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

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1) Theoretical framework

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

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

\(^{2}\) Petmesidou (1992), p 144-147
\(^{3}\) Sotiropoulos (2003)
\(^{4}\) Petmezidou (1991), (1992)
real question is on what grounds this pressure is exercised. In other words the actual problem is to identify the position that each occupational group assumes in the political and in the economic structures as well as to indicate the resources (symbolic, political or economic) which each group can mobilize to achieve its goals.

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

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

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\(^5\) Esping-Andersen (1990), p 79-82

\(^6\) The process of risk categories recognition on the part of the state is presented in Baldwin (1990)

\(^7\) The concept of time horizons is analysed in Pierson (2000), p 261-262

\(^8\) The civil servants’ pension schemes which were founded at the initial stages of welfare development is a good example.
operate. A case in point here is the expansion of civil war benefits in the late nineteenth century financed by the U.S federal budget and backed by both Democrats and Republicans\textsuperscript{9}. The introduction of the time factor in the study of pensions is of particular relevance since the function of a pension system is overshadowed by a projection of the past to the present. This holds true particularly with the Pay as You Go system\textsuperscript{10} because the current generation of workers pays for the previous generation’s rights that where grounded within a completely different historical context. In any case both types of legitimation are conducive to the development of increasing returns processes since they provide the space for the political structuration of social interests and thus they are in position to determine the outcome of any reform attempt.

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

\textsuperscript{9} Skocpol (1993), p 101-102
\textsuperscript{10} The Greek pension system operates on a Pay as You Go basis
\textsuperscript{11} The political appraisal of Labour hardships is best illustrated in Marx (1977) p 404-416
\textsuperscript{12} Baldwin (1990), p 48-49
2) Early beginnings: the creation of the first pension funds

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

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

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13 The threefold typology of welfare is analysed in Esping-Andersen (1990), p 26-28. There is a debate as to whether the Greek welfare state approximates to the corporatist continental model or to the South European model, see Symeonidou (1997) and Katrougalos (1996).
16 Papathanasopoulos (1988) offers a good account of the first Greek steamboat company.
; After all this specific occupational category played a crucial role during the Greek revolt against the Ottoman rule, a role that is also praised in the very text of the bill. Miners, on the other hand, were constituted as a risk category due to the severe risks incorporated in the production process and they received accident insurance. Their fund was reorganised in 1901 after a series of strike activities, but it was dissolved in 1933 partly because the Greek mining business failed to establish itself as the energy provider of the Greek industry and thus it lost both its political as well as its economical leverage.

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

17 Liakos (1993) p 381. It is also worth mentioning that the law was passed under the premiership of Antonis Miaoulis, son of the commander of the Greek fleet during the war of independence. ibid, p 377
18 Kordatos (1972), p34 -43
19 Hadziiosif (1993), 174-179
20 Liakos (1993), p 384
21 Katrougalos (1996), p 47
22 Liakos (1993), p 395
In the meantime the successful Turkish resistance against the Greek invasion in the Asia Minor territory led to the defeat of the Greek army and subsequently to its withdrawal from the region in 1922. Together with the Greek army an amount of approximately two million refugees fled to Greece so as to avoid the Turkish retaliations. The influx of so many people altered completely the demographic characteristics of the country and reshaped its Home market, while at the same time refugees formed the reserve army of labour upon which the industrial boom of the 20’s was based. The developments in the economic structure were accompanied by the foundation, on shaky grounds, of the Second Republic a democratic regime which attempted unsuccessfully to survive through the contradictions that tantalized it. In this context, a series of socio-economic developments were pointing at the necessity of social security reform. The expansion of wage labour, the intensification of the class struggle, the economic crisis of 1929, the pressures exercised by the ILO (International Labour Office) and the redefinition of risks within the production process established the issue of social security as a priority at the political agenda of the epoch. Venizelos’ government was the first to act in collaboration with the ILO in order to create a unified social security institution. Finally the creation of the Social Insurance Foundation (IKA) was sanctioned by the People’s Party government but remained inactive until 1937, thus it was not until the post war years that the foundation started to operate properly. However IKA’s basic rationale, which was the provision of unified insurance and pensions schemes, was rejected in the first place since the already existing funds were suspicious about the government’s intentions; the suspicions were enhanced by the fact that the government did not participated in the finance of the new institution. On this premise, those occupational categories, such as tobacco workers or railway workers, which already had economically viable funds opposed to the amalgamation with IKA. In fact throughout the 40’s there was a further fragmentation of the system because the high level of inflation had driven certain occupational categories to create supplementary pension funds in order to improve their pension’s substitution rate. The following figure illustrates the tendency of pension funds’ creation throughout a hundred’s years period [data based on Ministry of Social Services (1973)].

23 Riginos (1987) p 97
24 Venieris (1996) p 262
25 Liakos (1993) , p 496
figure1: Creation of pension funds throughout a hundred years period

- main insurance funds
- supplementary insurance funds

<table>
<thead>
<tr>
<th>decades</th>
<th>1860-70</th>
<th>1870-80</th>
<th>1880-90</th>
<th>1890-00</th>
<th>1900-10</th>
<th>1910-20</th>
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<th>1930-40</th>
<th>1940-50</th>
<th>1950-60</th>
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<tr>
<td>number of funds</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>10</td>
<td>16</td>
<td>24</td>
<td>15</td>
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To sum up, the attempts of the Greek state to create a general insurance fund can be judged as premature. Similar developments have been taken place in the rest of the European countries during the post-war years and not all of them were successful. However, contrary to the Greek case, they where all founded upon the enforcement of citizenship right. IKA’s main goal was to insure all urban workers and to incorporate the already existed funds and mutual aid societies without any state contributions. In other words the guiding principle was not that of citizenship but that of a compulsory equalization of different occupational categories under state auspices. It became clear that the state, in line with the corporatist tradition, wanted to control pension funds without giving anything in exchange. In this respect this state driven initiative failed to secure the actual legitimation of a wide variety of occupational groups, and it is exactly at this moment that a culture of resistance against any attempt of pension schemes’ unification starts to emerge.

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

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

\(^{26}\) Gravaris (2006) , p 55
These developments had a series of consequences on the pension regime. The primal concerns of the conservative governments of the 50’s were monetary stabilization and the industrial development of the country based on cheap energy and low wages. In order to pursue the former concern the government established in 1946 the monetary committee which was entrusted with the execution of monetary and fiscal policy. The transition of executive power to this independent of parliamentary control institution marked the subordination of the social policy’s goals to those of monetary policy. An example of this policy re-orientation is the compulsory law 1611/31.12.50 which obliged the insurance funds to deposit their assets to the Bank of Greece at very low interest rates. What the law actually did was to sacrifice the opportunity for the pension funds to accrue their deposits in order to preserve the Bank of Greece’s reserves. With respect to the latter concern (i.e. labour cost containment) the state apparatus controlled the trade union structures and simultaneously repressed any kind of working class mobilization.

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

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27 Iordanoglou (2004) 
28 Compulsory Law 944/1946 
29 Gravaris (2004), p 41 
30 Venezis (1955), p 413-415 
31 Ministry of Presidency (1955), p 103
IKA’s pension arrangement and formed their own pension funds in 1966 and in 1965 respectively\textsuperscript{32}. The same course was followed some years later by the employees of Greece’s Telecommunication Organisation (OTE) \textsuperscript{33}.

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

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

\textsuperscript{32} Zugoyiannis, Leandros (1993), p 174
\textsuperscript{33} Tinios (1999), p 203
\textsuperscript{34} Seferiades (2005)
\textsuperscript{35} Sotiropoulos (1996), p 113
\textsuperscript{36} Sotiropoulos (1999), p 124-125
4) Metapolitesfi : The legitimation shift

4.1) New Democracy and the transition of legitimation

The foundation of a robust democratic regime after the collapse of the dictatorship in 1974 altered the political conditions within which the pension arrangement has been operating. From the beginning the newly founded regime had to deal with the two petroleum crises that ravaged the Western Economies throughout the ‘70’s, while at the same time its survival presupposed the transition to new types of legitimation. In this context the pension policies attempted to strike a balance between the actual legitimation and the ex-post legitimation. With regard to the former type, the main question could be formulated as to whether there would be a transition on the grounding of pensions from the occupational status to the citizenship right. None of the actors involved in the political arena of the mid 70’s took seriously this question. The labour movement, which until 1977 was predominated by the factory associations, aimed at the democratisation of the employment structure and at the purge of the trade unions by the government- appointed cadres who patronised the workers. The idée recue of the worker’s mobilization at that period is well encapsulated in their motto: “We are struggling to bring metapolitefsi in the factories”37. Democratization in the sphere of production was also linked to expectations of wage increase a demand which has been partially accomplished38. In an attempt to deal with the extensive industrial action the Conservative governments of New Democracy (1974-1977, 1977-1981) substituted the 3239/55 Law which penalized strike activities for political purposes with the 330/1976 Law which permitted strike actions for social security purposes39. Despite the sanction of pensions as a legitimate labor demand, little initiatives were taken to this direction. On the other hand the government continued to intervene selectively in the pension system particularly during electoral campaign periods. In particular cases, such as the rise in OGA’s pensions or the pension provision to non-secured old aged persons in

37 Mavris (1993), p76
38 Voulgaris (2002), p 135
39 Karakatsanis (1979)
1981, it granted benefits through the adoption of acts of legislative content so as to skip parliamentary debate\textsuperscript{40}.

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

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

\textsuperscript{41} Avgi 12/12/1975

\textsuperscript{42} Avgi 14/08/1974

\textsuperscript{43} Voulgaris (2002), p 29

\textsuperscript{44} Vernardakis, Mauris (1987)
4.2) PASOK in power: Crystallizing the double legitimation

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

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

45 PASOK (1981), p84-86
46 Only in the Health Sector this transition was partially achieved with the establishment of the National Health System (ΕΣΥ)
47 Gravaris (1998), p 108
49 Sakellaropoulos (1992), p 207-216
50 when an employee changes employment sector he has the right to transfer his contributions from the old to the new pension fund in order to establish a right to pension provision
“benevolence” secured a full scale pension provision from the public sector “noble” funds. Another direction of the pension policy was to stimulate demand through the automatic indexation of pensions (Law 1305/82, the so called ATA) and the increase of benefits in particular pension schemes (Law 1275/82 concerning the merchant’s fund, the professional driver’s fund etc).

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

5) Pension Reform in the age of welfare retrenchment

5.1) Legitimation under siege

After two years of governmental instability, the Conservative party (New Democracy) was re-elected in office in 1990. At that period the neo-liberal reconstruction of the welfare state had reached its peak both in the European countries and in the United States. The object of the neo-liberal policy was to break up the social coalitions underpinning the Keynesian consensus as well as to create new coalitions via the reconstruction of welfare services51. A similar path was followed by the conservative government in the field of pensions.

51 In the case of Britain, the conservative government gave housing tenants the opportunity to buy the houses they where staying in at a low price. In this way welfare dependents were transformed into
In order to deal with the economic crisis the New Democracy’s government implemented tough stabilisation measures aiming at the reduction of the public deficit so as to meet the E.C criteria. These measures included the privatisation of large state-owned companies, such as the AGET-Hercules or OTE, and the overhaul of the social security deficit.

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

Dunleavy (1979), p 433-435

Pelagidis (1997), p 70. The figure 2 is based on data by Bank of Greece (1991)
population. The main factors contributing to social security deficit were, amongst others, the low age of retirement, the high percentage of invalidity pensions and the power of organised occupational groups in certain monopoly sectors (i.e. public enterprises). The last factor is emphatically stressed since those organised interests are in position to exercise pressure in order to receive benefits at the expense of the consumers. Curiously enough the Law did not address the question of administrative mismanagement even though this was the main factor of the social insurance organisation deficit, as it is presented in the figure below.

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

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

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53 Parliamentary sessions second period tome D
54 Data based on Bank of Greece (1991)
55 Petmesidou (1991), p 42
1976/91) was passed on 13/11/1991 and it was mainly preoccupied with the reform of National Liberation fighters’ pension arrangement. According to the statement of purpose presented by the government, the Law’s main goal was to relieve the government budget from the burden of the national resistance’s pensions. A suggestion was made to eliminate the pension provision only to those who were severely injured during their action of resistance. The eligibility to pension provision would be granted by a medical committee instead of the statement of two witnesses which was the standard procedure up until then\textsuperscript{56}. Eventually the amended bill did manage to weaken the ex-pot legitimation which was prevalent throughout the 1980’s. However it did not manage to skip the strong wave of protest launched by the trade unions in 1992 which is presented in the following figure\textsuperscript{57}.

\textbf{figure 4: Number of strikes during the social security reform}

\begin{figure}[h]
\centering
\begin{tikzpicture}
\begin{axis}[
    width=\textwidth,
    height=0.5\textwidth,
    xlabel=Year,
    ylabel=Number of strikes,
    ytick={0,100,200,300,400,500,600,700,800,900},
    ymajorgrids=true,
    xmajorgrids=true,
    grid style=dashed,
]
\end{axis}
\end{tikzpicture}
\end{figure}

\textsuperscript{56} Parliamentary sessions second period tome A. It is worth mentioning the shift of legitimation at the symbolic level. The following day after the amendment of the National Resistance’s pension arrangement (14/11/1991), the Conservative government passed a law that sanctioned pension provision to the victims of the terrorist attacks and their dependent relatives.

\textsuperscript{57} Data based on ILO (2001)
5.2) In search of a new legitimation.

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

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

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

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\(^{58}\) Pierson (1996), p 178
\(^{59}\) Parliamentary Sessions second period tome C
This was enhanced by the weakening of both actual and ex-post legitimation which have backed up the pension regime throughout the ‘80s. PASOK returned in office in 1993 at a time when the old allegiances subsided before the advent of “Europeanization”. This new phenomenon had a double impact on the pension system. On the one hand there was a pressure to constrain social security deficits in order to meet the criteria for the entry to European Monetary Union; in this way once again the social policy was conditioned upon monetary stability. On the other hand there was a tendency, throughout the EU members, towards the harmonization of the pension systems along the lines suggested by the multi-pillar model which was proposed by the experts of the World Bank and the IMF. According to this a pension system in order to be viable should combine a pillar of tax-financed scheme, another one based on contributions and a third one based on private pension provision\(^{60}\).

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

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

\(^{60}\) World Bank (1994)  
\(^{61}\) Matsaganis (2003) , p153  
\(^{62}\) Petmesidou (2006) ,p42-43
an open confrontation with the occupational categories of the broader public sector (such as bank employees, workers in public corporations and civil servants), who were the traditional electoral clientele of the party as well as the providers of the actual legitimation throughout the 80’s. Thus the trade union resistance seemed quite justifiable at least in terms of political strategy.

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

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