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5. The Greek Social Model: Towards a Deregulated Labour Market and Residual Social Protection

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1. INTRODUCTION

With a 25.9 per cent fall in GDP over six years of continuing recession, starting from 2008; the unemployment rate currently at 26.6 per cent (second quarter of 2014); and rampant impoverishment that already affects 35 per cent of the population, Greece is undeniably facing a situation similar to or even worse than the Great Depression of the 1930s, pointing to economic collapse and social catastrophe. Unfortunately for the country and its people, after four years of fiscal consolidation and internal devaluation of wages and assets, which caused not only social suffering but also the demise of the pre-crisis social model, there are no signs of escape in the coming years from an externally imposed and supervised austerity cure and the deleterious consequences of prolonged recession.

Since 2010 harsh rounds of austerity have been administered under two Economic Adjustment Programmes (EAPs) agreed with euro-zone partners and the International Monetary Fund (IMF) as a condition of financial aid. Both the European Commission and the IMF underestimated the recessionary impact of austerity measures under the design of these EAPs, using extremely low fiscal multipliers in their macroeconomic model, as recently admitted by the IMF on the basis of ex-post evidence (Blanchard and Leigh 2013). However, this has not led to a revision of the EAP but only postponed its ending from 2014 to 2016.

The aim of this chapter is to show that austerity and the structural reforms in the labour market and welfare state, which have been and are still being implemented under the EAPs, are associated with the dismantling and radical recasting of the main pillars of the pre-crisis Greek social model and a significant retrenchment of the welfare state. In particular, the dismantling of the wage-setting and employment regimes points towards labour market deregulation and minimalist protection, while social security reforms, especially if combined with the long-term consequences of depression-level unemployment, point to residual social protection. In the short and medium term, the skyrocketing of unemployment and the fall in economic activity have seriously undermined health-care coverage and the reproduction of households with low work intensity, thus generating a humanitarian crisis. The dismantling of the social model is not the natural outcome of the crisis. Rather the latter has been used as an opportunity by forces inside and outside Greece which, already before the crisis, considered the social model as an obstacle to profit-led growth,[1] which for them is the only sustainable growth pattern in a globalized world.

In Section 2 we describe the pre-crisis Greek social model with reference to the basic elements of the European Social Model (ESM), while in Section 3 we look at the main changes brought about by austerity policies and structural reforms under the EAPs. In Section 4 we assess the depth and nature of the changes and their effects on the pre-crisis social model, while in Section 5 we focus on two case studies that are analysed in depth to illustrate the most significant modifications of the model and their effects. Section 6 concludes, discussing selected important policy issues.

2. THE GREEK SOCIAL MODEL BEFORE THE CRISIS: STRENGTHS AND WEAKNESSES

In the early 1990s, Greece's labour market and institutional arrangements had many similarities in common with Italy, Spain and Portugal, often considered typical of a *south European employment model* (Karamessini 2008a). Concerning structural labour market features, Greece at that time had the highest self-employment rate in the EU and informal work was widespread. It also had among the lowest rates of female and part-time employment, very high unemployment rates among young people and women; very low unemployment rates among prime-age men and older workers and pronounced labour market segmentation along various lines (public/private, large/small firms, formal/underground economy, by age, sex, ethnic origin). The industrial relations system and the wage-setting and employment regimes were characterized by high industrial conflict, a confrontational culture and lack of social dialogue institutions, strong state intervention in wage setting and stringent employment protection legislation, but very weak enforcement of labour and social security legal mechanisms.

The Greek welfare model in the early 1990s could be seen either as a variant of the *conservative/corporatist welfare regime* of continental Europe, whose basic features are the Bismarckian principles of social insurance – differentiation in benefits/provisions according to occupational status and work performance – and the predominance of income transfers over service provision (Esping-Andersen 1999; Katrougalos and Lazaridis 2003) or as a variant of a distinctive *south European welfare regime* characterized by an extreme fragmentation in entitlements; large gaps in social protection; selective distribution of public sector jobs and welfare benefits through clientelism; recently reformed health-care systems on universal principles; strong familism in social security; and residual family, employment and social assistance policies (Ferrera 1996; Karamessini 2008b; Leibfried 1992; Petmesidou 1996, 2012).

In the following paragraphs we briefly describe the main features of the Greek social model and the developments that contributed to its final shape before the advent of the current crisis. These features and developments are summarized in Table 5.1.

2.1 Enhancement of Workers' Rights after 1974

The collapse of a seven-year military dictatorship in 1974 is a watershed in Greece's recent political history. The return to democracy and the adoption of the 1975 Constitution restored and enlarged individual and collective freedoms and rights – free unionism and collective bargaining, the right to strike and so on – established the principles of equal treatment and equal pay of men and women for work of equal value and instigated a major rise in industrial conflict and a wave of unofficial strikes at the firm level, at which union activity was not allowed. In 1982, Law 1264 fully democratized the union movement, recognized primary unions at the firm level, enabled union activity within firms and enlarged the freedom to strike.

Strike activity is strictly regulated and 'improper' exercise of the right to strike is liable to legal action (Kravaritou 1994). A strike is lawful only if called by 'legally constituted' unions, while sympathy strikes, protest and work-to-rule strikes are legal.

2.2 From Adversarial to More Consensual Industrial Relations

As also happened in Spain and Portugal in the mid-1970, the fall of the colonels' dictatorship in Greece opened up a period of rising unionism and intensive industrial action. From 1974 through the 1980s industrial relations were extremely adversarial. Although highly politicized and internally divided into factions, Greek unions remained unitary, unlike their counterparts in Italy, Spain and Portugal. The 1990s and 2000s saw a decrease in strike activity while union density fell from 37.6 per cent in 1992 to 24 per cent in 2008.[2]

There is a long-standing provision in Greek industrial relations for the participation of unions and employer organisations in various tripartite bodies at the national level, such as the Supreme Labour Council, the public employment service (OAED) and so on (Kravaritou 1994). However, only in the 1980s was workers' participation in decision-making within firms institutionalized: participation in the boards of public utilities and nationalized firms, health and safety committees in firms with more than 150 employees, and works councils in firms with more than 20 employees, Work councils were opposed by primary enterprise unions, however, and in the end were created only in a tiny proportion of firms.

The recession of 1990–1993, the ideological impact of the collapse of the communist bloc on the union factions of the left and the accession to power of a liberal government that remained in office during 1990–1993 contributed to a turn by the majority of trade unionists towards a social-partnership approach to industrial relations (Karamessini 2009). EU integration is an additional determinant of the gradual decline in industrial relations conflict. Its influence has been exerted through the establishment of social dialogue institutions and the achievement of social consensus on the country's entry in the Economic and Monetary

Union (EMU), which persuaded trade unions to moderate wage claims (Kouzis 2002). The Economic and Social Committee (OKE) was founded in 1994 as a tripartite body whose mission is not only to conduct social dialogue on economic and social policy issues, but also to give the government an opinion on bills and legislative proposals referred to it. However, social dialogue has culminated in only one social pact since the creation of OKE.

2.3 Wage Determination: Decline in State Intervention But Strong Wage Regulation

National-level bargaining on the national minimum wage was first established in Greece in 1935 and has been a core element of the post-war collective bargaining system. The National General Collective Agreement (NGCA) not only determined the minimum wage but also set the floor for employment and working conditions and workers' rights (working time, leave, rights of part-timers, apprentices, student workers, equal treatment, funding of training, severance pay and so on). National-level bargaining on sectoral or occupational minima was the second most important feature of the Greek collective bargaining system. Company-level bargaining was added to this level after 1974 and company-level agreements always improved over sectoral and occupational minima.

State intervention was a basic feature of the post-war wage-setting system and its role was to make collective bargaining outcomes compatible with the targets of incomes policy either through direct control of wages or through state-controlled compulsory arbitration, which was established in 1955. In 1982 a system of automatic indexation of wages to inflation was put in place but was abolished in 1990. In the same year, a new law on 'free' collective bargaining replaced compulsory arbitration by independent third-party mediation and arbitration. As a result, the share of arbitration awards in the total number of collective agreements declined sharply. Despite these changes, the Ministry of Labour kept its prerogative to extend collective agreements to non-unionised employees and employers, which accounts for the high coverage of employees by collective agreements.

In the late 1990s, the bargaining rounds between management and the strong unions in public utilities and banking were decoupled from those between the National Confederation of Greek Labour (GSEE) and peak employers' organisations on the national minimum wage. A basic mechanism of articulated bargaining and wage drift was thus broken (Ioannou 2000).[3] However, public utilities and banking remained in the 2000s – as in the 1990s – the strongholds of the union movement, which dominated the leadership of GSEE and reinforced its bargaining power over the NGCA.

At the onset of the current crisis overall wage inequalities were substantial. In 2008 Greece ranked sixth among OECD countries in this respect (OECD 2012a). In the same year, in-work at-risk-of-poverty rate of employees was 8.1 per cent.[4] However, the national minimum wage was above the poverty line and its gap with the average wage was small by international comparison. In 2009, the national minimum wage was 45.2 per cent of the average wage, the third highest rate among EU countries that had a national minimum wage (INE-GSEE/ADEDY 2011). However, Greece's absolute ranking was average and much lower than most EU15 countries.

2.4 Strong Labour Market Segmentation along the Formal/Informal Work Divide

Greece was a typical example of a segmented labour market before the crisis. Strong protection against the dismissal of formally employed permanent employees, especially white-collar, has been a core element of the traditional Greek employment regime, along with extensive informal/irregular work. The former remained intact during the twenty years before the current crisis, the only exception being a 2005 law that abolished for persons newly hired in public utilities the stronger protection against dismissal of employees in these firms than in private firms. As for informal work, this expanded in the 1990s and 2000s, mainly due to mass illegal immigration and the irregular situation of large numbers of migrants staying and working in Greece. Efforts have also been made by several governments to introduce types of employment and working-time flexibility in the labour market in the 1990s and 2000s. Union opposition tempered the degree of flexibility actually introduced and ensured relatively good protection for employees involved in some forms of atypical work, such as part-timers and temporary agency workers. In 2007, Greece had the lowest rate of part-time employment and incidence of flexible working-time arrangements in the former EU15, while the rate of fixed-term contracts among employees was below the EU27 average. However, at the same time, project/service contracts among dependent workers, uninsured employment and informal/irregular work thrived but, by their very nature, remained unrecorded.

2.5 Fragmented (and Not Universal) Welfare System

The main characteristics of the Greek welfare state at the beginning of the 1990s were:

- An extremely fragmented pay-as-you-go pension system with major inequalities in entitlements (Featherstone and Tinios 2006; Tinios 2007), a diminishing ratio of insured persons to pensioners and extensive and long-standing contribution evasion.
- Major disparities in levels of cover and access to health care between different population groups and a high level of private health expenditure despite the operation of the National Health System (NHS) since 1983 (Davaki and Mossialos 2006).
- Strong familialism and gender bias of the welfare regime, stemming from (a) residual unemployment compensation, social assistance and family policy which is based on the assumptions that the family is responsible for assisting its unemployed and dependent members and that women are the primary care providers; (b) the lower legal age of retirement for women and special early retirement schemes for married women and mothers of children under 18. Strong familialism and gender bias have kept the female activity rate low.

Reforms of the pension system in the 1990s and 2000s established mixed funding of insurance funds through contributions and general taxation. They also introduced a means-tested supplement to low basic pensions, increased the minimum insured time for full pension entitlement and reduced the replacement rate of pensions. Furthermore, they gradually equalized the legal age of retirement between public and private sector employees and between women and men at 65 for those insured from 1 January 1993 onwards. However, the reforms did not ensure the financial sustainability of the pension system, which was constantly eroded by extensive contribution evasion by employers and the expansion of informal work. Similarly, reforms of the public health service did not prevent the spectacular rise in private health expenditure, which reached 57 per cent of total health expenditure in 2005, the highest share among OECD countries.

The late 1990s and 2000s also saw an improvement in maternal and parental leave and a 'catching up' of child and elderly care services (Petmesidou 2006; Karamessini 2010a). However, just before the current crisis, Greece had the lowest coverage of children and elderly by care services in the former EU15. Grandparents and migrant women hired as carers by high- or medium-income households stepped in to cover unmet demand. Last but not least, the residual system of social protection against unemployment (Papadopoulos 2006) became even more so when, on top of a quasi-inexistent social assistance pillar, a 2007 reform replaced wage-related benefits with a single flat-rate basic benefit set at 55 per cent of the minimum wage (Karamessini 2010b).

In conclusion, despite its improvements, the Greek welfare state was suffering from substantial weaknesses at the onset of the crisis.

2.6 Important Role of Public Services But Increasing Privatization

The role and scope of public services were very important in the Greek social model but private firms were also massively present in key areas of the welfare state: health, social care and training, but also education. State monopolies dominated all public utility sectors – energy, water supply, transport and telecommunications – but market deregulation in these sectors started in the late 1990s, in application of EU directives. Until the beginning of the 2000s privatizations were essentially partial – in the form of selling shares to private investors – but later on public telecoms and the national air carrier were fully privatized.

2.7 Equal Opportunities/Anti-discrimination: Belated Improvements

The 1975 Constitution includes several provisions on the principle of equality and against discrimination. Equal pay for work of equal value is one of them. However, gender equality policy started to develop in the 1980s with the adoption of equal treatment legislation and legislation protecting working parents from discrimination and granting them entitlements to leave for caring duties. Gender equality policy became more active in the 1990s and 2000s, making use of European structural funds to promote female labour force participation and employment. Sporadic policies to combat other forms of discrimination developed later. The legislative framework was improved in 2005 when EU directives 2000/43 and 2000/48 were transposed into national legislation (Law 3304), but discrimination against immigrants was overwhelmingly present and constantly reproduced by stringent migration and asylum policy and nationality law that refused migrants with many years of residence and their children a permanent stay and social integration on equal terms.

Table 5.1 Main elements of the Greek social model mapping the ESM

ESM mapping: Greece	**Main elements of the Greek social model**
Labour law and workers' rights	Legalistic tradition of industrial relations; primary unions and freedom to union activity at the firm level since 1982; few official limits to right to strike.
Employment/labour market	Strong employment protection legislation; low incidence of part-time work and flexible working-time arrangements, medium incidence of temporary work; relatively good protection of atypical workers; great expansion of project/service contracts and informal/irregular work since the beginning of the 1990s.
Equal opportunities/anti-discrimination	Equal opportunities policy developed in the 1980s with the adoption of equal treatment legislation and legislation for working parents and ESF funds increased activity in 1990–2000s. Weak anti-discrimination policy on other grounds than sex. Discrimination against migrants reproduced by migration and asylum policy and nationality law.
Workers' participation, information, consultation	Existing legislation for works councils since 1988 never enforced due to opposition of primary enterprise unions already present in firms with the same or similar functions.
Social dialogue and collective bargaining; social partners' recognition and involvement	Social dialogue initiated in 1990s after the turn of unions to a social-partnership approach and creation of ESC in 1994. Trade union density was medium but decreasing (24 per cent in 2008, down from 37.6 per cent in 1992) while collective agreement coverage was high due to the administrative extension of collective agreements to non-unionised employees. National-level negotiations dominated.
Welfare systems/social protection/social inclusion	Fragmented pay-as-you-go pension system; disparities in levels of cover and access to health care along with high private health expenditure; residual unemployment compensation, social assistance and social care systems; strong familism and gender bias of welfare regime; improvement of leave system and care services since late 1990s.
Role of public services and services of general interest	Important role of public services in the Greek social model, but private firms also massively present in key areas of the welfare state: health, social care and training.
ESM mapping: Greece	**Main elements of the Greek social model**
Involvement of civil society	Constitutional participation of NGOs in ESC; ad hoc involvement in other consultative bodies with limited power.
Decent/fair wages	1975 Constitution introduced equal pay for work of equal value principle. In 2009, national minimum wage stood above poverty line at 45.2 per cent of average wage.
Regional	Greece characterized by small regional differences in economic and

cohesion/development	social indicators relative to EU average.
Social expenditure as a percentage of GDP	Considerably lower than former 1995 EU15 average; almost equal to average in 2008 (26.2 per cent of GDP)

2.8 Social Expenditure: Solid Convergence with EU15 – Failure to Combat Poverty

The Greek welfare state was underdeveloped relative to the north-western European welfare states in the post-war decades. A catching-up process was initiated after the end of the colonels' dictatorship in 1974, which intensified in the 1980s. However, in 1995 social protection expenditure represented 19.9 per cent of GDP in Greece as against 27.4 per cent of GDP in the former EU15, on average, a gap of 7.5 percentage points.

Catching up continued in 1995–2007, a process led mainly by pensions and health (Figures 5.1 and 5.2). In 2007 social protection expenditure as a percentage of GDP had nearly converged with the EU15 average. If to social protection expenditure we add public expenditure on education and social services, then the gap in total social expenditure as a percentage of GDP between Greece and the EU15 average was 4.1 percentage points (Figure 5.3). However, on the eve of the current crisis, the Greek welfare state could no longer be considered underdeveloped, at least in terms of expenditure, as was the case in the mid-1990s.

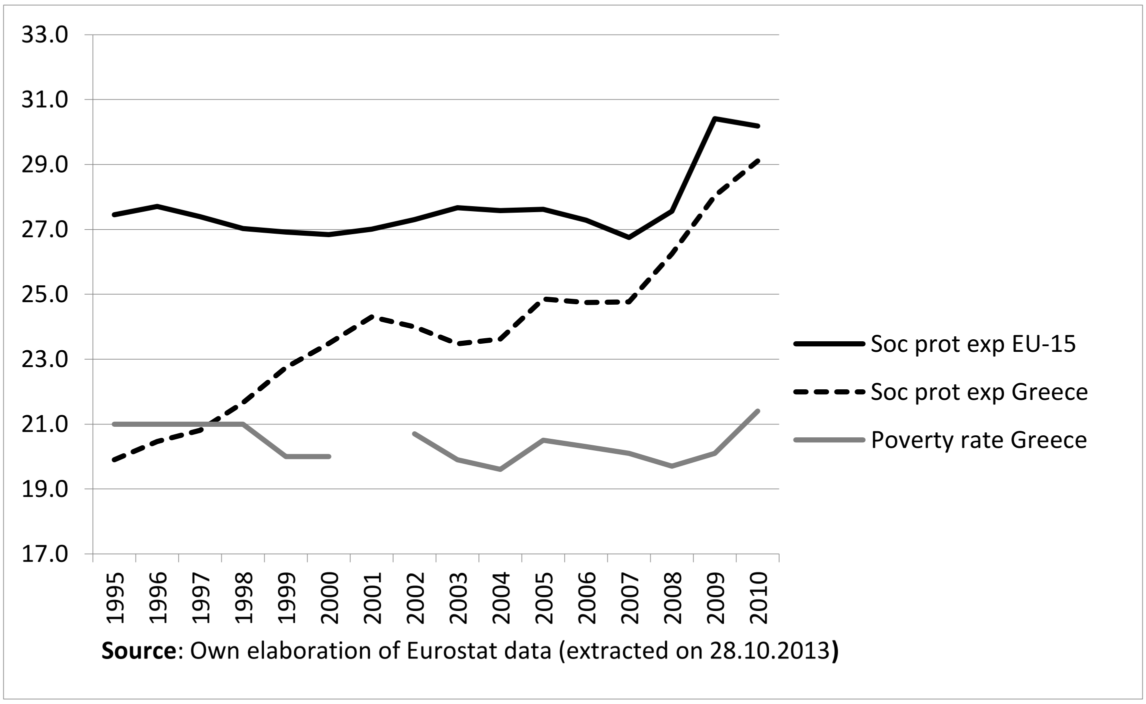

Figure 5.1 Social protection expenditure as a percentage of GDP and the at-risk-of-poverty rate, Greece, 1995–2010 (%)

Source: Author's elaboration of Eurostat data.

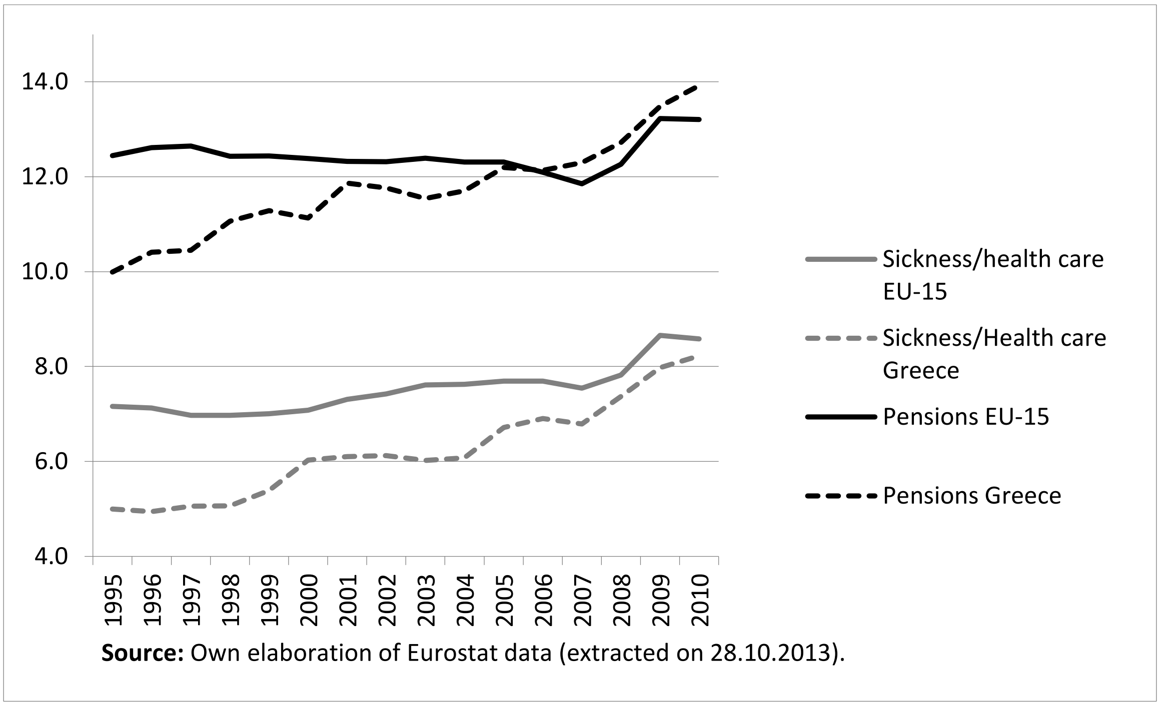

Figure 5.2 Social Pensions and sickness/health care benefits, Greece, 1995–2010 (percentage of GDP)

Source: Author's elaboration of Eurostat data (accessed on 28.10.2013)

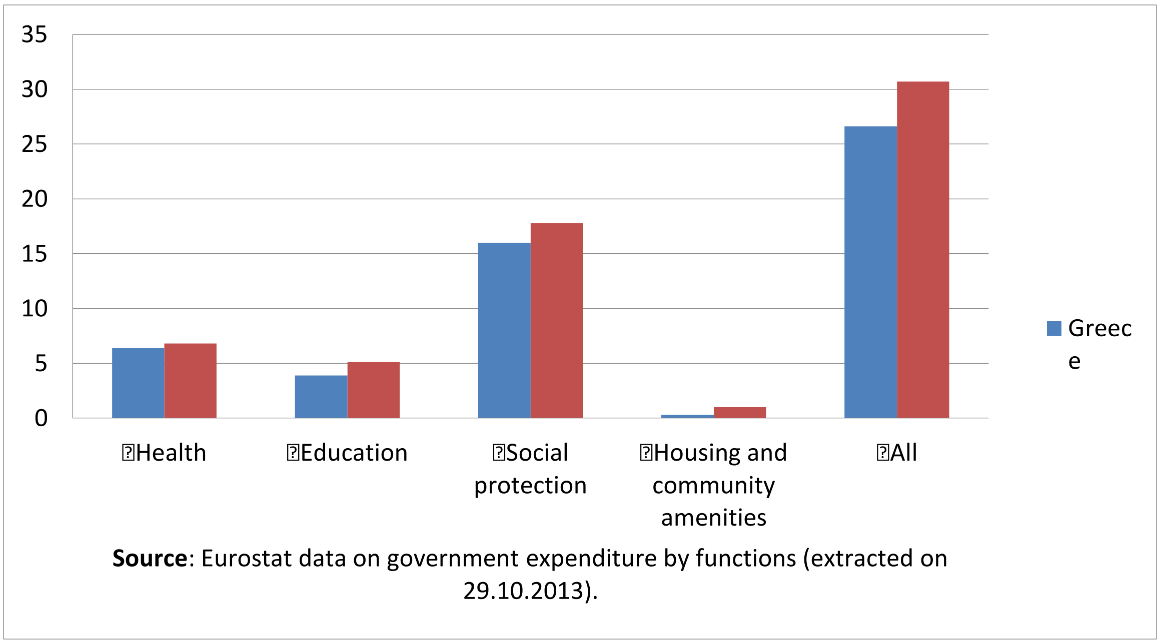

Figure 5.3 Social expenditure by category in the EU and Greece (percentage of GDP)

Source: Eurostat data on government expenditure by function.

Although the income poverty rate and gap retreated somewhat between 1994 and 2004 and nearly stabilized between 2004 and 2008 (Tsakloglou and Mitrakos 2012), Greece possessed the third highest poverty rate in the EU27 in 2008 (20.1 per cent). This means that the expansion of social expenditure as a proportion of GDP between 1994 and 2008 proved unable to reduce poverty significantly, as can be seen in Figure 5.1.

The relatively weak redistributive effect of social expenditure – and thus its ineffectiveness with regard to poverty reduction – has been attributed in the literature to two sources: the unequal levels of generosity enjoyed by different categories of pensioners (Matsaganis 2011) or to the low level of social transfers other than pensions and their low effectiveness in reducing poverty, which is related to the lack of universal benefits (Dafermos and Papatheodorou 2010). Generally speaking, '*expansion of social expenditure was barely framed by universalistic social citizenship values*' and has been accompanied by fragmentation, polarization and particularism of interests and entitlements (Petmesidou 2013a: 180).

3. SOVEREIGN DEBT CRISIS AND THE RADICAL RECASTING OF THE SOCIAL MODEL

In May 2010 the IMF and euro-zone partners granted Greece substantial loans to prevent disorderly default on sovereign debt, which might have triggered the collapse of exposed European banks and the EMU. A new package of loans was granted by the same lenders in March 2012 after a 53.5 per cent write-off of sovereign bonds held by the private sector, which made necessary the recapitalization of the Greek banking system. The disbursement of loans was made conditional on an Economic Adjustment Programme implemented under the supervision of the so-called 'troika' (European Commission, European Central Bank and IMF) and revised in 2012.

Fiscal consolidation, internal devaluation through reduced labour costs and financial stability were the main goals of the EAPs. The fiscal consolidation effort is estimated at 18.5 per cent of GDP (OECD 2012b), while its aims were to reduce the general government deficit from 15.6 per cent of GDP in 2009 to less than 3 per cent of GDP in 2015 and generate primary surpluses to repay sovereign debt. The EAPs also included a series of structural reforms in the labour and product markets intended to restore competitiveness through a 20–30 per cent devaluation of wages, prices and assets and re-launch growth through investment and exports.

The EAPs comprise two kinds of measures that directly affect the social model. The first includes wage and benefit cuts and parametrical changes in the social protection system, leading to an immediate or medium-term reduction in public expenditure. The second kind of measures include radical reforms of the wage-setting system, the employment regime and the welfare state, leading to structural changes and having long-lasting effects. Undoubtedly, the austerity ‘cure’ imposed since 2010 has shaken the foundations of the pre-crisis social model and structural changes are leading to its demise and recasting. The main changes in the social model brought about by the implementation of the EAP are summarized in Table 5.2.

3.1 Reforms Imposed on the Social Model – Diagnosis of the ‘Problems’

The diagnosis of the problems that lies behind the imposed EAP reforms of the Greek social model can be summarized in two key arguments.

‘Public sector and social protection unsustainable – labour costs too high’

First, the pre-crisis public sector was oversized and the social protection system financially unsustainable (especially pensions and health care). Both represented an obstacle to fiscal adjustment in the short term and a growing burden on the state budget in the long term. Second, the pre-crisis wage-setting system and employment regimes favoured large wage increases in the non-tradable sector of the economy, which were transmitted to the tradable sector. These account for the loss in competitiveness and the spectacular rise in the current account deficit after Greece’s entry in EMU in 2001.

This analysis has found support among several Greek scholars who have openly blamed labour protection and pensions as the ‘micro-foundations of disaster’ (Lyberaki and Tinios 2012) or the welfare state as a ‘far from trivial’ cause of the crisis (Matsaganis 2011). Conversely, other scholars have refuted the assertions that rising labour costs and social expenditure are among the (main) causes of the crisis, although they recognize the rise in the real effective exchange rate in the 2000s and the weaknesses and accumulated deadlocks of social protection (Karamessini 2012; Petmesidou 2013b).

But is the social model responsible for the crisis? We discuss below the main arguments of the troika implicitly or explicitly appearing in the EAPs and their reviews.

‘Emphasis on expenditure and not on revenues’

Admittedly, inefficiency and waste were pervasive features of the Greek public sector before the crisis. However, the size of the sector, when measured by the primary public expenditure-to-GDP ratio, was equal to the EU27 average in 2007 (Figure 5.4). In the same year there was a substantial gap of –4 percentage points for Greece versus the EU in the public revenue-to-GDP ratio (Figure 5.5).

Figures 5.4 and 5.5 indicate that the period of high growth of the Greek economy (1994–2007) was characterized by a catching-up process of a relatively underdeveloped public sector to the EU27 average, which was not supported by a similar trend in public revenues. The latter have converged with the EU27 average during the preparatory period for entry in the euro, which took place on 1 January 2001, but have diverged from it afterwards.

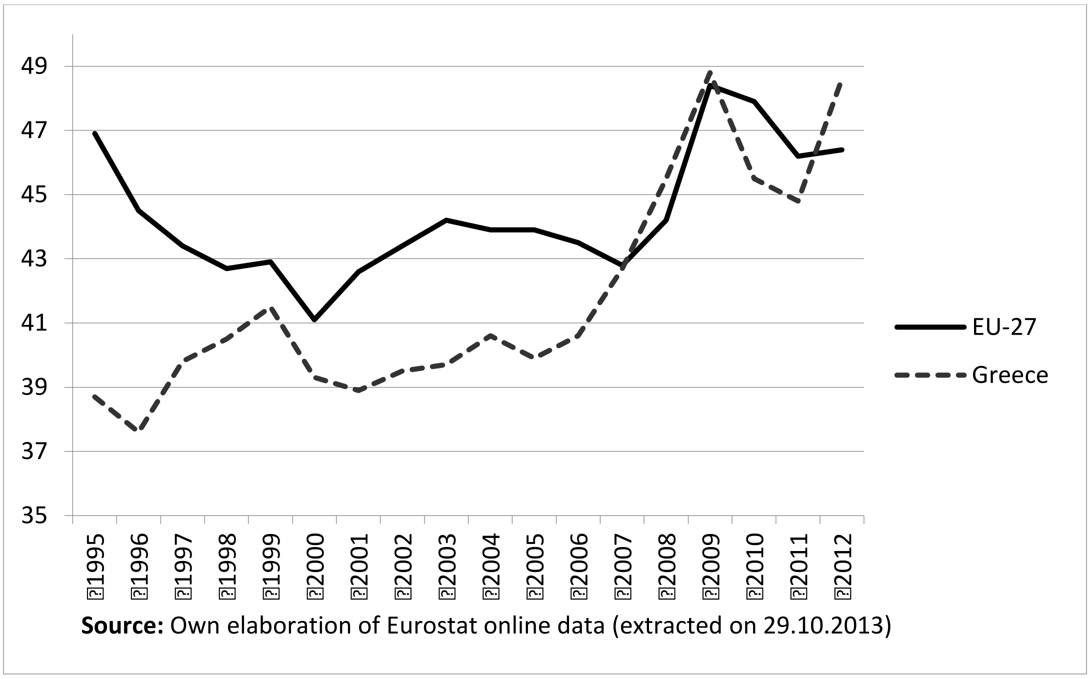

Figure 5.4 Primary public expenditure, Greece and EU27, 1995–2012 (% of GDP)

Source: Author's elaboration of Eurostat data.

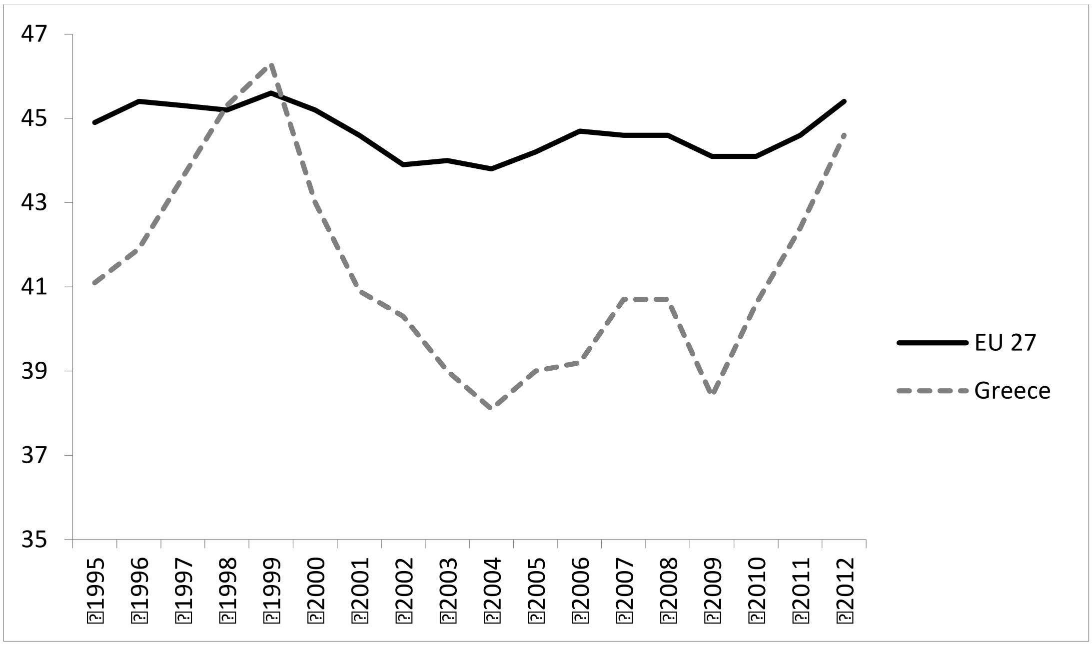

Figure 5.5 General government revenue, Greece and EU27, 1995–2012

Source: Author's elaboration of Eurostat data.

It follows that the very high sovereign debt at the onset of the crisis reflected a long-standing public revenue deficit rather than excessive public expenditure (Stathakis 2010). The deficit was maintained through structural tax avoidance and evasion by firms and the self-employed; tax privileges were granted to banks, maritime capital, the Church of Greece and liberal professions, but also tax concessions to capital and high incomes in the 2000s. With regard to tax evasion, it is indicative that 64 per cent of all Greek taxpayers declared income below the tax-free income ceiling and 17 per cent zero income for 2008, while wage earners and retirees paid 63 per cent of all income tax for the same year (Vasardani 2011). Tax evasion has contributed significantly to social security deficits in the 1980s, 1990s and 2000s, which were covered by state budget allocations.

There is no recognition by the troika of the contribution of the revenue deficit to indebtedness. It has been argued instead that the savings made by Greek governments due to the sharp drop in borrowing costs between the mid-1990s and the mid-2000s '*were more than swallowed up by increased spending on wages and pensions*', while '*the pension system had become underfunded as a result of increasingly generous entitlements and an aging population*' (IMF 2013b, p. 5). Neither is there any mention in the official documents of the contribution to rising public expenditure of the 2004 Athens Olympics, the overpricing of public works due to corruption and high military spending.

'Public sector oversized'

In 2011 Greece was the OECD country with the lowest rate of employment in general government as a percentage of the labour force but had the third highest rate of employment in public corporations (OECD 2013a, Figure 5.2: 103). The rates were 6.9 per cent and 12.8 per cent, respectively, while total public sector employment rate was average. The alleged urgent need to downsize the public sector was thus based on a myth.

'Wages the source of inflation and loss of competitiveness'

Let us now turn to the role of wage increases in the deterioration of the current account deficit from 3.1 per cent of GDP in 1998 to 18.8 per cent in 2008. The debate on the determinants of this deterioration has been vigorous. Throughout the 2000s, the Bank of Greece has attributed growing deficits in the balance of goods and services mainly to losses in price competitiveness due to the persistent inflation differential with the euro-zone average. Indeed, between 2000 and 2008 Greece's real effective exchange rate based on consumer prices appreciated by 8.1 per cent relative to the other euro-zone partners and by 17 per cent relative to all trading partners. But as early as 2003, the Annual Report of the Governor of the Bank of Greece suggested that real wages should increase less than productivity, while nominal wages should increase in line with productivity and average inflation in the euro zone until the inflation differential was erased. Asking wage earners to bear the full adjustment cost became the mainstream approach of EU institutions. Wage-driven inflation was later on contradicted by EU publications that attributed 67 per cent of the rises in Greek prices during the first half of the 2000s to profit margin increases, 20 per cent to indirect tax increases and only 13 per cent to labour-cost increases (European Central Bank 2006; European Commission 2007). Given that real wages grew in line with productivity during that period, the finding that inflation was mainly profit- and tax-driven rather than wage-driven is very important with regard to assigning responsibilities to the actors involved in determining the outcome.

Alternatively, the annual reports and several studies by the Institute of Labour of Greek Trade Unions (see, for instance, INE GSEE/ADEDY 2010; Ioakimoglou 2011) have repeatedly underlined the minimal role played by labour costs in the loss of competitiveness in the 2000s. They have also highlighted the important role played by euro appreciation[5] – 36 per cent between 2001 and 2008 – and low non-price and structural competitiveness and have showed that Greek employers could have easily increased price competitiveness by reducing their profit margins, given that these were the second highest in the EU15 after those in Ireland in 1995–2009. These reports and studies, finally, have attributed a significant part of deficit deterioration to the much higher growth rate in Greece relative to its trading partners and defined Greece's chronic trade deficit as a problem of structural competitiveness.

Notwithstanding their minor role in the deterioration of the current account balance, lowering labour costs is the second most important quantified target of the second EAP, which is, however, mute concerning such thorny issues as industrial and technology policy, international trade and productive specialization and the euro exchange rate.

3.2 Public Sector: The Main Target of Fiscal Consolidation

The fiscal consolidation effort in Greece since 2010 can be summarized as follows. Between 2009 and 2013 public expenditure was reduced by 29.7 per cent, GDP contracted by 20.8 per cent and tax revenues declined by only 10.1 per cent as a result of the great increase in the tax burden and a much lesser increase in the tax base.

The public sector has been the main target of fiscal consolidation. To drastically reduce public expenditure, draconian measures have been implemented in the civil service, state agencies and public companies. On the other hand, the revenues from the long list of privatizations included in the EAP are intended to directly repay sovereign debt.

3.2.1 Drastic Reduction in the Public Sector Wage Bill

Cuts in the wage bill of the public sector took place through cuts in wages, bonuses and personnel. Between May 2010 and May 2011 nominal wages in the civil service were reduced by 15 per cent and those in public utilities, agencies and undertakings by 30 per cent, on average, by eliminating or imposing caps on bonuses and wages (Hellenic Republic, Ministry of Finance 2011). Later on, a new salary grid was introduced in public administration, taking effect on 1 November 2011; it brought about a new reduction in civil servants' nominal wages by 17 per cent per cent, on average (IMF estimates, cited by Tzannatos and Monogios 2012). Cuts of similar magnitude in the wages in public utilities and undertakings took effect on the same date. Finally, a reform of the special wage regimes (judges, diplomats, doctors, university professors and so on) took effect on 1 August 2012, resulting in 20–30 per cent wage reductions, on average.

A series of measures have been implemented to reduce public sector employment:

- Suspension of recruitment of permanent employees in the public sector in 2010, except in education, health care and security; application of the rule 'one hire for 10 exits' in 2011 and that of 'one hire for five exits' in 2012–2016.
- Reduction of employees on short-term contracts by 30 per cent in 2010, 50 per cent in 2011 and 10 per cent annually in 2012–2016.
- Increase in the standard working time from 37.5 to 40 hours weekly without any rise in pay and drastic reduction in overtime working.
- Mergers of municipalities and reduction of their number by two-thirds and of local government personnel by 50 per cent.
- Labour reserve and mobility schemes through which staff is either reallocated to new positions or dismissed after a certain period on the scheme (initially 12 and then 8 months) during which they receive 75 per cent of their salaries (2,000 transfers in 2012 and 25,000 in 2013).
- Closures, mergers and downsizing of public and private law legal entities (for example, railways, public broadcasting company) entailing dismissals.

In 2010, public sector employment decreased by 10 per cent overall. After negotiations with the troika, the Greek government committed itself to reducing public employment by 150,000 in the period 2011–15, which corresponds to a further 20 per cent reduction. Although the attrition rule and the mobility scheme in force were considered sufficient for meeting the target, the troika has exerted pressure for 'up-front mandatory exits' that would 'send a powerful signal that the taboo against public sector dismissals is finally being broken' (IMF 2013a: 15). This means that the stakes were much greater than just fiscal consolidation. As a result, the government has committed itself to 4,000 dismissals in 2013 and 11,000 in 2014. Official administrative records indicate that employment in general government declined by 34% between the end of 2009 and the end of 2013.

3.2.2 Privatizations: The Big Issue Ahead

In June 2010 the Greek government announced a huge privatization programme encompassing public firms, agencies and assets (banks, transport companies, ports, airports, utilities, energy, telecoms, gaming industry and state-owned real estate). This became part of the second EAP in 2012 and has led to privatizations in the banking sector, telecommunications and gaming. The privatization of utilities is expected to have the greatest impact on the social model since the prices of basic goods (electricity, gas, water supply and so on) are expected to rise. For instance, to prepare the privatization of the public power company, the government has announced successive increases in the price of electricity consumption. Apart from the abovementioned privatization programme, the private sector is expected to advance in all the fields in which the welfare state is retreating (pensions, health insurance) and the quality of provision is undermined by underfunding and understaffing (tertiary education, health care, social care and so on). We discuss these issues in the next section.

3.2.3 The Welfare State in the Eye of the Storm

Pensions and health care are the welfare state sectors that have experienced the deepest benefit cuts, the highest rises in contributions and the most radical reforms since 2010. This is because, before the crisis, they jointly represented a very high share of social protection expenditure and an important share of general government expenditure (88 per cent and 29 per cent, respectively, in 2008).

Pensions: immediate cuts and radical reforms

The 'austerity measures' that have been implemented in pensions since 2010 are aimed at containing rising public expenditure on pensions between 2010 and 2060 to a maximum 2.5 percentage points of GDP. They consist in reductions in benefits, increases in contributions and radical reforms of main and supplementary pensions.

Series of pension cuts

Nominal cuts in public and private main pensions by 10.5 per cent on average, the introduction of a progressive 'solidarity contribution' on pensions exceeding 1,400 euros and the freezing of all pensions over the next three years were among the first austerity measures taken in 2010. Many rounds of reductions in all kinds of pensions (main, supplementary and lump-sum) have followed since then (see Table 5.2), posing the question of the adequacy of reduced pension benefits for a large share of the older population.

Radical reforms in 2010 and 2012

However, the greatest implications for the social model follow from the radical pension reforms, starting from the reform of main pensions in July 2010. The 2010 reform introduced a two-pillar pension system – a basic quasi-universal means-tested pension and an earnings-related contributory pension – to replace the former one-pillar pay-as-you-go system that had been increasingly subsidized by the state. Under the new system, the state will be financially responsible only for the basic pension that will be granted to uninsured people over the age of 65 or those with a contributory record of fewer than 15 years, with very low individual and family income and provided they have lived at least 15 years in Greece between the age of 15 and 65. This same pension reform merged all social security funds into three by 2018 and brought the pension system of civil servants into line with the private sector pension system by eliminating all its more favourable provisions from 2013 onwards. The above reform was completed in November 2012 with the increase in the retirement age from 65 to 67, taking effect on 1 January 2013.

Supplementary pensions were revamped in 2012. All funds were merged into a single one, while the existing defined-benefit pay-as-you go system is to be gradually replaced by a notional defined-contribution system. As a result, the amount of benefits will no longer be determined ex-ante but will depend strictly on the contributions accumulated over the lifetime on individual accounts (capitalization principle). From 1.7.2014 the ‘zero deficit’ clause took effect, involving the downward adjustment of pension levels whenever the fund has a deficit.

Although it is true that most cuts in pensions ‘have been progressive, mostly affecting those that are better off’ (European Commission 2012b: 41) recent reforms ‘clearly give precedence to sustainability over adequacy, leaving important questions as to the pension levels of future pensioners open’ (Sakellaropoulos 2012). We dedicate a case study (No. 2) to these issues (Section 5).

Health care: reduction in public expenditure, increase in private funding

As previously mentioned, public expenditure on health as a percentage of GDP in Greece was very low by international comparison at the beginning of the 2000s but caught up with the EU27 average at 7.4 per cent of GDP in 2009. One of the main reasons for the steep rise in total expenditure was the increase in expenditure on pharmaceuticals (Tzannatos and Monogios 2012). Furthermore, at the onset of the crisis the National Health System (NHS) faced serious problems of efficiency, equity and quality of service delivery (Economou 2012) and suffered from chronic shortages of nursing personnel. Citizens trusted public hospitals more than private clinics in case of serious illnesses and operations, however.

The main EAP objectives and targets in health care were the reduction and stabilization of public expenditure at or below 6 per cent of GDP and the reduction in public pharmaceutical spending towards 1 per cent of GDP. The structural measures taken since 2010 were directed at:

- reducing and thereafter controlling expenditure on drugs and diagnosis tests (e-prescriptions, promotion of generics, centralized procurement, negative list of medicines);
- merging the health care branches of the numerous social security funds into a single health insurance fund – EOPYY (National Organization for the Provision of Health Services);
- increasing private funding of public health care (admission fees in public hospitals, co-payments of drugs and diagnostic tests, social security contributions);
- reorganising the hospital sector to reduce costs (mergers, closures, restructuring of public hospitals) and increase revenues (afternoon outpatient consultancies);
- closing down the clinics of EOPPY and transforming the latter into only a buyer of health care services from the NHS and private providers; and reorganising primary healthcare to reduce costs.

Savings in public expenditure were also sought with a 40 per cent reduction in the operating costs of public hospitals, reductions in the salaries and overtime pay of the doctors and nursing personnel and application of the attrition rule 1:10 in hires from 2011 onwards.

Social welfare: towards residual but more universal protection

Although the second EAP and its reviews by the European Commission and the IMF recognize the need to rationalize the social welfare system, correctly pointing to the fragmentation of social benefits, the inadequate coverage of the poorest and their poor targeting (Amitsis 2012), savings of public monies was set as an equally important goal in this field. This has led to measures that had contradictory effects on generosity and coverage.

The main changes concerning unemployment benefits are the reduction of the ordinary flat-rate benefit by 22 per cent in 2012, the introduction of caps to its cumulative duration over a four year period and the abolition of all special benefits. On the other hand, in 2012, unemployment insurance was extended to the self-employed but with stringent eligibility conditions for compensation, which restricts the number or beneficiaries. In the same year, the annual income threshold that serves as a means-test for the entitlement to unemployment assistance was raised from €5,000 to €12,000. In 2013, the threshold was reduced to €10,000; public expenditure on unemployment assistance was capped but the latter, which previously covered the long-term unemployed aged 45-64 who had received an ordinary benefit for 12 months, was extended to cover those aged 20-66 from 1 January 2014 (Matsaganis 2013).

As for financial support to families with dependent children, all child tax allowances as well as the benefits for large families have been abolished and replaced by a single targeted benefit granted from the first child. Additionally, tax allowances for employees living in rented accommodation and rent subsidies for low income employees were also abolished.

A final proof of the contradictory measures taken in the field of social welfare is the following. While more stringent qualifying conditions are now applied to the means-tested supplement that is granted to low-income pensioners, thus curtailing the number of beneficiaries, in November 2014 started the pilot implementation of a Minimum Income Guarantee scheme in thirteen municipalities of the country.

The above measures constitute a mix of severe cuts in the level of untargeted benefits and entitlements and the redirection of public monies to flat-rate, targeted and means-tested benefits. On the other hand, the pilot implementation of a minimum guaranteed income scheme proves the government's intention to construct a universal safety net in the medium term. If this is accomplished, the above measures will represent a move towards more universal but residual protection.

Social care services: greater dependence on EU funding

Since 2010 fiscal consolidation has entailed substantial cuts of about 60 per cent in state budget allocations to municipalities, which are the almost exclusive providers of social care in Greece. At the same time, private nurseries face a serious reduction in demand for their services due to the impoverishment of the middle class. An EU-funded voucher system enacted in 2008 saved both municipal and private crèches and nurseries from collapse in the following years. A voucher for free access to accredited childcare structures is granted to employed or unemployed mothers if their household income is below a certain ceiling, depending on the number of children. Having said that, the most important negative effect of fiscal consolidation can be seen in the deterioration of the quality of provision in municipal crèches and nurseries, due mainly to understaffing. Temporary posts in crèches and nurseries, which made up an important part of all posts, have been eliminated, while permanent staff has also been reduced with the non-replacement of those exiting to retirement. The ratio of children per educator has thus increased considerably.

As for the EU-funded Home Help programme for elderly and disabled people, this was discontinued in 2009 and reintroduced in 2010 with different eligibility criteria that left 30 to 40 per cent of previous beneficiaries without cover (Matsaganis 2013). In 2012, a social contribution was introduced by law to cover the needs for home help of people retiring from 2015 onwards, but entitlement to services was limited to the most deprived elderly. This arrangement does not provide insurance for comprehensive long-term care and runs counter to insurance logic and fairness criteria (Petmesidou 2013a: 195).

Reinforcement of gender equality policy against the tide

Ironically, the sovereign debt crisis and the turn to austerity in 2010 coincided with the launch of the ambitious National Programme for Substantive Gender Equality 2010–2013. This included all the prerequisites for the implementation of a full-fledged and all-embracing gender mainstreaming strategy at all levels of government for the first time in Greece, entirely co-financed by the European Social Fund. It also provided for the creation of a wide network of counselling centres for women and shelters for victims of domestic violence throughout the country. Most of the actions having been implemented, it is noteworthy that gender equality policy has not only survived but has been reinforced under austerity and recession against the tide (Karamessini 2014).

3.3 Labour Costs: The Adjustment Variable for Internal Devaluation

Reducing labour costs in the business sector of the economy, to be achieved by 'structural labour market reforms', was one of the key goals of the first EAP, which became an explicit and quantified target under the second EAP. Structural reforms encompassed both the employment regime and the system of wage determination.

3.3.1 Employment Regime: Dismantling the Protection of Permanent Employees and Generalized Precariousness

Both EAPs include a host of measures aimed at recasting the pre-crisis employment regime by significantly increasing employment and working-time flexibility in the formal labour market.

The most important measures adopted since May 2010 are those meant to ease dismissals. Private sector employees saw the reduction in the notice period for individual dismissals from a maximum of 24 to a maximum of 4 months and in the level of severance pay from 2–24 months to 1–6 months (with prior notice) or 2–12 (without prior notice); and the increase in the minimum threshold for collective dismissals from 2–3 per cent to 10 per cent. The employees of public enterprises saw the abolition of all clauses on tenure provided for by collective agreements and their labour contracts transformed into open-ended ones. Finally, in public administration labour reserve and mobility schemes were created in order to receive personnel made redundant, of whom a certain number has been/ will be dismissed. The above measures entail the dismantling of a core feature of the Greek employment regime, namely strong employment protection of permanent employees.

Another group of measures were intended to ease recourse of employers to atypical contracts, make the latter more flexible by reducing protection of atypical employees, reduce the cost of overtime work and adapt working time to the needs of firms.[6]

The joint outcome of these measures is the blurring of segmentation lines between permanent and atypical employees, on one hand, atypical work and informal employment on the other, and the generalization of precariousness.

3.3.2 Wage-setting System: Unprecedented Changes to Bring Wages Down

Since mid-2010 the wage-setting system has seen unprecedented changes, meant to bring about substantial wage reductions in both public companies and agencies in which wages were set at the firm level through collective bargaining and the business sector.

Between May 2010 and February 2012, the measures of the first EAP gave priority to the dismantling of collective bargaining in state-owned enterprises and agencies, with the legislated reduction of nominal wages and, in the private sector, to the decentralization of collective bargaining to firm level where the employers' position is stronger than that of the unions. In late 2011 and early 2012 the government launched a tripartite dialogue in order to discuss with social partners national minimum wage developments compatible with boosting competitiveness and preserving employment. The results of this dialogue were considered by the troika to be unsatisfactory (European Commission 2012a: 38) and led in February 2012 to the decision on a legislative reduction of the national minimum wage and the dismantling of the collective bargaining system through a series of measures included in the second EAP. The decision was taken in order to allow a substantial reduction in nominal wages in a context of mass unemployment in which individual employees have very weak bargaining power, if any. All these unprecedented measures are analysed in detail in Section 5 (Case Study 1).

3.3.3 Workers' Rights under Attack in Contradiction of ILO Standards

In line with what has been described in the previous paragraphs of this section, we may argue that workers' rights have suffered under austerity from both the severity and the scope of the measures borne by workers, as well as government intervention to limit the freedom of collective bargaining and the scope of collective agreements.

These adverse developments in workers' rights have been attested by two ILO expert missions, which found that austerity measures conflict with ILO Conventions. In a recent report[7] the Committee of Experts on the Application of Conventions and Recommendations (CEACR) expressed its serious concern at the cumulative effect of wage and pension cuts on workers' income levels and compliance with labour standards related to wage protection (Koukoulis-Spiliotopoulos 2013). In the same report the CEACR also deplored the growing delays in the payment of wages and the accumulation of arrears due to widespread insolvencies and lack of liquidity. Besides, in response to complaints by the GSEE, the ILO Committee on Freedom of Association found that the collective agreement system has been dismantled through repeated and extensive statutory interventions in free and voluntary collective bargaining (ibid.).[8]

Neither ILO report considered the recent repeated infringements of the right to strike, however. Since the beginning of 2013, the Greek government has used requisition, involving the compulsory performance of work by employees, in order to stop or prevent four strikes, namely those of refuse collectors, seamen in coastal shipping, Athens metro workers and high-school teachers. All of these strikes fall outside the emergency cases in which the Greek Constitution and law permit requisition as an extraordinary measure. Last but not least, the current round of negotiations with the troika (December 2014) regarding the disbursement of the last instalment of the financial assistance by Eurozone partners under the EAP includes, among other issues, the right of employers to lock-out, procedural prerequisites that make strikes more difficult, restriction in the justified absences of union leaders from work, and changes in union funding. The reforms under negotiation aim at further eroding union power.

3.4 Tax Squeeze on the Lower and Middle Classes

A little less than half of fiscal consolidation has been scheduled to come from tax measures (OECD 2012b). Although the latter were meant to increase tax revenues by raising the tax burden and broadening the tax base, in fact tax revenues decreased by 10.1 per cent between 2009 and 2013 since GDP contracted by 20.8 per cent over the same period.

3.4.1 Large Increases in Indirect Taxes

A number of severe tax measures were implemented in 2010, including increases in VAT and excise taxes by 20 and 30 per cent, respectively, and a number of new indirect taxes (eg. on electricity and natural gas consumption). Since 2010 VAT rates have been increased four times, the circulation tax twice while taxes on fuel three times (Parliamentary Budget Office 2014). A new round of hikes is currently (December 2014) negotiated between the government and the troika.

3.4.2 Regressive Income and Property Tax Measures

A new series of tax measures concerning mainly income and property taxation were adopted at the end of June and in the autumn of 2011. They were clearly regressive, thus arousing major social protests against their unfair and unsustainable character for those on low or medium incomes and vulnerable social groups. These include the reduction in tax-free personal income thresholds from 12,000 to 5,000 euros; the abolition of tax exemptions for disabled persons, parents of many children and so on; the elimination of tax deductions and invoice-based tax refunds; a 60 per cent increase in the criteria for presumptive taxation; the establishment of an extraordinary levy on all real estate without exception, collected through electricity invoices; the reduction of the threshold for the individual property tax and increase in the minimum tax rate. Furthermore, a permanent solidarity contribution of 1 to 4 per cent depending on the level of income was imposed on all physical persons with income above 15,000 euros and a permanent levy of 400 or 500 euros on professionals and the self-employed. An unemployment solidarity contribution was imposed on the earnings of private sector employees and civil servants – 1 per cent and 2–3 per cent, respectively – while a monthly fee was imposed on the self-employed for insurance against unemployment.

3.4.3 High Incomes Less Affected than Those of the Lower and Middle Classes

A comprehensive income tax reform was legislated in January 2013 whose main elements were: the reduction of income tax rate bands from eight to three; the elimination of selective tax credits (on mortgage interest payments, life insurance payments, student expenses and so on); tax allowances for children; the tax-free personal income threshold for the self-employed and professionals; the special tax regimes based on imputed income for farmers and seamen; and the restructuring of the tax regime for corporate profits resulting in a reduction of the gross tax rate on distributed profits from 40 per cent to 33.4 per cent. The above reforms once again reinforce the tax squeeze on the lower and middle classes. Particularly, given that tax evasion, especially among high earners and property owners, is difficult to tackle not only because of institutional inadequacies but also because of a lack of political will and corruption among the political and economic elites.

A new property tax was adopted in the end of 2013. This tax replaced the previous one and incorporated – thus making it permanent – the extraordinary real estate levy that was collected by the electricity company from 2011 to 2013. The new tax does not possess any tax-free threshold as the previous one, does not exclude from taxation property and land that is not being used or exploited while its amount does not vary with the level of income. It is thus accused for producing new social injustices regarding the distribution of the tax burden.

From the above analysis we can deduce that, despite rebalancing measures, tax policy and reforms since 2010 have not corrected the great fiscal injustices of the past and have even aggravated them. They have imposed a tax squeeze on the lower and middle classes, while high earners and property owners have retained their immunity vis-à-vis tax avoidance and evasion. The lack of political will on the part of all Greek governments since 2010 to check tax evasion through cross-border capital transfers became patent in the case of the 'Lagarde list' scandal.[9] It can also be traced in the reluctance of tax authorities to control the activities of the numerous offshore companies at home and the granting of new tax exemptions and favours to maritime capital (Law 4141/2013).

Table 5.2 Main changes in the Greek social model

	Main developments/changes and dates	**Main objectives**
Workers' rights (right to strike and so on)	Collective agreement system dismantled through extensive statutory interventions in free and voluntary bargaining. Repeated infringements to right to strike through requisition of employees (2013).	Reduce wages
Social protection		Reduce public expenditure and open space for private sector
Pensions	In March 2010, cuts in main pensions by 10.5 per cent and introduction of a progressive 'social contribution' on pensions. In October 2011, supplementary pensions cut by 15–30 per cent; 'solidarity contribution' depending on the pension level and ranging from 3 to 10 per cent introduced for pensions exceeding 300 euros; lump-sum pensions for civil servants and some categories of banking and public enterprise employees also reduced by 15–25 per cent; new list of hazardous occupations and the payment of disability pensions suspended until all cases re-examined. In February 2012, main pensions above 1,300 euros further cut by 12 per cent and supplementary pensions by 15 per cent on average. In November 2012, elimination of the flat-rate Easter, summer and Christmas bonuses for main and supplementary pensions; reduction of lump-sum benefits covering the period back to 2010 by 23 per cent on average for different categories of public employees and establishment of new actuarial rules for lump sum pensions; progressive 5–20 per cent reduction in monthly pension incomes above 1,000 euros. Radical reforms in pensions entailed merger of funds. Reform in main pensions has also raised retirement age to 67; equalized retirement age of women insured before 1.1.1993 with that of men; replaced the one-pillar pay-as-you go system with a two-pillar system: quasi-universal means-tested pension and earnings-related contributory pension; introduced strong disincentives against early retirement, a qualifying period of 40 years for full pensions that were indexed to life expectancy; a new way of calculating the pension level was introduced on the basis of lifetime instead of five years of earnings and with lower accrual rates. Moreover, pension benefits were indexed to prices from 2014 onwards. In supplementary pensions, the defined benefits pay-as-you-go system will be replaced by a notional defined contribution system.	Reduce public expenditure immediately and contain its increase until 2060 – open space for occupational and private pensions
Social security	Reduction in employer contributions by 3.9 percentage	Cut labour costs

	points.	and improve competitiveness
Unemployment benefits	Flat-rate ordinary benefit reduced by 22 per cent, caps on total duration of benefit over a four-year period, abolition of special benefits, means-tested benefit for long-term unemployed (2012).	Cut social expenditure but also reinforce the safety net
	Main developments/changes and dates	**Main objectives**
Social allowances	Abolition of child tax allowances and family benefits for large families – Replaced by single targeted family benefit with extra amount for each child from the third onwards. Means-tested supplement to low pensions now granted to people aged 65 and over instead of 60 and over. Pilot implementation of a Minimum Income Guarantee (MIG) scheme in two areas of the country starting from 1 January 2014 and to be rolled out nationally by 2015.	Cut social expenditure, targeting the needy
Social dialogue		
Tripartite consultations/pacts	No tripartite dialogue/pacts. Outcome of dialogue between social partners on minimum wage ignored by the troika.	Reduce wage floors
Collective bargaining (institutions/rules and so on)	Suspension of bargaining on wages in public utilities, derogations from sectoral agreements by firm level agreements, suspension of administrative extension of sectoral/occupational agreements, overhaul of mediation and arbitration system, shortening of the period and reregulation of 'after effects' of collective agreements	Weaken the power of unions, dismantle collective bargaining, reduce wages
Public sector	Downsize	Fiscal consolidation
Privatization	All state companies and agencies and real estate passed to a Privatization Fund. Slow pace of privatization due to problems with tenders and legal obstacles.	Collect revenues to repay lenders of loans
Closures	Closures of schools, clinics, hospitals, higher education institutions and departments, broadcasting company and so on.	Reduce public expenditure and deficit
Cuts (employment and wages)	Employment reduction by 34 per cent; nominal cuts in earnings by 25–45 per cent.	Immediate savings to reduce public deficit
Employment and labour market rules	Labour market reforms; flexibilization and so on	
Work contracts	Abolition of tenure clauses in contracts of employees working in state agencies and public companies. Temporary work, part-time work, rotating work, temporary agency work	Increase productivity, increase hiring

	made easier. Extension of probation period.	
Hire/fire rules	Shortening of notice periods and lowering pay for individual dismissals. Facilitating collective dismissals. Attrition rule: 1 hire for every 5 exits in the public sector. Labour reserve and mobility schemes.	Allow dismissals in the short/medium, term, facilitate hiring later on
Flexibility	Easing flexible working-time arrangements.	Lower labour costs
Wages and living standards	Lowered.	Lower labour costs
Minimum wage	Cut in national minimum wage (2012).	Allow reduction over the whole pay scale
Wage inequality	Levelling down in the public sector – cuts are more substantial the higher the level of pay.	Make cuts more fair and acceptable
Other working conditions		
Working time	Reduction in overtime pay; increase of maximum working days per week; reduction in minimum daily rest.	Extend working time at lower cost to the employer
	Main developments/changes and dates	**Main objectives**
Tax policy	Rises in VAT and indirect taxes; extraordinary levies on profits of firms, real estate, the self-employed and enterprises; establishment of various solidarity taxes, reduction in tax-free personal income thresholds; elimination of tax allowances for children, selective tax credits and special tax regimes; new property tax; reduction in the tax rates on distributed profits.	Increase the tax burden and the tax base
Social expenditure	Dramatic fall in nominal terms. As a percentage of GDP, a substantial fall in benefits in kind and stabilization of other social benefits.	Savings in public expenditure

4. CHANGES IN THE SOCIAL MODEL: WHAT SOCIO-ECONOMIC EFFECTS?

In the previous section we showed that changes in the social model were due to fiscal consolidation and internal devaluation. One should distinguish between short/medium-term effects of changes in the social model that are linked with the recession from long-term effects that are structural in character. These are associated with the radical reforms in the wage-setting system, the employment regime and the welfare state and denote the recasting of the pre-crisis social model within the framework of deregulated labour markets and residual social protection, which is considered by the troika and all Greek governments since

2010 as the most appropriate exit strategy for Greece from the current structural crisis. Long-term effects will be identified in our two case studies.

It is important to underline in advance that mass unemployment for the troika is instrumental for the success of the neoliberal project since (a) it curbs resistance to structural labour market reforms involving a drastic fall in employees' rights and living standards and (b) radically modifies expectations about the future, thus ensuring that the reforms are irreversible.

4.1 Disastrous Effects on the Economy, Social Welfare and Social Cohesion

Since the decisive turn of economic policy to austerity in 2010, the Greek economy has entered an ongoing recessionary spiral consisting in austerity/recession/more austerity. This is having disastrous effects on the economy, social welfare and social cohesion. Table 5.3 below provides an overview of the economic effects of the recessionary spiral while Table 5.5 summarizes the social effects of austerity, linked with the changes in the social model.

4.1.1 Fall in Demand and Output and Increased Unemployment

Between 2009 and 2013 domestic demand fell by 28 per cent, GDP contracted by 20.5 per cent and employment decreased by 19.6 per cent. Depressed domestic demand and the credit crunch pushed thousands of firms and professionals out of business while investment decreased by 55.2 per cent. The figures are even higher if we add negative developments in 2008–2009. Unemployment exploded – peak rate: 28 per cent in September 2013 –, while the share of long-term unemployed rose to 74.4 per cent in 2014 (second quarter) from 40.9 per cent in 2009 (second quarter). The youth unemployment rate reached its highest level - 60.6 per cent – in 2013, while employment and working conditions drastically deteriorated and educated young people started migrating abroad in thousands every year. Fertility dropped sharply, with live births having declined by 18 per cent between 2009 and 2013.

Although by the end of 2010 the crisis had hit proportionally more male than female employment, austerity started to close the gap and reverse the trend by taking a heavier toll on employment in the female-dominated services, including personal services and services to households, education, health and social care (Karamessini 2014). Besides, the 'added worker effect' which prevailed among women during the crisis, as opposed to the 'discouraged worker effect' which proved dominant among men, kept the gender gap in unemployment rates steady (Karamessini and Koutentakis 2014). In the second quarter of 2014, the female unemployment rate stood at 30.4 per cent against a male rate of 23.6 per cent.

Finally, it is noteworthy that unemployment has massively hit male heads of households. As a result, the shares of jobless and female-breadwinner households have increased. In the first quarter of 2014, 11.7 per cent of all couple households with both spouses/partners aged 20–55 were jobless while in 9.2 per cent only the female spouse/partner was working. The figures were roughly the same for couples with at least one child under 18 years of age.

Table 5.3 Selected economic indicators, Greece, 2008–2013

	2008	2009	2010	2011	2012	2013
Domestic economy (percentage change)						
Real GDP	–0.4	–4.4	–5.4	–8.9	–6.6	–3.3
Government consumption	–2.1	1.6	–4.3	–6.6	–5.0	–6.5
Private consumption	3.0	–1.0	–7.1	–10.6	–7.8	–2.0
Gross fixed capital formation	–6.6	–13.2	–20.9	–16.8	–28.7	–4.6
Exports	3.5	–18.5	4.6	0.0	–1.2	2.1
Imports	2.6	–19.6	–5.5	–9.0	–9.1	–1.6
Employment	1.3	–0.6	–2.7	–6.9	–7.8	–3.8
Unemployment (percentage of labour force)	7.7	9.5	12.7	17.9	24.5	27.5
Nominal wages per head	3.3	3.2	–2.6	–2.3	–2.0	–7.1
Private consumption deflator	4.3	1.0	3.7	2.4	0.7	–1.6
Real wages per head	–0.9	2.3	–6.1	–4.6	–2.7	–5.6
Labour productivity	–1.4	–2.5	–2.4	–1.6	1.5	0.2
Profitability index (1961–1973=100)	62.5	54.1	53.1	45.9	41.9	41.5
Public finances (percentage of GDP)						
Overall balance	–9.9	–15.2	–11.1	–10.1	–8.6*	–12.2**
Primary balance	–5.0	–10.2	–5.2	–2.9	–3.6*	–8.2**
Gross debt (end of period)	109.3	126.8	146.0	171.3	156.9	174.9
Current account balance	–16.3	–13.2	–12.0	–10.5	–4.3	–2.7

Note: * Including one-off costs for the resolution of three banks amounting to 2.7 per cent of GDP. ** Including bank recapitalization cost of about 10.6 per cent of GDP and transfers by euro-zone central banks of about 1.5 per cent of GDP.
Source: European Commission (2014).

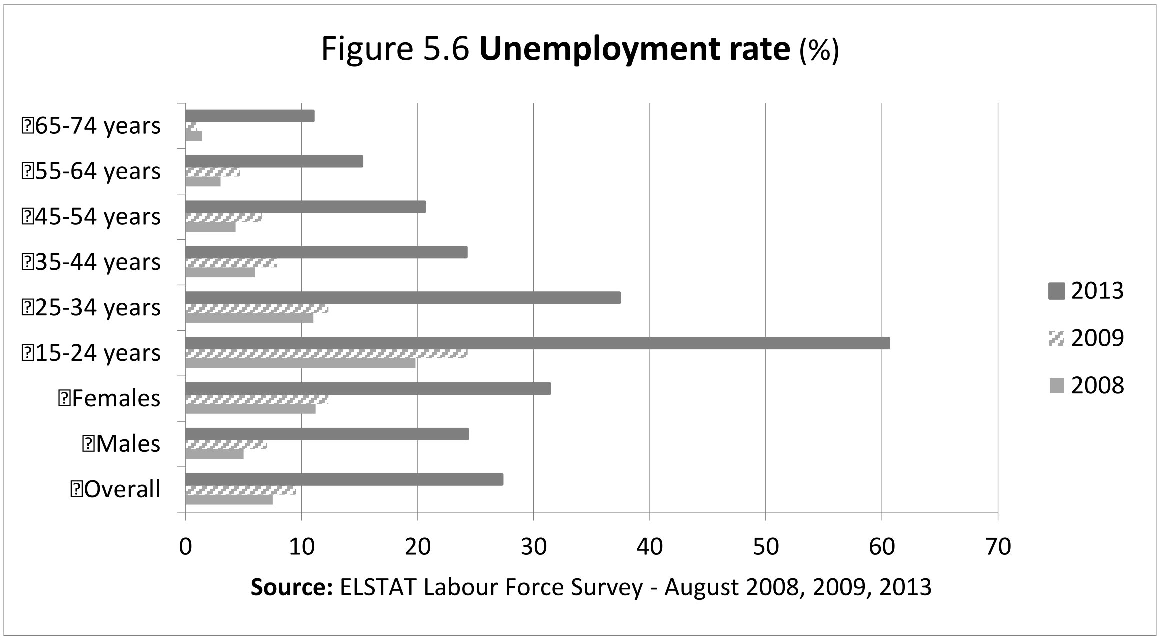

Figure 5.6 Unemployment rate, Greece, 2008–2013 (%)

Source: ELSTAT Labour Force Survey, August 2008, 2009, 2013.

4.1.2 Fall in Wages and Living Standards

Reforms in the employment regime and wage-setting system have led to a major fall in wages, accompanied by the expansion of flexible labour contracts and informal work. The undermining of collective wage determination and the drastic reduction of wage floors in the private sector by state intervention have led to a fall in wages that is fuelling the recession. Between 2009 and 2013 nominal wages per head in the economy as a whole declined by 18.9 per cent while real wages fell by 25.2 per cent (Bank of Greece 2014a, p. 78). Moreover, Family Budget Survey data indicate that the monthly expenditure of households on goods and services declined by 27.4 per cent in real terms over the same period (32 per cent since 2008) pointing to a dramatic deterioration of living standards.

4.1.3 New wage floors and wage arrears make reproduction of employees precarious

The new wage floors for unskilled workers and youth do not ensure independent living for employees paid at the (sub)minimum wages. Below-subsistence wages are expanding in-work poverty and discourage young people from forming their own family and having children. Wage arrears now affect more than half of private sector employees, making the reproduction of employees and their families precarious.

4.1.4 Hiring and Firing Little Influenced by Deregulation Thus Far

Concerning the measures taken to increase employment and working-time flexibility in the formal labour market, it is difficult to assess their impact, especially in a context of depression. For instance, it is hard to assess how the easing of dismissals has influenced the evolution of hires and dismissals, since these are determined mainly by the level of economic activity. Official flow statistics tell us that, contrary to the anticipations of both the proponents and opponents of the measure, hires decreased by 11.3 per cent, while dismissals fell by 2.2 per cent in the year following the reduction of protection against dismissals (2011).

4.1.5 Increase in Part-time, Uninsured Work and Precariousness

As for the measures enabling recourse to flexible labour contracts, a recent report by the Labour Inspectorate shows that, between 2009 and 2012, the number of full-time work contracts converted into part-time or rotating work contracts increased fivefold, while the share of part-time or rotating work contracts in new hires increased from 21 per cent in 2009 to 45 per cent in 2012 (SEPE 2013: 55–56). Uninsured work has also expanded as a result of firms' difficulties with continuously falling demand and a credit crunch; the readiness of employees to accept such work due to mass unemployment; and the incapacity of the Labour Inspectorate to effectively supervise the enforcement of labour law due to staff shortages. Regular controls by the Labour Inspectorate have revealed that the rate of uninsured work in the sample of controlled enterprises increased from 25 per cent in 2010, to 30 per cent in 2011 and 36.2 per cent in 2012 (SEPE 2013: 67, table 19).[10] Even highly educated young people are suffering from very long unemployment spells and are offered only precarious jobs with below-subsistence wage rates and no connection with their studies.

Precariousness of employment combines with extensive wage precariousness (below-subsistence wage rates and wage arrears) to destabilize living conditions and social reproduction, especially among the most vulnerable strata of the working class.

4.1.6 Drastic Retrenchment in Social Expenditure

The welfare state has been seriously impaired by fiscal consolidation (Table 5.4). According to Eurostat forecasts, social transfers in kind will drop from 11 per cent of GDP in 2009 to 9.6 per cent of GDP in 2014 against an EU27 average of 13.1 per cent. Social benefits other than social transfers in kind will return to 19.1 per cent of GDP in 2014, after having increased from 16.1 per cent in 2009 to 19.8 per cent in 2012. Given the estimates on the cumulative fall in GDP, social transfers in kind will have declined by 30.1 per cent and social benefits other than social transfers in kind by 5.1 per cent over 2009–2014.

Table 5.4 Social expenditure by type, Greece and EU27, 2007–2014 (% of GDP)

	Social transfers in kind		**Other social benefits**	
	Greece	**EU27**	**Greece**	**EU27**
2007	9.8		14.0	
2008	10.2		14.6	
2009	11.0		16.1	
2010	10.9	13.4	17.6	16.3
2011	10.8	13.1	19.3	16.1
2012	10.2	13.1	19.8	16.4
2013	9.5	13.1	18.5	16.5
2014	9.6	13.1	19.1	16.5

Note: Figures for 2013 and 2014 are forecasts.
Source: European Commission (2014), Tables 61 and 64.

4.1.7 Substantial Reduction in Public Expenditure on Health Care

Between 2009 and 2012, public expenditure on health care contracted by 32 per cent. Much of the reduction was achieved by positive rationalization measures (lower prices of drugs, e-prescriptions, computerization of hospitals and so on) but the remaining part fell due to (i) the deterioration of access to quality health care, especially on the part of the most vulnerable groups and (ii) lower remuneration and worsening of the working conditions of the medical and nursing personnel. Indeed, 51 per cent of the savings in public expenditure on NHS hospitals during the first year of EAP implementation was accounted for by wage reductions and retirement (IOBE 2011).

4.1.8 Access to Quality Health Care Impaired

Access to quality health care is impaired in various ways. Many drugs and diagnostic tests are not reimbursed by social security anymore; co-payments have increased for those reimbursed and there is a lack in basic medicines in the market after the reduction in prices imposed by the Ministry of Health. Besides, the closure of many smaller units and hospitals increases the cost of access to the NHS for large parts of the population, especially for the most vulnerable groups and those residing in remote areas. Moreover, for 2014 the Greek government and the troika are planning further increases in co-payments and the downsizing of EOPYY’s benefit package.

Moreover, ‘just like the social security funds prior to EOPYY, [the latter] continues to pay NHS hospitals with a large delay and potentially less than the overall treatment costs. This in turn impacts negatively on hospitals ability to pay suppliers, thus generating arrears on the hospital side’ (European Commission 2013a: 35). Arrears combined with delayed state budget transfers lead to great shortages of medicine, materials and consumables and reductions in the number of beds. If to these inadequacies one adds staff reductions in hospitals and health centres, one understands why the NHS is increasingly unable to deliver the same quantity and quality of care as before the crisis.

4.1.9 Deficient Health Insurance Leading to a Humanitarian Crisis

Last but not least, a large share of the population is no longer covered by insurance against sickness because it is unable to pay or dependent on persons unable to pay social security contributions to EOPYY. In September 2013, 33.2 per cent of those registered with EOPPY no longer had insurance coverage, leaving aside those not insured and not registered with EOPYY. The non-insured population has free access only to emergency treatment and consultancies in the casualty departments of public hospitals. Unsurprisingly, increased costs of access and the large gaps in health insurance coverage have led to a humanitarian crisis.

4.1.10 Increased Inequality and Alarming Levels of Poverty and Social Exclusion

Inequality fell during the first two years of the crisis and increased substantially during the austerity period. According to EU-SILC data, the S80/S20 index declined from 5.9 to 5.6 between 2008 and 2010; it had risen to 6.6 by 2013. The Gini coefficient followed the same trend: it decreased from 33.4 to 32.9 between 2008 and 2010 and reached 34.4 in 2013.

Official statistics on poverty and social exclusion are alarming. According to Eurostat, the share of the Greek population at risk of poverty or social exclusion remained stable during the first two years of the crisis but climbed from 27.7 per cent in 2010 to 35.7 per cent in 2013, that is during the austerity phase of the crisis. The rise should be attributed mainly to mass unemployment; that is, to the rising share of the population living in households with very low work intensity (18.2 per cent in 2013 against 6.6 per cent in 2009). Statistics on child poverty are even more alarming: 38.1% of children and young people less than 18 years were living in poor households or were at risk of social exclusion in 2013.

EU-SILC figures on material deprivation are equally alarming. In 2013, 13.8 per cent of the population in Greece could not afford a meal with protein every second day, 29.5 per cent were unable to pay for heating, 49 per cent could not take one week of holidays, 45.3 per cent faced difficulties in paying for accommodation (arrears on rent, mortgage, utility bills or hire purchase), and 47.1 per cent could not financially cope with an emergency situation.

Table 5.5 Effects of changes in the Greek social model

	Social	**Economic**	**Other (political and so on)**
Inequality	In 2009–2012 the poorest decile of the population saw a very substantial reduction in income (56.5 per cent of 2009 income) relative to the average loss in real terms (28.4 per cent). Wage inequalities increased despite pervasive wage cuts, mainly because of the severe cut in minimum wages and the spread of part-time work. Slight increase in the gender pay gap. Tax evasion continues unabated among those with high incomes. Unemployment and precarity in younger generation will lead to very low pensions later.	Lower purchasing power of lower income groups with direct effect on consumption.	Long-term unemployment leads to lost generations.
Vulnerability/precarity/poverty	Rise in poverty or social exclusion rate since 2009. In-work poverty has increased as well. Joblessness in the household, spreading part-time work and low wages lead to poverty. Vulnerability to poverty of those who have fallen behind: long-term unemployed, low wage and precarious workers, male breadwinner families and unemployed spouses.	Greater economic cost in the future for bringing back to employment people who have been distanced from the labour market or lost skills.	Impoverishment of large middle-class strata.
Quality of working conditions	Deterioration of working conditions for the great majority of workers: payment arrears, non-enforcement of rights, for example, overtime pay, rise in uninsured work.	Reduced productivity.	
Quality of employment	Generalization of flexibility and less dualism in the labour market. Extremely high and increasing youth unemployment.	Migration of higher educated.	No future for young people makes involvement in crime more probable.
Wages and low pay	Great fall in the minimum and average wage. Subminimum wage for young people by law; reduced role for mediation and arbitration;	Migration (especially among the well-educated). Brain drain.	Lack of institutions associated with values of a democratic society.

Table 5.5 Effects of changes in the Greek social model			
	Social	**Economic**	**Other (political and so on)**
	pay grid of public servants now applies to all white-collar employees in the public sector.		
Social coverage	A high and increasing rate of the population is not covered by health insurance and does not pay pension contributions (long-term unemployed, self-employed people, uninsured and precarious workers, migrants). Deterioration of public health. Long gaps of coverage during the life course cause reduced pension entitlements in the future.	Poor health means low productivity. Great financial cost for hospitals or the state budget because people make intensive use of casualty departments to receive medical treatment.	Impoverishment of middle classes.
Wages and low pay	Great fall in the minimum and average wage. Subminimum wage for young people by law; reduced role for mediation and arbitration; pay grid of public servants now applies to all white-collar employees in the public sector.	Migration (especially among the well-educated). Brain drain.	Lack of institutions associated with values of a democratic society.
Social coverage	A high and increasing rate of the population is not covered by health insurance and does not pay pension contributions (long-term unemployed, self-employed people, uninsured and precarious workers, migrants). Deterioration of public health. Long gaps of coverage during the life course cause reduced pension entitlements in the future.	Poor health means low productivity. Great financial cost for hospitals or the state budget because people make intensive use of casualty departments to receive medical treatment.	Impoverishment of middle classes.
Public sector's role, quality and so on	Downsizing of public sector and deterioration of the quality of social services.	Privatizations cause loss of state control over strategic industries.	Legitimation through clientelism is weakened.
Social conflicts	High number of strikes.	Increase in number of days lost.	Unstable governments.

Beyond the figures, there is evidence of rising numbers of people who cannot afford food, electricity, heating, shelter and health care (see above). Social solidarity initiatives and networks based on volunteers (social kitchens, social health centres, social pharmacies, food supply networks without intermediaries, social groceries and so on) and similar support schemes run by municipalities, the Church of Greece and NGOs have spread all over the country to provide free food and clothes to the needy, meals at schools to malnourished pupils, medical treatment and drugs to people without health insurance and so on.

Finally, the scenario of enduring immiseration, even if and when growth resumes, creates the spectre of debilitating poverty and deprivation to extend over the life course of the current young generation, to be transmitted to their children (Petmesidou 2013c).

4.2 Distributional Effects: The Poorest Hardest Hit

The distributional effects of 'austerity' are not easy to capture. Avram et al. (2012) have used EUROMOD to study the effects on disposable household income of different policy mixes implemented until mid-2012 to achieve fiscal consolidation in nine EU countries. They have found a progressive distribution of income loss in Greece since the better off have lost a higher proportion of their disposable household income than the poor. However, their analysis has not considered the distributional effects of reductions in public employment and cuts in in-kind benefits and services for households. It has not taken into account the distributional effects of recession and unemployment caused by fiscal consolidation and of reforms in the wage-setting system and the labour market, either.

Also using EUROMOD, Leventi and Matsaganis (2013) have tried to quantify the impact of austerity and the recession on the distribution of incomes in Greece in 2009–2012. They found that 'when deciles are recalculated each year (in other words, allowing for re-ranking), those in the poorest decile in 2012 had lost as much as 56.5 per cent of their 2009 income, that is, much more than the average loss of 28.4 per cent in real terms' (ibid.: 37). The authors suggest that this finding reflects substantial changes in the composition of the population in poverty during the crisis. Mass unemployment has hit male breadwinners, who have become the new poor. Furthermore, the authors argue that, while the impact of austerity on inequality can be described as moderate, the EAPs have not only failed to correct the inequality-increasing effects of rising unemployment but also to prevent poverty from rising by enhancing the social safety net.

Last but not least, in order to assess the distributional effect of tax measures since 2010 one has to make a number of hypotheses about the evolution of tax evasion by income decile. As already mentioned, all governments since 2010 have tried to reduce tax evasion among the middle classes (self-employed, liberal professions and petty entrepreneurs) and preserve the immunity of high income and property owners.

4.3 What Future for the Middle Class?

Impoverishment during the crisis and under austerity does not concern only low-income individuals and households but also the various social strata that are vaguely defined as the ‘middle class’. These are affected by recession and austerity in various ways, the tax squeeze mentioned earlier being only one of them.

To start with, thousands of self-employed and owners of small businesses have ceased trading because of the protracted recession and depressed demand or are keeping their books open despite low activity.[11] As a result, a large number of self-employed people are unable to pay their social security contributions and do not have health insurance (see Case Study 2). It is thus no surprise that, in 2011, ‘a significant number of people in the third income quintile, which constitutes the backbone of the middle class, stated that they were unable to meet medical needs’ (Petmesidou 2013c: 3).

Impoverishment is also the fate of previously well-paid public and private sector employees in their forties or fifties who have seen their real earnings fall by 30 to 40 per cent and their taxes increase steeply; who have been dismissed or pushed to early retirement/voluntary exit and seen their income drastically fall due to non-entitlement to benefits or to the very low rate of unemployment benefit (360 euros) or the low amounts of pension benefits; who have children in education or grown-up children who need financial support because they are unemployed or working for very low pay; who owe banks large sums relative to their monthly disposable income; who are menaced by foreclosure of their main dwelling after the effect of the protective legislation that had expired at the end of 2013.

Overindebtedness is a major problem for many middle-class families and has grown very rapidly in recent years. The fall in disposable income between 2009 and 2011 nearly doubled the debt-to-disposable-income ratio to 96 per cent, higher than the peak observed in Latvia (IMF 2013b). According to the Bank of Greece (2014b), at the end of December 2013, 26 per cent of all mortgage loans and 47.3 per cent of all consumption loans were non-performing. Unofficial data illustrate that these figures increased in 2014. This means that over-indebted middle-class families increasingly find it difficult to make ends meet.

5. CASE STUDIES

In this section we present two case studies to illustrate the changes in the Greek social model after the crisis and under austerity and discuss their social and economic effects. In the first case study we deal with the radical recasting of the wage-setting system and its impact on wage protection, living standards and social cohesion, on one hand, and on competitiveness and the current account deficit, on the other. In the second case study we examine the combined effects of social security reforms and the recession on the sustainability of pensions and health care and the adequacy of benefits and services.

5.1 Case Study 1: Effects of Deregulating Wage Setting and Lowering Wage Floors

For the troika: (i) wage cuts in the public sector serve not only fiscal consolidation but also the aim of removing the wage premium of public sector employees over those in the private sector and breaking the transmission chain of wage increases from the non-tradable to the tradable economic sectors; (ii) the devaluation of nominal wages in the business sector of the economy is central to the process of internal devaluation intended to boost price competitiveness and reduce the external deficit. To achieve this, most of the measures related to wage-setting under the first EAP were aimed at decentralizing collective bargaining, while those under the second EAP were intended to bring about its dismantling while maintaining a state-determined national minimum wage as a wage floor. Let us examine these changes and their effects in greater detail.

5.1.1 From Decentralization to Individualization of Bargaining

One of the first aims of the reforms under the EAP was to end collective bargaining on wages for public sector employees – outside public administration and excluding civil servants – where union power has been concentrated for decades. Collective bargaining on wages was suspended in all public utilities, agencies and undertakings where cuts in nominal wages were imposed by law in 2010 and 2011. Most importantly, in February 2012 a law imposed the civil servants' wage grid on the employees of all private-law legal entities that belong to or are subsidized by the central and local state. This fundamental pillar of the pre-crisis wage-setting system was thus neutralized.

Weakening of sectoral and occupational collective bargaining

This has been one of the central but not admitted aims of the reforms in the wage-setting system in recent years. This was first sought in 2011 by encouraging the decentralization of collective bargaining and allowing derogations from collective agreement provisions at the firm level (see below) and by suspending for 2012–2013 the extension of nationwide occupational and sectoral collective agreements to non-signatory firms by the Minister of Labour. This last measure operated as a strong incentive for firms to quit employers' organizations in order to have more freedom to determine employment and working conditions, either unilaterally or after negotiation with an enterprise union.

Later on, in February 2012, the government made important changes in the maximum duration and 'after effects' of collective agreements, officially meant to give a big push to their renegotiation but in practice opening the way to the dismantling of collective bargaining and its individualization. Collective agreements can now be concluded for a maximum of three years, while those that expire remain in force for a maximum of three months (previously six) and – until a new collective agreement or new individual contract is agreed – total remuneration is curtailed, as a number of allowances paid by firms are no longer applicable. The only allowances applicable are those for studies, unhealthy work conditions and children. This is not an incentive for employers to sign a new collective agreement.

According to the authors of the EAP, decentralization of bargaining at the firm level was meant to ease the downward adjustment of wages and working hours in line with the needs of firms. Two important measures were adopted in 2011 to encourage firm-level bargaining. First, the 'favourability clause' in case of overlapping provisions of collective agreements was suspended, allowing firm-level agreements to prevail over occupational and sectoral agreements; second, firm-level agreements were allowed to be negotiated in firms with at least five and fewer than 50 employees by workers' associations representing at least three-fifths of the workforce (in addition to trade unions), thus potentially bypassing the trade union through possible employer manipulation.

Mediation and arbitration less supportive for unions

A number of legislative changes were intended to make the mediation and arbitration system less supportive for unions. For example, new legislation passed in December 2010 required recourse to arbitration only when agreed by both parties. Before the reform, unions could have recourse unilaterally, provided that employers had rejected the outcome of mediation. Moreover, since February 2012 arbitration only applies to the basic wage and not other remuneration. With these reforms of arbitration, weak unions have lost their most powerful negotiating instrument against intransigent employers.

Changes in legally binding wage floors

Very important changes also took place with regard to legally binding wage floors. In February 2012, by an act of cabinet, the government established 22 per cent lower wage floors than the national minima set by the NGCA, introduced a subminimum floor for those below 25 years of age (32 per cent lower than the minimum wage set by the NGCA) and froze both floors until the end of the Economic Adjustment Programme. The Act was not only meant to give employers freedom to adjust minimum wages downwards. It was also expected to give a strong signal to collective bargaining on sectoral and firm-level wages. To assist this process, the same act of cabinet suspended all legal and collective agreement clauses on seniority bonuses until the unemployment rate reaches 10 per cent.

In November 2012 a new law completely reformed the nationally binding floors for wage-setting, which had been determined by the NGCA since 1958. It stipulated that from 1 April 2013 onwards the minimum wage rate and a subminimum wage for those below 25 years of age will be legislated by the government after consultation with the social partners, other stakeholders and independent experts, taking into account the economic and employment situation and prospects, as well as the need to preserve labour income.

Combined effects improving employers' position

The combined effect of the above-described reforms is the deregulation of the wage-setting system through the dismantling of collective bargaining and the downward adjustment of wage floors through the legislated reduction of the minimum wage and the introduction of a subminimum wage for young people below 25 years of age. The direction of change is the individualization of wage bargaining which, in a period of mass unemployment, is equivalent to unilateral wage determination by firms.

In a recent opinion on collective bargaining in the new legal context, produced after three years of reforms, the Greek Economic and Social Committee (2013: 21) summarizes the factors that now discourage collective bargaining. First, employers do not have any incentive to participate in employer organizations to benefit from sectoral or occupational collective agreements, not even the NGCA. This is because they can unilaterally impose their firm's wage policy after the expiration or renunciation of collective agreements, while the legislated wage floor provides a wide margin for the conclusion of individual contracts with low wages. Second, there is no room for bona fide negotiations since unions are not encouraged to exert their right to collective bargaining in an effective way and, lastly, there is no negotiating balance between the parties, which would allow the convergence of interests and views, because recourse to arbitration is possible only after the agreement of both parties, while arbitration awards can regulate only the basic wage.

Given the dismantling of collective bargaining, we can anticipate that the increasing freedom of employers to set wages unilaterally in a context of mass employment will not only generate a generalized downward wage trend, but will also lead to the concentration of wages around the minimum wage. As a result, the latter will tend to become the average of the overwhelming majority of wage earners (Kapsalis 2012).

5.1.2 Adverse Effects on Wages, Social Dialogue and Social Cohesion

The deregulation of the wage-setting system and the reduction of wage floors, in a context of alarming and ever-increasing rates of unemployment, undeclared work, delays in the payment of wages and accumulation of arrears,[13] are already having sizeable adverse effects on labour remuneration. These effects will be sweeping in the near future.

Collective agreements now leading to wage decreases

A recent study on collective bargaining in Greece in 2011 and 2012 (Ioannou and Papadimitriou 2013) confirms the forecasts deduced from the previous analysis of the nature and aims of the reforms. It has shown that (i) the renewal of sectoral and occupational collective agreements has retreated, while the number of firm-level collective agreements has multiplied, leading to a substantial fall in employee coverage by collective agreements in the labour market; (ii) 48.2 per cent of sectoral and occupational collective agreements provided for wage reductions, while 24.1 per cent provided for wage stability; and (iii) firm-level agreements represent a mechanism for reducing wages more than 15 per cent, while the main trend in their wage provisions consisted in the adjustment to the minimum daily and monthly wages of the NGCA. Tables 5.6 and 5.7 summarize these findings.

According to estimates by the Bank of Greece (2013b: 51), from the end of October 2011 (when Law No. 4024 promoted the decentralization of collective bargaining) until mid-April 2013 about 27 per cent of private-sector employees experienced nominal wage reductions through firm-level collective agreements or individual contracts, while another 20–25 per cent experienced such reductions through sectoral collective agreements. However, the full impact of reforms in the wage-setting system remains to be seen.

Table 5.6 Annual flow of collective agreements and arbitration awards, Greece, 2010–2012

	Sector/occupational		**Firm level**	
	CA	AA	CA	AA
2010	78	35	227	11
2011	45	18	170	9
2012	29	8	976	0

Note: CA=collective agreements, AA=arbitration awards.
Source: Ioannou and Papadimitriou (2013), extract from table 1, p. 47.

Table 5.7 Collective agreement provisions on wages, Greece (concluded in 2012)

	Sector/occupational		**Firm level**	
	Number	**%**	**Number**	**%**
Wage increase	0	0	7	0.7
Wage stability	7	24.1	157	16.1
Wage reduction	14	48.3	664	68.0
5–9%	4		10	
10–14%	3		40	
15–19%	6		38	
20% or more	1		98	
Adjustment to NGCA or to			478	
legislated minimum wages				
Non-relevant*	8	27.6	148	15.2
Total	29	100	976	100

Notes: CA=collective agreements.
* Provisions unrelated to wages or regulation of wages for the first time.
Source: Author's elaboration of data from Ioannou and Papadimitriou (2013), Table 9, p. 61 and Table 12, p. 64.

Drastic fall in real wages and new (sub)minima leading to destitution

As a result of the overhaul of the wage-setting system, real gross wages declined by 25.6 per cent between 2009 and 2013 but wage reductions have varied by sector (Table 5.8). Although average wage reductions are important for gauging the impact of the measures on employee living standards, it is even more important to stress that the new legislated minimum wage and, even more, the sub-minimum wage for young people is below the poverty line and, therefore, does not provide protection from poverty.

Table 5.8 Wage developments during the crisis and austerity, Greece, 2009–2013

	2009	**2010**	**2011**	**2012**	**2013**
Mean gross wages (nominal)					
Total economy	4.6	–4.6	–1.7	–6.6	–7.4
Public utilities	7.7	–5.5	–7.9	–9.5	–10.0
Banking	3.7	–1.8	0.1	–7.5	–10.0
Private sector, excluding banking	2.8	–2.9	–1.7	–9.3	–8.0
Mean gross wages (real)	3.3	–8.9	–4.7	–7.6	–6.7
Nominal unit labour costs					
Total economy	6.4	–2.1	–1.1	–8.1	–8.1
Business sector**	4.4	–1.1	–3.5	–12.3	–9.0

Notes: * Figures for 2013 are estimates.
** The business sector includes private and public firms and banks.
Source: Bank of Greece (2014a). Extract from Table V.10, p.78

Long-term effects on trade unions and social dialogue

Last but not least, the seismic changes in the wage-setting system are having destructive effects on unions and social dialogue. By shrinking or abolishing the role of unions in wage determination, which is crucial for collective action, the recent reforms are undermining collective organization in a period in which the unions are also losing members and bargaining power because of dismissals and mass unemployment. Moreover, the dismantling of collective bargaining represents a substantial regression with regard to social dialogue, which is a factor in social cohesion in democratic societies.

5.1.3 Wage Devaluation, Price Competitiveness and External Deficit

As already mentioned, according to the rationale of the first EAP, a 20–30 per cent wage devaluation that would translate into analogous price reductions and gains in price competitiveness is the core economic process by which Greece is supposed to tackle its current account deficit. After a fall of private sector nominal wages equal to 1.7 per cent in 2011, 'reducing nominal unit labour costs in the business economy by 15 per cent in 2012–14' became an explicit target and was incorporated in the second EAP (European Commission 2012b: 147).

Fall in unit labour costs not leading to enhanced competitiveness

In its latest annual report of the Governor, the Bank of Greece has estimated that nominal unit labour costs will have fallen by 22 per cent during 2012-2014, exceeding the 15 per cent target of the second EAP (Bank of Greece 2014: 79). The Bank of Greece also claims that the loss of competitiveness during 2001–2009, measured by the real effective exchange rate on the basis of relative unit labour costs, has been recovered. In its latest survey on the Greek economy, the OECD confirms these estimates. The real effective exchange rate based on nominal unit labour costs dropped by 26.5 per cent in Greece between the last quarter of 2009 and the third quarter of 2013. In the latter quarter unit labour costs were 4.6 per cent lower than at the beginning of 2000 (OECD 2013b, figure 2, p. 16). However, another report by the Bank of Greece mentions that the fall in unit labour costs is not being translated into price reductions but is being used by firms to cover tax obligations and the lack of bank credits and to compensate for the high cost of energy due to substantial increases in excise taxes to reduce the public deficit (Bank of Greece 2013a: 94). In other words, labour cost improvements are not being converted into gains in price competitiveness. Austerity-led recession has thus broken the link between labour costs and competitiveness.

Furthermore, by engendering idle productive capacity and disinvestment, austerity-led recession hampers productivity gains and the technological upgrading of the production system that would improve structural competitiveness, which is the structural problem behind the external deficit. Labour productivity has decreased since 2010 and its cumulative decline since 2008 is 6.5 per cent (INE GSEE-ADEDY 2013).

Fall in domestic demand not compensated by higher exports

The current account deficit has shrunk from 12 per cent of GDP in 2010 to 2.7 per cent in 2013. But the outcome is mainly driven by the huge reduction in imports over the period (–23.2 per cent) than the rise in exports (5.5 per cent). The rebalancing of the external deficit has thus been achieved through depressed private consumption (-25 percent change from 2010 to 2013), and the colossal fall in investment (-63.7 percent change from 2007 to 2013) (see Table 5.3). The external deficit is thus being tackled through impoverishment and not through internal devaluation (INE GSEE-ADEDY 2013).

Recent econometric analysis carried out by Papadimitriou et al. (2013) on the basis of a macroeconomic model of the Greek economy confirms that the external deficit has structural causes. The researchers have found a high elasticity of goods exports to the income of Greece's trading partners, a higher elasticity for services exports and no short-term impact of relative prices. From these findings they deduce that 'achieving growth in exports through internal devaluation will take a very long time while declining fortunes of Greece's major trading partners do not bode well for the country's exports' (p. 12).

5.1.4 Concluding Remarks

Case study 1 illustrates the dismantling of a fundamental pillar of the ESM, namely collective bargaining and social dialogue. Both have been sacrificed in the name of competitiveness, which underlies the troika's insistence on sharply cutting wages in order to attract investment and redirect production towards exports. The dismantling of collective bargaining alongside depression-level unemployment and generalized employment insecurity has not only undermined union power. Unions have suffered a major blow that may prove fatal.

The target for wage devaluation has been achieved but this has not been passed on to prices and the economic gains are insignificant. On the other hand, the sharp decline in nominal wages and wage floors has led to a collapse of the living standards of employees and their families and the destitution of those receiving the new minimum wage. Young people paid the sub-minimum wage are unable to live independently of their parents. They are even more unable to hope of starting a family of their own.

In conclusion, the deregulation of wage setting and the lowering of wage floors have caused great social suffering and will have long-term adverse effects on the social model without bringing about any significant economic gain that would create hope for the future.

5.2 Case Study 2: Erosion of Social Security Leading to Residual Social Protection

Thus far we have presented and analysed changes in pensions and health care under the EAPs, focusing mainly on benefits, both monetary and in-kind. In this case study we turn to the funding of social protection against sickness and poverty in old age. We focus on the changes that substantially reduce social security funding in the short and long terms and argue that, together with institutional reforms in the benefit package and the organization of service delivery, they are leading to social protection that is merely residual and to privatization.

5.2.1 Funding of Social Protection and Recent Changes

Funding structure before the crisis

Until the beginning of the 1990s, social security in Greece was financed mainly by social contributions and by numerous special taxes on third parties established in favour of the social security funds of different occupational categories, especially those for supplementary or lump-sum pensions and those of liberal professions and seamen for main pensions. In the 1980s appeared the first deficits at IKA, the social insurance agency of private sector employees, which initially were covered by loans and exceptional state budget transfers. Social security reforms in the 1990s established the general government's obligations to fund by one-third the contributions to the social insurance agencies of private sector employees, the self-employed and liberal professions and by two-thirds the contributions to the social insurance of farmers. In 2002 the government committed itself by law to annual transfers to IKA equal to 1 per cent of GDP. Government also financed through taxation NHS staff salaries and NHS deficits.

Table 5.9 Social protection receipts by type, Greece, 2008 (as a percentage of total receipts)

Type of receipt	**EU27**	**Greece**
General government contributions	38.2	34.6
Social contributions, of which:	57.5	53.8
Employers	37.1	32.0
Protected persons	20.4	21.0
Other receipts	4.3	11.5
Total receipts	100	100

Source: Extract from Eurostat, Social Protection - Main Indicators, Table 3. Available at: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Social_ protection_-_main_indicators (accessed on 17.9.2014)

In 2008 the share of social contributions in total social protection receipts was lower than the EU27 average by 3.8 percentage points; that of general government contributions was also below the EU27 average by 3.7 percentage points; while other receipts – proceeds from special taxes imposed on third parties – represented 11.5 per cent of total receipts in Greece as against 4.4 per cent in the EU17 (Table 5.9).

Institutional changes concerning funding since 2010

The 2010 reform of main pensions has not only introduced a two-pillar system (basic and earnings-related pension), but also limited the financial obligation of the state after 2015 to funding only the basic means-tested pension. This entails a considerable reduction in state budget transfers to social security funds in the coming years. Moreover, under the second EAP, social contributions are to be reduced by 5 percentage points[14] and the special taxes that contribute to the funding of social security agencies of the liberal professions abolished.

These changes will surely erode the financial basis of social security, adding to the disastrous impact of the recession on social security receipts (see below). Besides, by enlarging deficits they will certainly entail more benefit cuts.

One might also say that the 2010 reform introduced a state guarantee of the system's sustainability. However, this was accompanied by a safeguard clause whereby if actuarial estimates fall short of the final objective of reducing increases in future pension costs by 2.5 percentage points of GDP by 2060 the government will introduce further measures to lower pension expenditure by ministerial decree (Sakellaropoulos 2012). This clause opened the way for the benefit cuts that took place in the following years and those still pending. Further cuts seem inevitable also in the long term given that, according to actuarial projections, the number of pensioners will increase by 27.2 per cent between 2010 and 2060, while the number of contributors will decline by 6.1 per cent, pushing the support ratio from 1.8 to 1.3 (National Actuarial Authority 2012: 29, table 10).

5.2.2 Collapse of Social Security Receipts and Reserves

It has been widely acknowledged since the publication of Beveridge's famous post-war reports that full employment is the fundamental prerequisite for the financial sustainability of social insurance. The protracted and deep recession Greece has been undergoing for six years now, alongside ongoing internal devaluation, is undermining the foundations of the social security system, causing a dramatic collapse in its revenues.

Dramatic fall in receipts from contributions and abolition of special taxes

Social security receipts have collapsed due to the unprecedented contraction of economic activity and the skyrocketing of unemployment. The insured-to-retired ratio has declined due to net job destruction, the expansion of uninsured work and the increase in exits to retirement. Wage cuts and the inability or unwillingness of the self-employed to pay social security contributions are equally important reasons for the dramatic fall in receipts.

According to data from IKA, between 2009 and 2013 the number of insured employees dropped by 24 per cent, while the amount of revenues from contributions fell by 28.4 per cent.[15] Arrears of active firms to IKA amount to about 8 billion euros, while another 4.5 billion are due from firms that have closed down. The situation is even more alarming for the insurance agencies of the self-employed. The social budget of OAEE (insurance agency for the self-employed) for 2013 indicates that 25 per cent of its registered members have interrupted their insurance, another 48.9 per cent have arrears because they are unable to pay their contributions, while the average pension granted by OAEE dropped by 33.3 per cent between 2009 and 2013 (IME-GSEVEE 2013). The situation is equally critical at ETAA (insurance agency of professionals) which recently announced increases in contribution rates to compensate for revenue losses. Lower revenues than expected led EOPYY to an accruals deficit of 1 billion euros in 2012. They stem mainly from the dramatic fall in health insurance coverage.

Receipts were also undermined by a law passed in 2014 which abolished from 1.1.2015 most of the special taxes on third parties in favour of the social security funds.

Huge loss in reserves from debt restructuring

Finally, the 53.5 per cent ‘haircut’ imposed in March 2012 on the value of sovereign debt held by private sector investors entailed a loss in the reserves of social security funds placed in sovereign bonds of about 12.5 billion euros. The funds were treated as private investors and not exempted from the ‘haircut’.

Vicious circle of more and more cuts

The legislated budget transfers to social security have to date proved insufficient to cover the deficits created by the substantial fall in the receipts of social contributions, while the state subsidy to EOPYY (0.6 per cent of GDP annually) has so far been unable to cover past arrears to private suppliers and NHS hospitals alongside current funding needs. Given its commitment under the EAP to contain public expenditure, the Greek government is currently (December 2014) negotiating a number of reforms and cuts in the state subsidy to EOPYY and Social Security Funds (see State Budget for 2015) required by the troika The reforms include parametric changes in main pensions (increase in the minimum contribution period from 15 to 20 years, increase in the minimum age for early retirement from 60 to 62 years) as well as the merge of all main pension funds (except the one for peasants - OGA) into a single fund (IKA) and the incorporation of the single fund for supplementary pensions and all lump-sum pension funds into the latter. The unification process is not neutral with respect to the level of benefits. It aims to level down the generous pensions granted to the pensioners of “rich” funds and use the reserves of the latter to replace state subsidies in covering the current funding needs of the funds in deficit. Its ultimate goal is to merge the main and supplementary pensions into one benefit and transform the rationale and funding principles of this new and unified first pillar of the pension system from a pay-as-you-go into a notional defined contribution system.

5.2.3 Long-term Effects: Residual Social Protection and Privatization

What will be the future of social protection, taking into account the long-term impact of both institutional reforms and the recession? Even if the recession stopped immediately and the economy started to create jobs at the same pace as in the 25 years before the crisis, employment would return to its 2008 level only in about 20 years. The Greek economy will thus remain for many years – even decades – beset by mass unemployment, precariousness, low wages and great numbers of long-term unemployed. The disruptive effects of the crisis on the careers, employment continuity and level of pay of working age people will certainly affect the accumulation of pension rights and pension levels in the long term. Because, with the recent reform, the level of pensions will depend from 2015 onwards on lifetime earnings it is reasonable to expect that a great share of future pensioners will be entitled to the basic means-tested pension established by the 2010 reform.

In a recent report, the Bank of Greece (2013b: 75–76) repeats the estimates by the National Actuarial Authority that the replacement rate of first-pillar old age pensions will be significantly reduced during the period 2020–2060 (Table 5.10), while all pensioners that will have received in their lifetime up to 1.2 times the median income will be entitled to first-pillar pensions below the poverty line. On this basis, the Bank recommends the development of the second and third pillars of the pension system, in other words, occupational and private pensions.

Table 5.10 Replacement rate at retirement, Greece, 2020–2060 (%)

	2020	**2030**	**2040**	**2050**	**2060**
Main and auxiliary schemes (RR)*	48.1	46.1	46.2	52.4	49.6
Main schemes (RR)	42.0	38.1	39.1	45.2	43.1
Auxiliary schemes (RR)	14.1	13.2	11.8	10.8	11.2

Note: * Excluding loadings.
Source: National Actuarial Authority (2012), table 9, p. 18.

We can thus deduce that the pension reforms under the EAPs, along with the long-lasting effects of the recession, lead in the long term to residual social protection against poverty in old age and open a space for private insurance companies to develop and fill the gap. These companies are already very active in promoting low-cost private health insurance packages for all those with no social insurance coverage. Recent legislation has also allowed for a number of beds, medical equipment and laboratories in public hospitals to be rented to such companies, who can use their own medical personnel. Although private health care expenditure has contracted during the crisis due to the impoverishment of the middle class, any retreat of the NHS caused by austerity under the EAPs favours the development of the private health sector. This is more than evident in a recent government decision to downsize EOPYY's primary health care provision.

5.2.4 Concluding Remarks

Case study 2 indicates that austerity is seriously harming social security, a basic pillar of the ESM in Greece. The steep fall in activity, mass unemployment, wage reductions and spreading informal work are undermining its financial sustainability and have gravely eroded current health care coverage and future pension entitlements.

Greece is thus rapidly heading towards merely residual social protection with regard to poverty in old age and sickness, not only because of initial cuts and reforms in benefit levels, entitlements and funding, but equally because of social security deficits that are being created by the collapse in receipts from social contributions, bringing about more and more benefit cuts. We may consequently deduce that the recessionary context in which institutional reforms in pensions and health care are being undertaken is codetermining the move towards residual social protection, to be followed by privatization, particularly in the post-recession era.

6. CONCLUSIONS

Since 2010, structural reforms in the public sector, the labour market and the welfare state have been dismantling and radically recasting all the pillars of the pre-crisis Greek social model. The main outcomes of these reforms are a lean public sector, a deregulated labour market, the erosion of social security and welfare state retrenchment. Although many of the reforms have contributed to fiscal consolidation and are still doing so, their main aim is to pave the way for a profit-driven export-led growth model and to assist in its consolidation. The way has been paved thus far by a drastic reduction in labour costs, which will continue in the coming years. Public sector downsizing, privatizations and welfare state retrenchment will provide new investment opportunities to private capital, while a deregulated labour market ensures that wage development remains well below productivity growth to constantly boost profits.

The scale of fiscal consolidation and internal devaluation carried out by the Greek governments under the EAPs in recent years is huge, while the results of the endeavour have been, to date, disastrous and outrageous for any country during peacetime. The austerity 'cure' has led the economy into a depression comparable to that of the US economy in the 1930s and a recessionary spiral that has increased the burden of sovereign and private debt. Depression is destroying the economy's endogenous capacity for sustainable recovery. The production system has been weakened by the closure of thousands of firms and disinvestment, big industrial firms are relocating, know-how is being destroyed, thousands of educated young people are emigrating, and population and fertility are falling.

At the same time, internal devaluation has not produced any significant growth in exports. Adjustment of the external balance is realized through the impoverishment of the lower and middle classes, leading to a fall in imports. Structural competitiveness, the real cause of external deficits, has deteriorated as a result of disinvestment.

Economic depression is accompanied by exploding unemployment, a dramatic fall in living standards, decimation of employees' and social rights, impoverishment among the lower and middle classes, a humanitarian crisis affecting the most vulnerable groups, major disruptions in social cohesion, generalized precariousness and uncertainty about the future. The main structural changes in the social model – in other words, labour market deregulation and welfare state retrenchment – are contributing to precariousness and uncertainty. Moreover, the recessionary context in which these changes are taking place is actively helping to shape their long-term outcomes. That is, due to recession and mass unemployment, pension reforms are caught up in a downward spiral of benefit cuts and entitlements, leading to merely residual social protection; while mass unemployment modifies expectations and renders permanent the fall in wages and living standards and the low levels of employee protection brought about by labour market deregulation.

Last but not least, the evidence provided in this chapter runs counter to expectations that the crisis may represent an opportunity for the positive reconfiguration of the Greek welfare state, addressing its pre-crisis weaknesses and failures and leading to 'a more stringent welfare state overall but [one that is] more equitable and more effective at the low end of the income scale' (Matsaganis 2013, p. 173). The erosion of social security and the reduction in state budget transfers point to merely residual social protection in old age and sickness in the coming years; this is already a reality in the case of unemployment compensation. The eventual establishment of the right to a guaranteed minimum income in the coming years – to follow from the current pilot implementation of a guaranteed minimum income programme - is in itself a positive measure, but only to compensate for the mass and extreme poverty created by austerity, internal devaluation and the dismantling of the social model.

The above remarks underline the need to halt the recessionary spiral and the downgrading of living standards, employee and social rights and to seek alternative exit strategies that opt for re-launching growth as a way of fiscal adjustment and promote a growth pattern that respects the right of workers to a living wage and decent working conditions and the right of all people to adequate social protection. However, the troika has no intention of doing anything of the sort. Conversely, it is currently negotiating with the Greek government for 2015-16 an Enhanced Conditionality Credit Line from the European Stability Mechanism. This presupposes a new Economic Programme to ensure the repayment of Greece's lenders through increasing primary surpluses and public revenues from privatizations. From what we know until now, it should be taken for granted that the new programme will include further 'structural reforms' of the social model in the direction pointed to in this chapter.

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Footnotes

1 For the distinction between profit-led and wage-led growth see, among others, Stockhammer (2011).

2 OECD.Stat (data retrieved on 25.2.2013).

3 This is so because, in bargaining with employers, all union federations of private sector employees had systematically used national minimum wage increases as the floor and the best rate achieved by public utilities and banking federations as the target.

4 Eurostat data online (retrieved on 25.2.2013).

5 Greece's extra euro-zone trade represented 40 per cent of exports and 45 per cent of imports in 2007.

6 These measures include the extension of the probation period for new hires from two months to one year; the extension of the cumulative maximum duration of fixed-term contracts from two to three years; the easing of the conditions for derogations; the extension of maximum duration of spells of employment for temporary agency workers from 18 to 36 months; the extension of maximum duration of rotating work at a given firm from six to nine months per year in case of financial difficulties – it can now be applied by the employer unilaterally after consultation; the employer can now decide unilaterally on layoffs of up to three months in firms with up to 5,000 employees; part-time work is now allowed in public utilities; the employer is now allowed to transform the labour contract from full to part time with only the consent of the employee; the abolition of the 7.5 per cent wage premium for short part-time working and of the 10 per cent premium for each working hour of part-timers over the agreed daily time; the reduction of overtime pay by 20 per cent; the easing of

flexible working-time arrangements; the increase in the number of maximum workdays per week from 5 to 6; a reduction in the minimum daily rest from 12 to 11 hours.

7 CEACR Observations adopted 2012, published 102nd ILO Session (2013), Conventions 95 and 102 (protection of wages and social security): available at: http://www.ilo.org/dyn/normlex/en/f?p=1000:11003:0::NO (accessed on 17.9.2014)

8 CFA 365th Report, Governing Body 316th Session, 1–16 November 2012, Case 2820 (Conventions No. 87 (freedom of association) and No. 98 (right to organize and collective bargaining): available at: http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_193260.pdf (accessed on 17.9.2014)

9 The list of deposits of Greeks in Swiss banks handed to the Greek government by Christine Lagarde as the French Minister of Finance. The names have not been investigated by Greek tax authorities because of inaction and manipulation by Greek finance ministers.

10 There are studies that provide lower estimates: 12.9 per cent in 2010 (Kanellopoulos 2012).

11 Between 2010 and 2013 the number of micro firms (up to 9 employed persons) decreased by 28.6 per cent (European Commission, Enterprise and Industry, 2010/11 and 2013 SBA Fact Sheets - Greece, http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm (accessed on 17.9.2014)).

12 According to the Labour Inspectorate, non-payment of wages represented 68.8 per cent of labour law infringements in 2011, a marked increase compared to 2010 when 50.5 per cent of violations concerned such infringements, mainly in retail, restaurants and catering, construction, hotels and the food industry.

13 They have already been reduced by 1.1 percentage points.

14 ’IKA’s receipts have dropped by 5 billion during the crisis’ *Kathimerini*, 13 October 2013, p. 3 (without author).