMU, second and third pillar developments) of integration after the late 1980s increased the interest for the domestic impact of integration (Dyson and Goetz 2003: 11; Bulmer and Radaelli 2004: 2). Second, the failure of the existing theories of European integration to conceptualize the domestic impact of the EU attracted an interdisciplinary academic interest. Despite the different assumptions about the nature and impact of integration, most of these theories expected to find convergence either leading to more centralization in favour of governments, decentralization in favour of non-state actors, or cooperation in the national political systems. None of the aforementioned paradigms, however, was supported by empirical results (Börzel 2005: 48). Rather than convergence, empirical studies uncovered a differential impact which is produced mainly by the different types of the EU acquis and different domestic frameworks (see Héritier 2001; Green Cowles, et al. 2001; Börzel and Risse in Featherstone and Radaelli 2003). Thus, Europeanization does not equal harmonization or convergence. The latter can be a consequence of Europeanization but it is not Europeanization because there is a difference between a process and its consequences (Radaelli 2003a: 33).

Even though as a concept is increasingly popular, Europeanization faces some existential problems: on the one hand, few writers have sought to define its precise meaning (Featherstone 2003: 12); on the other, the variety and the contradiction of the perspectives used to define the term, brings to mind Puchala’s (1972) classic metaphor of the blind men and the elephant about the equally controversial process –European integration (for the history, usage and typology of Europeanization see Featherstone 2003; Dyson and Goetz 2003; Olsen 2002). The reason for that is that Europeanization did not develop as a theory; it is best understood as heuristic concept that has evolved in a variable and open-ended way to accommodate the need of scholars to capture the complex changes that result from European integration (Dyson and Goetz 2003: 14).

Another conceptual drawback concerns the multiple perspectives of Europeanization. Europeanization has been used to describe both uploading and downloading processes. Uploading, however, is the focus of the aforementioned existing theoretical approaches of European integration (neo-functionalism, intergovernmentalism and multi-level governance) – there is no reason for using another term for the uploading process. Europeanization as downloading can be seen in two perspectives (Dyson and Goetz 2003: 14-16): the top-down and the bottom-up perspective. The former focuses on the changes induced at the domestic level as a consequence of the ‘misfits’ between the European and the national level. The top-down effect of Europeanization could be coercive (in the case of EU hard law requirements that member states have to comply by), mimetic (benchmarking) or exchange of ideas and practices among policy professionals (in the case of soft law such as the OMC) (Dyson and Goetz 2003: 15). The bottom-up, focuses on domestic opportunity structures and illustrates the use that domestic actors make of the EU in order to promote their own agenda and legitimate policy reforms, develop new policy solutions, etc. or to minimize the costs of the implementation of European policies (Börzel 2005: 63). Three possible opportunities for domestic actors in this approach are identified by Hix and Goetz (2001: 12): (i) exit the domestic arena: (domestic actors try to influence the EU policies in order to cause domestic reform – for example, the lobbying of multinational companies for the single market), (ii) seek a veto weak actors try to enhance their position in the domestic arena by using the EU (NGO's, trade unions, minorities) and (iii) informational advantage (actors that participate in the EU policy making have more information than others in the domestic arena – they can use this advantage to promote their agenda). According to the literature, these two perspectives are not mutually exclusive. Börzel (2001) and Bulmer and Burch (2001) argue that Europeanization is a two-way process. Member states upload their preferences to Brussels via complex negotiations and download them from various EU policy menus (as cited in Radaelli 2003a: 34). However, when the member state under study is characterised by institutional or policy voids and additionally by low capabilities of policy making (like the Southern, Central and Eastern European countries), then, the top-down perspective seem to be more appropriate as the state lacks the resources needed to upload its preferences or it is difficult to define these preferences (Dyson and Goetz 2003: 19; see also Börzel 2002).

Europeanization studies use the neo-institutionalist reasoning in order to describe the different mechanisms of domestic change. In rational institutionalist approaches, Europeanization creates a new opportunity structure which rational domestic actors use it in order to promote their agenda and policy preferences against domestic rivals. Historical institutionalism focuses on the path-dependency of political choices, which are conditioned by pre-existing choices embodied in institutions and cannot be fully controlled by the actors concerned. In the sociological institutionalist approaches Europeanization alters domestic actors' ideas, norms and values (for a comprehensive analysis of new institutionalism see Hall and Taylor, 1996; Aspinwall and Schneider 2000; for the new institutionalism and Europeanization see Featherstone 2003; Börzel and Risse 2003). These approaches, however, are not mutually exclusive. For example, the OMC as Europeanization can have two main effects (Radaelli 2003b: 46-47). On the one hand, based on sociological institutionalism, the first possible effect is the socialization of elites through a common discourse. In this respect, Europeanization is identified when the OMC is instrumental in creating a common discourse across Europe or even across different elites in one member state. In addition, Europeanization can also take the form of cognitive convergence, which refers to the identification of a shared set of beliefs regarding key problems and the causal mechanisms at work in a policy area (Radaelli 2003b: 45). Since the OMC is designed as policy learning instrument which will help to spread best practices the notion of policy learning can play a significant role in the Europeanization process. The literature on learning distinguishes between simple and social learning (Levy 1994; Checkel 1999). Simple learning refers to processes in which agents acquire new information, alter strategies, but then pursue given, fixed interests. Hence, even in the absence of binding EU directives or regulations, European integration can facilitate learning and thus lead to policy transfer[14]; social learning can be defined as a process in which actors, through interaction with broader institutional contexts (norms or discursive structures), acquire new interests and preferences (Checkel 1999: 6). For example, interactions of national governmental officials at the EU level can have a deep impact on domestic policy makers in terms of changing their belief systems and ideas (Kohler-Koch 1996). On the other hand, the second effect, based on rational choice institutionalism, is the change in domestic opportunity structure. In this respect, some actors are objectively empowered by Europeanization and they are helped to promote their own pre-defined agenda. Thus, the impact of the OMC depends on whether these actors (usually actors in favour of reform or within coalitions or reform) are willing and capable to use the resources provided by the OMC. Consequently, Europeanization is not the result of a misfit but a voluntary process.

5.1. Methodological Challenges of Europeanization studies: Is causality feasible?

Besides the conceptual / theoretical challenges, Europeanization studies face a number of methodological challenges in establishing a causal relationship between the EU stimuli and domestic reforms. Marcus Haverland (2006) focuses on these challenges regarding case selection and suggests some solutions. In the following, I will critically discuss these challenges arguing that the Europeanization perspective can, if cautiously used, provide causal relationship between the EU stimuli and domestic reform. First, Haverland argues that studying external pressures and especially the EU impact is problematic because of the parallel occurrence of processes that put pressures on the domestic lever such as globalization,

[14] According Dolowitz and Marsh (2000: 5) policy transfer is ‘a process in which knowledge about policies, administrative arrangements, institutions and ideas in one political setting (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political setting’. For a critique of this concept see James, O. and Lodge, M. (2003)

liberalization, etc. (2006:135-137). This problem of causality, however, is not so much a problem the Europeanization studies per se but a general problem of social sciences. Indeed, Mill has argued that the complexity of the causal relationships encountered in social enquiry limits the possibility of discovering meaningful causal relations. The main problem of causality is to isolate, as far as possible, a factor or a limited number of factors that appear to produce (or at least are strongly associated with) changes in the dependent variable. Thus, the problem of causality is becoming a problem of identifying possible ways to exclude the numerous possible confounding factors in the relationship between variables (Peters 1998: 29).

In this respect, the phenomena called globalization, ‘opening’, trade liberalization, etc. in some case studies (South Mediterranean and CEE’s countries) are not parallel to the EU stimuli but caused by the latter: the intensification of trade, capital and human movement didn’t happen parallel to the EU integration but the EU created it by defining the rules of this process. Hence, the EU is not simply a geographically confined globalization process but something much more: first, it includes a set of supranational policies never found in the ‘global’ level such as the CAP, the Cohesion Policy, the EMU, and the Schengen area of free movement. The EU can cause -especially to small and close economies and societies like South Mediterranean and CEE’s- a multifaceted change compared to the globalization due to the limited instruments of globalization to alter domestic institutions, practices, ideologies compared to the EU. In other words, as Beyeler (2003) has put it both economic (‘market’) integration and political integration are part of Europeanization; hence, Europeanization includes economic integration but it is more than economic integration. Second, the European integration is a process where national states are actively engaged in defining its nature. Even the smallest member states which cannot decide about the direction of European integration and their capabilities to influence most of the decisions are limited have at least to agree with them. In other words, despite the existing and growing ‘power gap’ in the EU policy making process, all member states are more or less active participants in the decision making process and they approve EU policies which come later back ‘home’ as EU stimuli for reform. This raises the probability of actual change caused by the EU legitimacy contrary to globalization where most states are rather passive recipients than active participants. In addition, contrary to globalization which is unpopular and is framed as a threat in most of the EU member states, the EU is perceived not as a threat but as an opportunity Contrary to globalization, therefore, the EU has a bigger legal and legitimacy ‘corpus’ to promote domestic reform while, at the same time, member states are active participants in this corpus.

Moreover, it should be stressed that globalization is a process of integration provided by the building of a global market; the focus is on how to create a market without any national restrictions in labour, capital and product mobility. European integration, however, has been and still is much more advanced than a mere ‘negative integration’ or ‘market making’ process. Since the Treaties of Rome (1957) it involves an important and ever increasing aspect of ‘positive integration’ that is, a ‘market correction’ dimension consisting in redistributive policies aiming to promote inter-state (cohesion policy) or social (social policy) cohesion. After Rome, the Maastricht Treaty, the Amsterdam Treaty, the Luxembourg Special Council on Employment in 1997 and the Lisbon Agenda pay much more attention to socio-economic development and to the need to implement socio-economic cohesion: in short, to the correction of market failures (Graziano 2003: 177). This dimension clearly distinguishes the EU and its policies from the principal global institutions (OECD, IMF, World Bank) and the European integration from the globalization process. Hence, the assumption that the EU stimuli and their impact cannot be differentiated from other processes and the globalization process in particular seems rather problematic since it fails to take into consideration the significant differences between these parallel processes.

Another possible answer to this criticism, furthermore, is the nature of EU stimuli. By arguing that it is difficult to delineate the domestic impact of Europe because the EU stimuli is similar to other policies implies that in order to establish a causal relationship researchers should be able to prove the uniqueness of the EU stimuli. This seems rather impossible, since in most policy areas the EU promotes policies and regulatory frameworks that already exist either in some (successful or strong) members states –the OMC for example is designed as a tool to spread best (existing) practices across Europe. Likewise, EU policies have been (usually partially) uploaded by strong member states -the EMU for example is based on the German model regarding the role of the Central Bank and the logic of monetarist policy (see for example Dyson and Featherstone 1999), and are always the product of agreement between national governments. In other words, the EU stimuli in most of the cases are not *sui generis* but include many existing ideas, recommendations, policy making mechanisms and culture, concrete policy measures, making, this test almost impossible. In essence, Haverland and others who perceive the EU stimuli as something unique, imply that a ‘European mastermind’ creates them and researchers should trace their domestic impact. Consequently, Europeanization studies should not focus on what Europe really does and whether the domestic change is resulting from EU membership, but examine whether the EU stimuli are sui generis, that is, unique in nature and completely ‘clear’ from other types of stimuli – a stimuli that cannot be found elsewhere. Although, as it was shown above, European integration differs substantially from other parallel processes, these critics are neglecting that even in the (extreme) case that the EU stimuli is a copy of another process (international/national/subnational) the EU has still an added value in explaining domestic change. For example, even if we accept that EU membership has similar effects to globalization as it causes a opening of the economy, society and state through the 'four freedoms' it would be a mistake to doubt about the causal impact of the EU across its members and especially in newcomers such as, the South Mediterranean countries or the CEE's: EU membership meant a gradual transition to a more international market –the European Single market. This process is convincingly conceptualized by Corkill (2002) who describes the process of 'Portugal's insertion into the international/global economy'. According to him, each phase of the European integration process meant an analogous internationalization of the Portuguese economy[15]. In this respect, although globalization and Europeanization take place at the same time the internalization force that is, the variable that causes domestic change is Europe –not the parallel process. In a similar vein, although the design of the EMU is very close to the German monetarist model, researchers have not discounted its causal effect in promoting reforms not only across Europe but also in Germany where this design originated (see for among others Dyson and Goetz 2003).

An additional problem in Europeanization studies, according to Haverland, emerges from the case study selection. Contrary to most of the Europeanization research that examine only EU countries, in order to trace the exact causal relationship between the EU and domestic change researchers should compare EU countries and non-EU countries -countries where the 'stimulus', the EU, is present, with a control group where the stimulus is absent (Haverland 2006: 139). Nevertheless, the implementation of similar reforms in EU and non-EU countries does not reduce the causal influence of Europe in domestic change; non-EU countries may be far advanced in a policy area not because there is no causal relationship between EU and domestic change but simply because the non-EU country is ahead of the EU stimuli. For example, New Zealand or the US is likely to have more flexible labour markets than most EU members –in spite of the EU's employment policy promoting flexibility. This does not mean that the EU is not indeed causing flexibility especially in countries with rigid labour market such as continental members, and the South Mediterranean counties. In this context, the usually bad results should not lead the researcher to the false conclusion that the EU is not

[15] Identical process we witness in Greece; EU membership meant in symbolic and material terms the gradual entry in the global sphere. In the Greek case, however, PASOK's government tried to avoid some of the impact of EU membership by imposing obstacles to foreign investment, keeping national practices and labour restrictions but in the end failed to prevent the opening and liberalization of the economy due to the Single Market program.

causing domestic change. In continental Europe where governments face strong opposition from powerful social partners and multiple veto points due to the hostility towards the notion of flexibility and in Southern Mediterranean countries, where the state and governments are weak, the EU's policy and legitimacy can cause marginal or incremental reforms which may signify a significant change for the domestic level. In other words, not only 'controlling' but also 'contextualizing' seems appropriate to establish causality; in some countries without the direct implications of EU membership it is unlikely to explain and conceptualize the process of domestic reform.

To sum up, after engaging critically with the literature regarding welfare reforms I conclude that neither the globalization nor the domestic pressures approach offers an adequate explanation for welfare reforms both in theoretical and empirical terms. Another variable, therefore, has to be sought in order to explain the puzzling story of the case studies. The hypothesis of this thesis is that the variable that offers an adequate explanation of the empirical record concerning labour market and pension reforms in Greece is the EU and its policies.

6. Methodology

This interplay between EU stimuli and the responses of the member states on the domestic level has often been described by the term Europeanization. In this thesis, Europeanization refers to the impact of European integration on the domestic level using a top-down perspective; This impact is synonymous with change: Europeanization is the change that the EU causes in the domestic structures, institutions, policies. In concrete terms, Europeanization amounts to change in policy making process, content, goals, discourse/terminology and broader ideology altered because of the EU stimuli.

In defining the effects of Europeanization, I follow the existing literature which distinguishes four possible outcomes (Radaelli 2003a: 37; Börzel 2005: 58-59):

- Inertia: there is no change at the domestic level due to resistance of domestic institutions, policies, beliefs to adapt to the European requirements;
- Retrenchment: resistance to change may have the paradoxical effect of increasing the distance between domestic and European structures. In essence, the effect of Europeanization is to make domestic structures 'less European'.
- Absorption: Member States adapt some elements of their domestic structures to European requirements but preserve the core of domestic institutions, policies and beliefs. In other words, they absorb certain non fundamental changes in order to avoid the costs of inertia without substantial modifications of existing structures;

- Transformation: Similar to a third order change (Hall 1993) transformation refers to the radical change of the core of the domestic structures. Domestic institutions, policies and beliefs are either replaced by new completely different ones or altered to the extent that their core features are fundamentally changed;

Europeanization studies use the neo-institutionalist reasoning in order to describe the different mechanisms of domestic change. As already discussed above, there are three neo-institutional approaches: rational choice institutionalism; historical institutionalism; and sociological institutionalism. These approaches, however, are not mutually exclusive. This project follows the claim found already in the literature that it is left to empirical evidence to show which of these approaches reflects empirical reality and that it is quite likely to witness a co-existence of them.

The level of analysis is the domestic level: did the EU stimuli alter the domestic policy and discourse in labour market and pensions? Ideally, in the empirical level the employment policy would be altered and following the EU recommendations, measures, and ideology. In this respect, I will study the pre-EU policies (pre- EES and OMC) national policies and the national / domestic policies after the EU stimuli were introduced. I expect to observe a gradual metamorphosis of domestic policy making in structure, approach, measures, targets and ideology / philosophy. Regarding pensions, the EU has both ‘hard’ (EMU) and soft (OMC) stimuli to cause reform. It will be interesting to delineate the mechanism that EU stimuli affect domestic level. My hypothesis is that the EMU criteria put pressure for reform while the OMC shapes the direction and content of the reform.

Discourse analysis and Agenda setting is also a part of the study of the EU’s domestic impact on labour market and pension reform since the EU through its stimuli and especially the Lisbon Agenda, the EES/OMC and OMC on pensions is aiming in promoting policy learning and convergence of ideas. Hence, the emergence of an EU-discourse at the domestic level or the change of existing discourse, ideas, terminology and agenda of policy makers in accordance to the EU terms, notions and ideology as defined in the EU stimuli constitutes evidence of Europeanization. The expectation is to find a gradual but steady change of the national discourse where the EU terms and recommendations as outlined in the OMC would intrude the national level. In this respect, a goal of this study is to analyse what is happening at the level of policy-makers ‘at the hub’ of national employment policy puzzles and answer the question whether best practice and benchmarking provide resources, cognitive drives, or are just irrelevant. This empirical discourse analysis will be conducted using content analysis (press and speeches, hearings, etc.), semi-structured interviews with politicians and policy experts, and the examination of temporal causal sequences (Schmidt and Radaelli 2004). In crude terms, the hypothesis about the Europeanization of national discourse will involve three periods of inquiry: first, I will observe national discourse, positions before EU stimuli, second, I will study the content of discourse of the EU policies and then finally, I will study the domestic aftermath.

In particular, my empirical study will take into account the following:

- EU reports, National Reform Programmes (until 2005, National Action Plans), OECD reports;
- Content analysis of newspapers showing the connection between the domestic reform debates and EU stimuli;
- Speeches / statements made by members of government and opposition (parliamentary debates);
- Parties Manifestos and Key National Policy Documents;
- Interviews with key policy makers (ministerial elites, delegates in EU institutions). The type of interviews ideally will be on the record interviews (using a voice recorder); however, many of them are expected to be non-attributing due to the sensitive position of the interviewees. In this respect, I will quote the interviewees by stating only their position without revealing their name (although it will be known to my supervisors and examiners).

In addition, I will analyze decisions, laws, reforms, policy papers etc. of the national governments vis a vis the EU stimuli for reform. The EU stimuli are the EU policies, that is, the EU binding technical criteria (laws and directives), the employment policy projects of the second and third CSF, the EES, the Lisbon Strategy, the OMC on pensions, and the fiscal constraint of the EMU. As indicators of policy change because of European policies and paradigms I will consider:

1. Substantive policy changes in labour markets and pension system, such as:
    - Domestic / National Legislation in order to meet the EU binding and non-binding criteria
    - Active labour market policies (ALMPs) in accordance with the goals set in the goals of the CFS and the European Employment Strategy;
    - Promotion of flexibility, employability of the work force;
    - Developing entrepreneurship (facilitating the start up of businesses, especially small and medium-sized enterprises);
    - Strengthening policies for equal opportunities by region, gender, and age

- Promotion of lifelong learning;
- Employment friendly taxation;
- Pension reform: Rationalization of public expenses following EU recommendations stemming from the SGP;
- Reforming pensions in order to meet social objectives (prevent social exclusion, to maintain living standards, and to strengthen solidarity);
- Pensions that foster labour market flexibility, gender equality transparency and adaptability
- Introduction of a mandatory funded pillar in the social security system
- Harmonization of social security regulations

2. Cognitive learning, that is, how the international level and the interaction of policy makers at the international level affect their choices and agenda in the national setting:
    - Agendas defined more by EU stimuli (directives, EES, OMC etc) than national bargaining? In this respect are national arenas less important than EU goals?
    - Is there a change of perceptions and goals in policy makers regarding labour and pension reform? Or after the meetings in Brussels, do they continue to remain inside their 'national cell'?
    - Has the decision making process changed? What is the relation between national, sub-national and supranational levels of government? Has the EU stimuli caused a change in administrative structures, processes and logics?
    - To what extent do EU and related policy instruments affect domestic discourse?

To sum up, I will trace the domestic impact using a multi-level approach which is more or less a system of checks of my Europeanization argument: first, I will study the actual domestic policy and whether and to what extent it has changed; second, I will interview policy makers and ministerial elites to describe their experience and define the degree of importance of the EU in domestic change; finally, I will examine key documents and newspapers in order to find whether the EU/OMC agenda has been ‘expanded’ to the overall discourse of the policy areas under study.

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