Social Policy in Greece: continuity and change

Dimitris Tsarouhas
Middle East Technical University (METU), Department of International Relations
Email: dimitri@metu.edu.tr

ABSTRACT

Europeanization has rapidly become a catch-all phrase that encompasses a variety of meanings. It has not, however, been rigorously examined with regard to its policy consequences (policy Europeanization) on welfare state structures and expenditures. Such a function is particularly pertinent in Southern Europe, where Europeanization has often been discussed in discursive and normative terms. Less attention was paid to the constraints it has posed on fiscal budgets and welfare programmes, and it is this aspect of the debate that this paper seeks to address.

Beginning with a discussion of Europeanization as a potential mechanism of constraint in the development of welfare, the paper goes on to investigate its effects on Greek social policy. Findings point both to a substantial increase in social policy expenditure and an inability to substantially revamp policy programmes by highlighting the case of pension politics. Domestic structures are seen to play the all-important role of intermediate variables, and particular attention is paid to the path-dependent character of policy reform and the weaknesses of the administrative apparatus. These are the twin aspects of the Greek reform malaise, which persists to this day.

Introduction

The 1990s was in some respects the most significant decade for European integration since the Rome Treaty. It was through the Treaties of Maastricht and Amsterdam that the old Community became a Union, Europe acquired a Foreign and Defence Policy of sorts, a new pan-European currency was introduced and an omnipotent Central Bank set up to direct monetary policy for Eurozone members. These were revolutionary developments whose impact will be with Europe (as well as the rest of the world) for decades to come. In the context of such rapid change, Europeanization quickly became a catchphrase meant to encompass a variety of different processes taking place at the national/subnational level, the EU level, or both. Over the next decade, a large body of literature grew addressing various aspects of Europeanization, and seeking to extract more concrete information as to its real influence on policy making, policy processes and policy outcomes.

One of the least debated aspects of Europeanization has been its punitive function with regard to EMU and economic policy convergence to fulfil the Maastricht criteria. As natural as this may be, considering the novel character of Europeanization in the 1990s and the desire to record its linkage to other policy areas, it has nevertheless left certain policy areas unexplored. Concretely, this neglect has shed inadequate light on the way in which EU

Member States have sought to respond to the challenge of 'punitive Europeanization' with regard to their social policy arrangements. This is particularly significant for South European countries who have long suffered from economic imbalances that seemed to jeopardize their chances of EMU participation. It has often been stated that it was the chronic instability and unpredictability of South European economies that made the Maastricht criteria so stringent and the Stability and Growth Pact (SGP) so inflexible. Greece has been no exception to this rule. In fact, its delayed membership to the Eurozone (it joined in 2001, two years after the Eurozone's launch) was a result of its notorious difficulty to get its financial house in order.

It is therefore significant to ask what kind of an impact this type of Europeanization has had on Greek social policy. How did successive Greek governments deal with fiscal pressure in light of societal demands for more social spending? Did they reform social policy programmes to enhance the financial viability of their reform programmes, or were social policy programmes largely left untouched? What lessons can we draw by looking at the Greek case regarding economic hardship and the transformation of social policy? This paper seeks to provide some preliminary answers to those questions, and shed light to an aspect of Europeanization that has been discussed much less than others. It will thus start with a brief discussion of Europeanization before examining the Greek social policy record prior and the shortcomings and achievements it was characterized by. The next section will analyze the impact of fiscal pressure on social policy by looking at a) social policy expenditure and b) social policy programmes. Finally, the conclusion will bring the paper's main elements together and underline the main arguments.

Europeanization as Pressure

Europeanization has often been used to discuss change and/or reform of national institutions, policies or indeed polities and their interaction with developments at the EU level. In a much used definition, Radaelli sees Europeanization as consisting of processes of construction, diffusion and institutionalization. These include paradigms, beliefs and 'ways of doing things' that have first been defined at the EU level and have subsequently been absorbed by governments and regions on the level of public discourse and policy (Radaelli, 2003). Europeanization has simultaneous functions depending on the policy area under investigation. It need not only involve the Union exerting pressure on Member States (integration), or be top-down by examining the impact of the Union on member states. It should also be understood as occasionally being the problem to be explained, starting from domestic institutional and organizational interaction and ending up at the domestic level, before assessing whether Europeanization has played any role in modifying the original domestic constellation (Radaelli, 2005).

The contribution by Cowles et al. in that debate is very helpful, to the extent it sees Europeanization as a two-way process, with policy input flowing both from the EU level to the member states and vice-versa (Cowles et al. 2001). Their focus is on the top-down path and Europeanization is synonymous with the formation of policies and institutions at the European Union level. In order for these to work, a certain 'goodness of fit' is required. EU policies will have a discernible impact on the domestic level only if there is a certain difficulty in their domestic absorption. If the existing policy framework fits well with the EU, there will be little discernible effects since pressures for change will be minimal.

Starting from the 1980s, the project of European integration was relaunched following years of institutional and political stalemate. The signing of the Single European Act (SEA) in 1986 was not only an institutional breakthrough for the moribund Union but also provided the foundations upon which the Economic and Monetary Union (EMU) would be built. Prior to EMU, the Maastricht Treaty of 1991 codified the preconditions necessary for Member States to join EMU. Thus, Europeanization can be described as the development of the European integration process and its impact on member states' policies. As a result, the Europeanization hypothesis refers to the expected changes in member states' policies resulting from economic and monetary integration. The design and implementation of the convergence criteria agreed upon in Maastricht put pressure on fiscally lax states to cut public expenditure in order to reduce deficits and reduce debt levels. The adoption of EMU was allegedly the result of Europe's neoliberal turn that threatened the viability of the European Social Model and endangered both mature and rudimentary welfare states. Countries that had been prone to deficit spending would now be put under additional pressure to install fiscal discipline. This could mean that social expenditure would have to be curtailed in an attempt to enhance the competitiveness of the economy and remain within the limits set in Maastricht.

Although the set of fiscal constraints imposed after Maastricht was relevant to all European states aspiring to join the Eurozone, it was expected to have a particularly severe impact on Southern European economies. These constituted the largest 'misfits', characterized by 'severe labor market rigidities and segmentation [and] an extraordinary level of fragmentation in welfare provision structured largely along occupational lines and employment status' (García and Karakatsanis, 2006: 92). At the same time, they also suffered from extraordinarily high public fiscal imbalances.

Despite the fact that Greece joined the Eurozone in 2001, its overall economic record until the late 1990s was characterized by a high degree of instability. Political constraints had placed a high premium on fiscal reform and the attainment of most Maastricht criteria became a national goal in the mid-1990s after the election of Costas Simitis as Prime Minister. The policy adjustment that had to follow was seen as endangering social policy achievements of the previous decade, when the government responded to societal pressure for enhanced welfare and introduced a series of welfare measures.

Greek political economy: from the postwar era to EMU entry

Following the destructive consequences of WWII as well as the three-year civil war (1946-49), Greek post-war policy was primarily oriented towards rapid economic development in the context of a monetarist macroeconomic regime and the attempt to guarantee monetary stability. In the early post-war decades and in tune with the then prevailing assumptions about the best way to enhance growth, new state institutions were developed to coordinate economic planning and implement a series of new policies. On the economic front, the 1953 currency devaluation in combination with measures promoting trade liberalization amidst a relatively stable international economic environment (Pagoulatos, 2003: 22-23) assisted Greek policy-makers in their quest for rapid growth. The Greek economy grew on average by 6.5% between 1950-1961, while growth during the period 1961-1979 was even more impressive, as Greece recorded average growth rates amounting to 7.4% p.a. (Gravaris, 2006: 58). However, this period is also the one in which high rates of economic growth were for the first time accompanied by structural economic problems. Firstly, the 1970s stagflation led to high inflationary pressures averaging 16% between the two oil crises, thus offsetting (already falling) growth rates. Secondly, worsening balance of payments difficulties resulted from the slowing down of foreign currency inflows. Thirdly, the commitment to monetary and fiscal stability that had underpinned the Greek post-war economic paradigm (Pagoulatos 2003) came to an end in the immediate post-dictatorship period, as democratic transition and consolidation made expansionism the preferred pathway for legitimizing the new regime.

The 1980s is in many respects the defining decade of modern Greece. The civilianization of the regime and democratic consolidation (Duman and Tsarouhas 2006) went hand in hand with rising aspirations by the middle classes that emerged following the economic upturn of the 1950s and 1960s. On the political level, new actors made a powerful entry through the 1981 electoral victory of the Socialist Party (PASOK). The latter's call for a politics to benefit the 'non-privileged' resonated strongly with the vast strata of self-employed craftsmen, tradesmen, agricultural labourers and low- and middle-ranking state officials (Spourdalakis 1988). At the same time, the economy entered a period of stagflation and low growth rates (Gravaris, 2006: 59). Loss of competitiveness in the international market was accompanied by the emergence of 'ailing industries' bailed out by the state for electoral purposes. The politics of expansionism adopted by the centre-right New Democracy (ND) governments of the 1970s (1974-81), accompanied by nationalizations of certain industries and firms continued unabated under PASOK (1981-89, 1993-96). While the EU sought to encourage liberalization reforms in line with its professed plans for a Single Market, PASOK avoided electorally painful economic restructuring, save for a brief period after its 1985 re-election. Particularly in its first term, the Socialist government emphasized democratic planning and socialization instead (Tsakalotos 1991).

The launch of the EMU project brought the EU factor firmly in the focus of Greek public policy. Greece met with political instability in the late 1980s amidst corruption allegations and successive electoral contests did little to reinstall stability. This had a clear effect on social policy, as spending was reduced in the late 1980s (Table 1). In April 1990 the ND government of Konstantinos Mitsotakis emerged victorious from the last electoral round. Meanwhile, the EC had already warned Greece that its deteriorating economic situation worried Europe. The EMU project could be derailed if Greece's economic performance did not improve (Featherstone, 2003: 925).

In 1990 Greece had an inflation rate of 20.4%, public deficit of 15.9% and an unemployment rate on the increase standing at 7.0% (OECD 2002). At the same time, interest payments by the end of the 1980s had quadrupled compared to 1981.

Still, the second PASOK government elected in 1985 briefly experimented with a programme of fiscal consolidation to control public deficit and stabilize the economy. The ND government that came to power in 1990 sought to go further. It promised to reform the pension system that was absorbing half the cost of public deficit and 15% of the country's GDP (Matsaganis, 2006: 164;) as part of a wider programme of 'rolling back the state' and privatizing a large part of publicly-owned companies (Gravaris, 2006: 65). Pressure from the EU played into the hands of leading government functionaries and could act as a source of empowerment in an attempt to entrench a new political economy agenda (Featherstone 2003). In fact, the establishment of the Maastricht criteria led to a cross-party consensus on the need for EMU entry. Greece should seek to become part of EMU at the earliest time possible to converge with 'Europe' and be welcomed as an equal partner to other Eurozone members (Ioakimidis 2000). The need for convergence became a matter of cross-party consensus by the mid-1990s, opposed solely by the communist left (KKE). By Greek standards, such a consensual approach to a major public policy goal was surprising, particularly as it encompassed not only political parties but also major stakeholders such as the trade unions. The re-election of PASOK in 1996 under a new Prime Minister, Konstantinos Simitis, meant that 'modernization' became synonymous with the need to Europeanize (i.e. reorganize, rationalize, and improve according to west European standards) various facets of public life. From a political economy perspective, Simitis' preference for technocratic solutions to problems that his predecessors may have deemed rather political led to the staffing of his Cabinets (1996-2000, 2000-2004) with technocrats aiming a high growth rates, reductions in real interest rates, inflation rate, public debt and deficit. Economic stability through the reinstallation of a stable macroeconomic environment after years of turbulence became the government's top priority and judging by Greece's entry to EMU as early as 2001, it ultimately proved successful.

Greek welfare effort

To what extent have Greek policy makers felt constrained by the pressure of Europeanization? How did they seek to respond to the challenges posed by the external environment, and the European Union's Maastricht criteria and SGP in particular? Furthermore, what role should one assign to the domestic power struggles and related intervening variables to account for this response? The section below offers some suggestions as to the qualitative reform in social policy implemented in the two policy areas absorbing most social policy expenditure: pensions and healthcare.

Retirement policy in Greece has traditionally been the major axis of the welfare state. In 2001, more than 90% of state benefits fell under the 'retirement' category, with family allowance and unemployment insurance absorbing a meagre 2.8% (Matsaganis, 2006: 148). In the same year, more than 50% of social expenditure went to old age and survivors' pensions, a

figure only second to Italy's in the old EU-15 (Petmesidou, 2006: 34). Sickness and health care expenditure absorbed almost one third of social expenditure in the same year and along with old age expenditure constituted more than 82% of all money spent on social policy programmes. Finally, 8.2% of total social expenditure was subject to means testing and 62% of all such expenditure was contribution-financed (Hemerijck et al., 2006: 262).
Looking at the aggregate data leaves little doubt as to Greek social spending patterns. Greek social expenditure as a percentage of GDP has increased substantially over the period 1980-2001 (Table 1). In 1980, Greece spent little more than a tenth of its GDP on social expenditure, defined as public expenditure on social protection. By 2005, the equivalent figure had climbed to almost one-quarter of GDP. Reductions in social expenditure are few and far between, while year-to-year increases from 1989 to 1990 and 1981 to 1982 the highest on record. Importantly, in the period between the late 1980s and today, social expenditure rises in real terms although general government outlays do not rise as fast, and get significantly reduced from a high of 51% in the middle of the 1990s (Table 3). What is more, GDP growth rates have fluctuated considerably during this period, only acquiring an increasing character above 2.0% after 1994 (Table 2).

Table 1: Greek Social Expenditure, 1980-2001

Total Social Expenditure as a % of GDP	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	11.5	**13.8**	**16.2**	**16.9**	**17.2**	**17.9**	**17.7**	**17.7**	**16.4**	**17.5**	**20.9**	**20.1**	**20.2**	**21.1**
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	-
	21.2	**21.4**	**22.1**	**22.1**	**22.8**	**23.6**	**23.6**	**24.3**	**23.8**	**23.6**	**23.6**	**24.2**		

Source: OECD 2004 Social Expenditure Database.
Note: from 2001 onwards, figures are based on the ESPROS database. For differences in definitions of measuring social expenditure between the two see Matsaganis, M. (2006) "Muddling Through: The Trials and Tribulations of Social Security", pp. 147-73, in *Social Policy Developments in Greece* Petmesidou, M. and Mossialos, E. (eds) Aldershot: Ashgate

Table 2: GDP annual growth in %, 1980-2006

GDP growth Year base 1980	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	-	**0.1**	**0.4**	**0.4**	**2.8**	**3.1**	**1.6**	**-0.5**	**4.5**	**3.8**	**0.0**	**3.1**	**0.7**	**-1.6**
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	**-**
	2.0	**2.1**	**2.4**	**3.6**	**3.4**	**3.4**	**4.5**	**5.1**	**3.8**	**4.8**	**4.7**	**3.7**	**4.0**	

Source: Years 1981-92 from Tsakalotos, E. (1998) "The political economy of social democratic policies: The PASOK Experiment in Greece", *Oxford Review of Economic Policy*, 14 (1): 114-38. Years 1993-2006 from OECD Economic Outlook No.80

Table 3: General Government outlays, 1989-2006

GDP growth Year base 1980	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
	-	-	-	-	-	-	-	-	-	**44.5**	**49.2**	**45.8**	**48.5**	**51.0**
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	-
	49.0	**50.1**	**48.3**	**49.3**	**48.6**	**48.6**	**51.2**	**49.8**	**49.2**	**49.2**	**49.8**	**46.7**	**45.6**	

Source: OECD Economic Outlook No.80

A permanent *malaise*? Fiscal pressure and pension policy reform

The evidence drawn from the data above suggests that Europeanization as a punitive mechanism of fiscal constraint had little discernible impact on social expenditure. If anything, simple statistical calculations reveal that Greek social policy has been enhanced substantially in monetary terms, despite pressures emanating from Brussels to stick to a restrictive fiscal policy regime. It goes without saying that policy reform does not need to go through welfare cuts; governments can opt to reform social policy programmes instead, enhancing their effectiveness while cautiously expanding costs when and where needed. It is therefore important to look into this aspect of the debate and explain Greek social policy expenditure with an eye to the political content of social policy. For lack of space, I will use the example of pension politics to illustrate how 'non-reform', or better yet piecemeal, inconclusive and limited reform is strongly correlated to domestic power constellations and political strategies emanating from both civil society organization and the state. Punitive Europeanization will be shown to be unrelated to the ability/willingness of government to reform social policy; this, in turn, is a result of administrative and institutional failures that stretch back in time and inform clientelism-based calculations prior to any attempt at introducing major policy change.

T*he 1980s: expansion, change – and politics*

Retirement benefits comprise old age pensions, farmers' pensions, invalidity and widowhood pensions, national resistance and war pensions. Social insurance is organized along the lines of IKA, the national Social Insurance Organization, OGA, the rural workers' fund, and OAEE, the fund for the self-employed. Next to these 3 main funds, however, stand the funds for civil servants, some prestigious occupational groups (lawyers, doctors and engineers) and hundreds of others (see Matsaganis, 2006: 155, table 7.6). The politics of retirement are complicated and messy. Pensions are based on the PAYG principle and are earnings-related. They are subject to a series of complicated rules and it is extremely difficult to clearly determine vital aspects of the system such as replacement and contribution rates (Matsaganis, 2006: 154). In fact, contribution and replacement rates in Greece can differ enormously from fund to fund, but also within the same fund and from employee to employee (Ibid, Fig. 7.6). This, in turn, results from the highly fragmented nature of the pension system (Featherstone, 2003: 3). The multiplicity of pension providers goes back to the early years of the modern Greek state, when heteronymous forms of coverage overlapping with other programmes were established on an occupational basis lacking priorities and direction (Petmesidou, 2006: 38). Their number has been reduced to about 190 today compared to around 370 in the early 1980s; but these numbers are about the same as the 153 public pensions providers that operated in the late 1950s (Tinios, 2005: 403). Retirement in Greece is a publicly financed affair. Private occupational funded pensions, 'the second pillar', are rare and absorb less than 0.3% of GDP. Private coverage is to be found on the third pillar where private arrangements are made, usually through the life insurance industry (O'Donnell and Tinios, 2003: 264).

PASOK won the 1981 elections on a ticket of radical reform and redistribution to the benefit of low and middle-income groups. Through its policies, the fragmented and asymmetric nature of social insurance was reinforced. Following decades of exclusion from socio-political life, the centre-left societal coalition demanded an increase in expenditure and coverage. The minimum pension levels rose by more than 50% in the early 1980s and were extended to both the rural and urban social insurance coverage. IKA was ordered by the government to cover social groups that had never made contributions towards the Fund (Venieris, 2006: 74), a pattern that became all too common in subsequent years. In addition, a social assistance income-tested benefit for old-age uninsured people was introduced. However, the government followed a policy of *ad-hoc* relaxation of eligibility rules for retirement depending on group access to corridors of power and relations with leading party/state officials (Gravaris, 2006: 60). To illustrate, in 1984 the IKA minimum pension was paid out to those turning 65, even if they could only show 9 full years of work and contributions. Retirement policy thus became part and parcel of the new phase of clientelism characterized by bureaucratic clientelism (Lyrintzis 1984) and the replacement of the previous era's personal patronage networks with party patronage equivalents. Social expenditure became even more 'pension-heavy' during this period and the social insurance funds' deficit reached 3% of GDP.

The 1990s and 2000s: one step forward, two steps back

The 1990 and 1992 reforms by ND attempted to reform the pension system facing strong exogenous pressure from the Union (Tinios, 2005: 409; Petmesidou, 2006: 41). In both cases (Laws 1902/90 and 2084/92) , the government reduced replacement rates, increased contribution rates and set the retirement age at 65 for both men and women – a measure only applicable to those that would enter the labour market from 1 January 1993 (Matsaganis, 2006: 165). The previous indexation of pensions to wages was discontinued, while seniority pension levels would be dramatically cut for those entering the labour market after 1993 (Petmesidou, 2006: 41). However, the government failed in the more ambitious aspects of its agenda.

The ‘1993 provisions’ revealed its inability to overcome societal pressure resisting the reforms. Massive pressure exerted by GSEE, the Confederation of Greek Labour, led to the withdrawal of the original comprehensive reform package following protracted strike action. Opposition to the government’s plans went beyond the unions, however, and included broader social strata that effectively paralyzed the government’s reformist zeal (Pagoulatos 2001). Having failed to address the issue of the privileged funds, the government made IKA its target instead. Social expenditure stagnated in its comparatively low levels during the 1990-93 ND government, but there is no evidence of welfare retrenchment. The social responsibility of the state had by that time become entrenched in the political and societal discourse, at a time when EU-led economic adjustment was becoming a matter of cross-party consensus.

PASOK returned to power in 1993 and after three years of inactivity marked by Premier Papandreou’s ill-health, the modernization of the country was placed at the heart of the new PASOK government headed by Konstantinos Simitis. The twin goals of the new administration were quickly formulated: the modernization and Europeanization of the country. By 1996 Greece was lagging behind its EU partners so the project assumed a sense of urgency. One of its priorities had to be the archaic social security system. Commitment to EMU (and after 1997 the Stability and Growth Pact, SGP) was to be combined with measures to alleviate social misery. PASOK sought to dispel left-wing fears related to its fiscal conservatism by implementing social policies enhancing solidarity. One way of going about this was by targeting resources more effectively.

In 1996 the government introduced the Social Solidarity Benefit (EKAS) as a means-tested pension supplement to top up income from other sources. However, the overt reliance of the Greek welfare state on contributory benefits meant that selectivity should run out of steam (Matsaganis, 2006: 165). In 1997, PASOK also reformed the agricultural fund OGA converting it into a contributory social insurance fund replacing the previous flat rate minimum pension. The government sought to proceed carefully with its plans for a viable pension reform. It sought to work through social dialogue structures, counting on the moderate stance of the unions and their acceptance of the EMU goal as an overarching public policy priority. In the 1996 legislative period no major reform was introduced, although the government received expert advice on the need for reform (Spraos Committee 1997). The multiplicity of veto points that characterize the Greek public policy sphere and the high costs associated with structural reform in conditions of low societal trust and an overflow of cheap populism at the political level provide powerful explanations for inactivity. The 1999 ‘mini-reform’ (Law 2676/99) merely led to further amalgamation of some insurance funds and the creation of OAEE as an umbrella fund for the self-employed. Nonetheless, stagnation was no longer an option following PASOK’s re-election in 2000. Its manifesto called for pension reform and the Bank of Greece characterized the pension ticking bomb as the No.1 threat for the country’s performance in EMU (Featherstone and Tinios, 2006: 186). The launching of the Open Method of Coordination (OMC) in the year 2000 and operating on the basis of benchmarking and peer pressure placed additional pressure on the Simitis government to proceed with reforms. The combination of a fiscally oriented domestic stimulus for

reform was complemented with exogenous, EU-stemming pressures for change.
In April 2001 the government published its proposals for reform. The Giannitsis proposals, so called after the Labour Minister that sponsored them, were immediately attacked by the public sector-dominated union confederation of GSEE, and strikes followed. Opinion polls took a turn for the worse and Giannitsis' colleagues refused to defend him in public, leading to his replacement. The proposals were bold by Greek standards, but did not depart from the system's underlying philosophy of PAYG and defined benefit (Matsaganis, 2006: 167). The package's main points were the reduction of the replacement rate to 60% of reference earnings defined as the best 10 of the last 15 years, the rise in retirement age to 65 for both men and women and an increase in the minimum pension that would become means-tested (Ibid.). At the end, the only major piece of reform that made it to the statute book until the end of PASOK's political dominance was Law 3029/02. This was a watered-down version of what had been proposed a year earlier, aiming to avoid confrontation with the unions. It entailed the restoring of the replacement rate to 70%, on par with IKA, reference earnings extended to the best 5 out of the last 10 years for IKA (and the last 5 years for the privileged funds), the fixing of the minimum pension to 70% of the minimum wage for those working after January 1 1993 and guaranteed state funding to IKA of 1% of GDP per year. The piecemeal character of the currently enacted arrangements is revealed by the fact that no projections as to the pension deficit were made and no change in the retirement age was proposed.
In the post-EMU period, the SGP has continued to function as an expression of punitive Europeanization, and attempts to proceed with a radical reform of the pension system by the ND government (elected in 2004 and re-elected three years later) are a good indicator of that. In a manner reminiscent of previous administrations, the ND government has waited for a good long time before revealing its own pension reform proposals, currently awaiting Parliamentary approval amidst a storm of protest. Following a 2007 report revealing the prohibitively high pension costs burdened on the state budget, the government has formulated proposals aiming at replacement rate reductions for early and complementary pensions, tightening eligibility criteria, more incentives to stay at work longer, the amalgamation of insurance funds into not more than 15, and the creation of a Solidarity Insurance Fund (SIF) to maintain the system in the years to come (*Kathimerini*, 9 March 2008).
While a lot of the government's proposals make sense, particularly its desire to curb the phenomenon of early pensioners living off half their adult life on benefit and reduce the absurdly high number of funds, the reform is less far-sighted than necessary and in some respects self-defeating. Should the reform see the light of day, it will amalgamate 'healthy' funds of financial viability with problematic ones, leading to an uncertain outcome as to the amounts actually paid out to the insured. That is so because the reform package introduces the peculiar notion according to which the Labour Minister is henceforth free to decide pension levels (!), complementary pension levels as well as conditions pertaining to health coverage for various funds. Moreover, the reform foresees no plan of how the state intends to repay its debts to the funds (amounting to €12.6 billion by 2007), or how the high amounts foreseen to be collected through curbing premium-payment fraud will

actually be collected and fraud will be effectively dealt with. Finally, and more importantly, the calculations made in the proposed law reveal that the government has been facing intense pressure from Europe to reduce public debt to 1.6% by 2010 in accordance with the Updated Stability and Growth Programme published by the Finance and Economy Ministry (http://www.mnec.gr/export/sites/mnec/en/economics/growth_programme_2005-8/2008_01_09_SGP-GR-EN_07.pdf).

Conclusion: Social policy and 'non-reform'

What Greek social policy makes abundantly clear, at least through the inability to implement and enact long-lasting changes in social security, is that it deserves to be subject in the political economy of political reform literature (Myles and Pierson 2001). The latter concerns itself with the important question of why necessary economic reforms face implementation problems on the political level. A variety of concepts and variables seeking to serve an explanatory function to that question have frequently been employed. Two of them seem to me to deserve special attention.

The first, credible and powerful in the Greek case, is path dependency. The Greek welfare system's historical and institutional structures as outlined above increase the political cost disproportionately to the expected gain, despite the fact that the economic *rationale* of reform may actually be fitting demographic or other realities. A plethora of intermingled interests has by now become well-established in the Greek welfare scene, has acquired a vocal presence in the media and demands the right to set the agenda of reform or 'non-reform'. Embedded as this type of *nomenclatura* is to political parties through patronage networks, and reliant as it remains to the (successful) cultivation of clientelistic networks with susceptible senior civil servants, parliamentarians and/or ministers, its ability to block structural reform remains undiminished. Current attempts to reform the pension system are stumbling facing the all too familiar prospect of massive resistance by the opposition parties, trade unions and civil society organizations. Whilst part of the protest is surely justified, it often escapes attention that those crying wolf the loudest are also the ones whose privileges and benefits would be curtailed through a reform. Their successful intermingling with social groups genuinely worried about the future of the Greek welfare state renders aphorisms an attractive option for the government, accusing all those opposed to its plans as populist and irresponsible.

Another essential component of path-dependent weakness inhibiting effective reform is the country's administrative apparatus. The characteristic components of South European administration, aptly summarized by Sotiropoulos, entail extensive clientelism from the top and below, legalistic rigidity, inefficiency, corruption, the inequitable distribution of personnel and resources and the absence of French-like, well-trained administrative elite (Sotiropoulos, 2006: 200-203). While EU membership and its associated conditions on administrative reorganization may have rendered some of those characteristics less pertinent than in the past, legalism and low-level corruption constitute endemic characteristics of the Greek state apparatus. Legalism and rigidity in policy implementation is directly relevant to social policy reform, insofar as the distance between legal requirements and empirical practice is unusually large. This impedes any effective policy reform to the extent that the latter presupposes a good understanding of existing conditions so as to proceed with their reform. In the case of Greek social insurance funds, their compartmentalization and dubious character renders them immune from effective change as no one really knows how many of those hundreds of funds actually operate, who is enrolled in them and for how long he/she has been contributing to their growth. Under such circumstances, the theoretically sound option of reducing red tape by bringing them together can fall victim to the discretionary power of bureaucracy and the interests of well-placed middlemen in the process of reform.

In that context, the second structural feature of the literature on the political economy of political reform of relevance to the Greek case, namely the power diffusion and veto points, reveals the limits of the current system through its relative paucity. To explain, the Greek constitutional and political order places very few institutional obstacles to the ability of the government to enact and implement legislation once passed in parliament. Achieving such a majority is also a relatively straightforward affair, as the rule of the *Metapolitefsi* (post-1974) era has the governing party enjoying a fairly or very comfortable majority in the House. What is more, once a parliamentary majority is secure, strong party discipline and the prospect of a ministerial position usually renders inner-party criticism in Parliament mute and ineffective: once the government wants to pass legislation, it can mobilize enough resources to achieve its goal.

Therefore, it is worth concluding that: a) 'punitive Europeanization' did not limit the process of social policy expansion in Greece in quantitative terms, regardless of Maastricht and the SGP, b) social policy reform has been limited, partial, ineffective and mostly inconclusive, and c) this negative record of successive Greek governments owes everything to the harmonious functioning of vested interests located at the epicentre of the political system who cross-cut party loyalties and impede change.

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