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Familistic welfare capitalism in Greece: from the crisis of social reproduction to the emergence of a political economy of generalized insecurity*

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• De-commodification, the family and the social reproduction of southern European welfare regimes
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The concept of **decommodification** is taken from the welfare capitalism scholarship. It refers to ‘the extent to which individuals and families can maintain a normal and socially acceptable standard of living regardless of their market performance’ (Esping-Andersen 1987).

The concept of **social reproduction** is taken from feminist political economist scholarship. As Bakker and Silvey (2008: 3) argue ‘different forms of social reproduction can be associated with various social formations’ (i.e. feudalism, authoritarian capitalism, welfare capitalism, state socialism etc.). The concept of **social reproduction in capitalism** refers to ‘both a productive potential and a condition of existence for the expanded reproduction of capital in capitalist social formations’, a ‘conception of social reproduction that not only encompasses what feminist economists refer to as the ‘care economy’ […] but also transcends this notion to include wider questions of power and production […]’

‘The family and the state become important sites where the needs of reproduction are linked to the need of accumulation and where the state intervenes to offset or offload the high costs of social reproduction onto or away from the family at different moments in different locales’ (Bakker and Silvey, 2008: 3)
De-commodification, the family and the ‘South European’ welfare states

The role of the family in the familistic welfare model is not confined to household members but rather refers to an extensive network of kin that ‘provides a mechanism for aggregating and redistributing resources among its members’ (Allen et al 2004: 116, see also Ferrera, 1996).

Traditionally, in Southern European welfare capitalist regimes, the family acted as a ‘decommodification’ agent when its members were out of the labour market or lacked the necessary resources to maintain their living standard.

It also acted as a ‘decommodification’ agent during the life course by providing substantial assets or capital to its members when they started their own family or business, by providing material goods and gifts of substantial value to its members (e.g. cars), by mobilizing political contacts in clientilistic networks, or by providing employment via the embedding of members in family business structures. The cornerstones of social security in these regimes was real home ownership – i.e. mortgage-free - and decent social insurance pensions (on the importance of housing in SE see also Allen et al 2004; on the combination of these two social security pillars in SE see Castles, 1996).

I short, in familistic capitalist regimes the family acted as a welfare agent and a collective economic and political actor.
De-commodification, the family and the ‘South European’ welfare states - 2

Therefore, in order to understand the social reproduction of this particular type of welfare capitalism, it is necessary to focus both on the role of the family as a welfare provider and also on the strategies that the family employed in order to consolidate and mobilize resources.

In Southern Europe, and especially in Greece, state policies ‘locked in’ the family unit the responsibility for the provision of care and social protection, thus, minimizing employers’ political and economic cost for social reproduction.

In these welfare states, it remained the family’s role to undertake the responsibility to protect its members from the exposure to social risks, including its members’ exposure to the market. Risks were, thus, ‘familialized’ with minimal costs for the state and the employers.

It was not the lack of development of the residual or rudimentary welfare state that necessitated the reliance on the role of the family as a welfare provider.

Instead it was the specificities of the particular political economy that embedded in its logic the role that, traditionally, the family played within these societies both as a welfare provider and as economic agent.
The characteristics of South European welfare states were not just endogenous byproducts of ‘rudimentary development’ but, primarily, the results of how their national political economies were integrated in the global and European economies.

That is, as semi-peripheral economies that relied on ‘external growth strategies’ where competitiveness was based on the pursuit of low labour-costs. In turn, this was translated in continuous attempts, on behalf of both employers and the state, to minimize their responsibility for social reproduction.

The end result was the political choice to avoid introducing a universal system of social protection and instead institutionalize segmented and residual social programmes and welfare policies.
The dual role of the family in Greece

The family in Greece has traditionally been

- the main provider of welfare and protection to its members, and
- a key institution in the reproduction of the Greek political economy

These roles were interlinked. They relied on the ability of the family to consolidate and mobilize resources as

- an owner of property (especially private but also commercial real-estate),
- an employer (usually via a family business)
- a member of the clientelistic political system
- a claimant of social security rights (through its member(s) that were able to secure these rights within the formal labour market, and especially through public sector employment).

**Fulfilling these roles had important implications for the gender-related division of labour inside the household that will not be covered in this presentation. Suffice to say that much of the care work of social reproduction relied traditionally on the domestication of women - the 'compulsory altruists' according to Symeonidou (1996) - and their unpaid care work.**
Two periods in the reproduction of the familistic welfare capitalism in Greece - 1

The first period (roughly between 1960-90) – can be described as a period of maximization of resources.

Families accumulated resources but with substantial differences between socio-professional groups.

Often these resources were acquired through clientelistic political relations with political parties’ representatives and translated in favoritist policies. The extension of 'favourable and discriminatory' policies depended on the capacity of each family to negotiate and develop its clientelistic networks in order to benefit from the redistribution of public resources and the tolerance of the state in illegal activities (Petmesidou 1996).

Typical examples were: the tolerance shown by the Greek state in arbitrary constructions (e.g. housing), trespassing/appropriation of public property for private or commercial purposes, the perpetuation of shadow labour markets, underground economy and tax evasion with their related (untaxed) income, the introduction of social security policies privileging particular socio-professional groups.
The amalgamation of these practices allowed the Greek families to increase their resources and, especially for a part of the middle classes, to concentrate wealth that allowed the provision of indirect subsidies to its members realized as income, products, or capital (e.g. for purchase of first residence, set-up costs for businesses etc.).

The strategies traditionally adopted were of ‘low risk’. They were financially conservative, giving strong emphasis on accumulation of assets and real estate as resources for security and, in case of commercial property, as a source of stable income through rents. They were also intensive investments in the so-called ‘human capital’, especially in the education of young family members to further social mobility.

Avoidance of exposure to debt and access to goods or services outside the formal economy or the money nexus allowed a relatively secure, good quality of life under low exposure to ‘market discipline’.
Two periods in the reproduction of the familistic welfare capitalism in Greece - 3

The second period (roughly between mid-90s to present) – can be described as a period of liquidation of resources

The previous period of “maximisation of family resources” entered a transient stage during the ‘modernisation era’ in the mid 1990s onwards. The imposition of market rules following Greece’s integration in the European Monetary Union ‘locked’ economic and social policies into a new frame. Following the introduction of Euro, cheap credit became also available.

The traditional strategies of low risk “maximization of resources” changed. Strategies of high economic risk were adopted that utilized market means for investment and consumption. The main political parties, the state, and the banks heavily promoted these strategies. The alternative on offer aspired to transform families

• from stakeholders of the traditional family-contained low risk family collectivism
• to shareholders in emerging markets pursuing high risk strategies while relying on credit-funded consumerism.

Greek families began investing (and lost) substantial proportions of their wealth and savings in the stock market boom and bust during 1999-2003 as well as in the housing market.
Two periods in the reproduction of the familistic welfare capitalism in Greece - 4

The losses of savings but also the excessive borrowing of households in order to invest their money in the stock and housing markets, constitutes the single most important structural blow in the capacity of Greek households to mobilize resources and protect their members via the market.

Simultaneously, a socio-economic policy of ‘meagre social spending' and recommodification that was enacted in the late 1990s constrained – though not completely - the possibility of families to consolidate economic resources via ‘social security rights’ acquired in the formal economy and labour market.

The major threat to the traditional mode of social reproduction was private debt and employment insecurity and, in this respect, this mode was already in a crisis trajectory, at least a few years prior to the explosion of the politico-economic crisis at the end of 2009.

Empirical evidence on the rise of private debt confirms this point.
Empirical evidence
- Trajectory of household debt -
Private debt (and especially household debt) was increasing rapidly during the decade prior to the 2009-10 crisis.

Greek households’ capacity to accumulate and mobilize resources was undermined by exposure to debt for more than a decade prior to the crisis. Most of the household debt is related to mortgages.
Consumer credit growth prior to the crisis - 1


Source: Cofidis, 2007
## Percentage increase of consumer credit per capita, selected countries

1994-2006

<table>
<thead>
<tr>
<th>Annual Increase 2000-2006</th>
<th>Germany</th>
<th>Belgium</th>
<th>Spain</th>
<th>France</th>
<th>Greece</th>
<th>Italy</th>
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<tbody>
<tr>
<td>2006/05</td>
<td>-2.2</td>
<td>9.4</td>
<td>17.5</td>
<td>4.6</td>
<td>22.3</td>
<td>17.1</td>
</tr>
<tr>
<td>2005/04</td>
<td>-1.2</td>
<td>4.1</td>
<td>21.8</td>
<td>7.2</td>
<td>21.8</td>
<td>18.6</td>
</tr>
<tr>
<td>2004/03</td>
<td>2.6</td>
<td>2.6</td>
<td>10.4</td>
<td>3.9</td>
<td>37.0</td>
<td>17.2</td>
</tr>
<tr>
<td>2003/02</td>
<td>2.8</td>
<td>1.2</td>
<td>1.6</td>
<td>4.2</td>
<td>27.0</td>
<td>12.7</td>
</tr>
<tr>
<td>2002/01</td>
<td>0.6</td>
<td>1.6</td>
<td>9.0</td>
<td>2.1</td>
<td>23.6</td>
<td>11.5</td>
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<td>2001/00</td>
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<td>8.2</td>
<td>-5.6</td>
<td>4.8</td>
<td>42.1</td>
<td>10.6</td>
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<th>Decade Increase 2004-1994 (1994=100)</th>
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<tr>
<td>Mean Decade Increase 1994 - 2004</td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>25.5</td>
</tr>
<tr>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: Cofidis (2006, 2007)
Consumer credit growth prior to the crisis - 4

Outstanding consumer credit as a percentage of the Greek households’ gross disposable income (GDI), 1996-2004

Source: Consumer Credit in Europe in 2006, Le Cadran de Cofidis, Briefing Memo No 26, November 2007
Evolution of Aggregate Greek Debt (public and private)

Source: Lapavitsas et al, 2010
Empirical evidence
- Trajectory of public debt and GDP -
Following the eruption of the sovereign debt crisis the Greek economy entered a period of severe recession which (to large extent) was a result of the measures and reforms adopted under the agreements made with the IMF/EC/ECB.

Unemployment rose from 7.4%, in May 2008 to 17.6% in July 2011

While the Greek economy is contracting, the Greek public debt is rising.
The aftermath of the Greek crisis: GDP falls, due to recession, while government debt rises

Source: IMF (2011)
Empirical evidence
- Policy trajectories in employment, pensions and taxation -
Policies and reforms towards re-commodification prior to the crisis accelerated after the crisis (especially in pension and employment-related rights)

Direct and indirect taxes increased. Home ownership is also heavily taxed, irrespective of ability to pay.
Pension rights – Policies towards re-commodification prior to, and during the crisis (indicative examples)

– Prior to the 2009-10 crisis (2008 reforms):
  – strengthening the links between contributions and pension income
  – increase of statutory retirement age,
  – changes in the calculation formulas of pensions
  – imposition of `penalties' for early retirement (6% pension reduction penalty for each year of earlier retirement).

– After the crisis:
  – stricter eligibility rules,
  – substantial reductions in replacement rates,
  – lower contribution levels for employers,
  – increase of the ‘solidarity tax’ from 3% up to 14% of pension income in excess of €1400,
  – additional tax of 6% up to 10% for pensioners younger than 60.
Employment rights – Policies towards re-commodification prior to, and during the crisis (indicative examples)

– **Prior to the 2009-10 crisis (expansion of partial & precarious employment and implementation of ‘flexible’ work regulations)**
  
  – increase in precarious jobs [e.g. EU subsidised training programs (e.g. ‘STAGE’ programmes), temporary/part-time employment, self-employed that work on a daily or task contracts] and
  
  – recruitment agencies that offer rented labour employ increasing numbers of workers

– **After the crisis:**
  
  – further ‘flexibilization’ of the labour market and strengthening of the rights of employers to ‘hire and fire’.
  
  – trade unions likely to lose their right to refer to the Conciliation and Arbitration Service
  
  – employers are not anymore obliged to offer permanent contracts to employees on rolling temporary contracts.
  
  – in the public sector, the government withdrew the permanent status of public servants
  
  – substantial reduction in wages and demise of national collective bargaining
Tax measures after the crisis – further reductions on family income (indicative examples)

Increases in indirect taxation
• Increase in the standard rate of VAT to 23% (up from 19%) on July 2011, for medical services to 13% (up from 9.5%) and for books and newspapers to 6.5% (up from 4%).
• New listings of products that were previously taxed with the medium tax rate (e.g. restaurant, taverns).
• Additional increase applied in excise duties for petrol, gas, tobacco and alcohol.

Increases in direct taxation
• The government reduced the income tax threshold twice, first on May 2010 where it was set at €9000 (from €12000) and in September 2011 when it was further reduced at €5000.

New property tax, irrespective of ability to pay
• The government introduced in September 2011 a new property tax (on top of existing ones), to more than 5 million private houses and commercial properties with the aim to achieve an annual revenue of €2bn. The total tax for each household depends on the size of the property as well as the location but, crucially, is not linked to any means-testing or any ability-to-pay test. This tax hits the core of the main pillar of socio-economic security of Greek families – small private property – and in an unprecedented move, will be collected via electricity bills. In case of refusal to pay, electricity supply will be cut off from the property.
Discussion and concluding remarks
In southern Europe, and especially in Greece, a distinct familistic model of welfare capitalism is now facing a severe economic and political crisis.

We distinguished **two periods in the development of familistic welfare capitalism** in Greece.

Until the mid 1990s, the family played an important role in the reproduction of the familistic welfare capitalism that was consolidated within (but also reproduced) the segmentation of welfare regimes and a residual social policy. In this period the strategies of “maximisation of resources” that the Greek families followed were of low economic risk and aimed mainly to the state for accessing resources.

Since the mid 1990s, the familistic welfare capitalism in Greece went through the era of ‘modernisation’. This period is characterised from an intense marketisation and recommodification of labour which radically changed the framework within families practised their strategies. In this period the strategies of “maximization of resources” that the Greek families followed were of high economic risk and utilized market means for their investment and consumption (with state and banks backing up these strategies).
Pension and labour market reforms intensified the re-commodification of labour, protection in the labour market was undermined due to the promotion of flexible arrangements, erosion of collective agreements, and increase of precarious jobs (to mention a few of the changes).

At the same time the over-indebtedness of the Greek households in combination with the undermining of their most important source for security – real estate and housing - resulted in multiple failures of the new strategies and along with it the ‘vision’ for social mobility through ‘free market’ competition.

During these dramatic changes in the economy in general, and the labour markets and pension system in particular, the capacity of a large numbers of Greek households to internalize the socioeconomic cost of these changes is severely constrained.

As the Greek state withdraws from (the little) welfare provision and social protection it offered, the Greek family is being asked to play an even more central role in support of its members within a context where its capacity to consolidate and mobilise resources is reduced drastically.
In terms of the pro-market character of social and employment policy reforms prior to the crisis, very little difference can be observed vis-à-vis the policy direction between the previous centre-right and the PASOK government.

If anything, the adoption of austerity measures accelerated the implementation of these reforms and paved the way for deep structural changes, which previously met the resistance of electorate, unions and interest groups.

When it came to power in 2009 PASOK government adopted policies that came in striking contrast with its election promises for welfare and state expansion.

The adoption of the austerity measures resulted in unprecedented economic recession with the Greek GDP shrinking and public debt increasing dramatically.
The lack of any fiscal ‘room for manoeuvre’ in Greece - limited by the inability to print its own currency - means that any expansionary policies to boost consumption (and the GDP) are perceived by successive governments as ‘out of the question’.

At the same time, in order to boost competitiveness and exports, successive governments along with the IMF/EU/ECB policy recommendations, opted for an ‘internal devaluation’, i.e. for reducing labour costs.

The solution opted for is little short of an anti-social policy:

transferring the risk and the responsibility of the sovereign debt crisis to the working population, pensioners and their families both in the public and private sectors.
The middle classes in Greece, either in the public or private sector, are under very serious economic pressure.

With large numbers of households and family businesses indebted, middle classes are facing a free fall in their incomes and an assault in their security. People in lower incomes are close to desperation.

Out of the fragments of the previous politico-economic formation and its familistic mode of social reproduction a political economy of generalised insecurity appears to emerge.

The Greek family is left as the only welfare agent standing in support of its members in a context where its capacity to consolidate, mobilise and redistribute resources is drastically reduced.

The impact on social cohesion and political stability are expected to be severe. Social violence, destitution and insecurity are already increasing.
Discussion & concluding remarks - 6

Following the ‘bailout’ deal in May 2010 Greek public governance was placed under the tight surveillance of ECB, EU and IMF authorities, with the Greek PM admitting that ‘Greece has lost part of its national sovereignty’. The October 2011 agreement follows the same direction and accelerates the loss of national economic sovereignty.

Taking as a starting point that after two years of austerity, the Greek economy is in a substantially weaker position, there is not much scope for optimism with regards to welfare futures, other than the certainty of further wage and pension reductions and continuous loss of hard won socio-economic rights.

Thus, it is reasonable to expect a radicalisation/polarization of political attitudes as more austerity measures are adopted. Increase in demands for the re-affirmation of territorial and political control over the Greek economy are to be expected.

However, in such a tense politico-economic environment, this type of affirmations will directly sparkle substantial rifts with the EU. At the same time, this is also a European crisis and the centrifugal pressures and corresponding interests can break the Euro, or even the EU, apart; an eventuality for which Greece seem to be unprepared for.

Against this background, the agony over the future and direction of Greece, its people and its economy is nowhere near its end.
End of presentation
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