Familistic welfare capitalism in crisis: The case of Greece

Theo Papadopoulos & Antonios Roumpakis
Department of Social and Policy Sciences & European Research Institute
University of Bath

DRAFT – do not quote without permission of the authors

June 2009
Abstract

The paper focuses on the double role that the family is called to play in Greece; namely, to be the main provider of welfare and protection to its members and a key institution in the reproduction of the Greek political economy. Until recently, the family in Greece acted as an agent of decommodification of its members in and out of the market via its capacity to consolidate and mobilise resources: as a property owner, employer, member of clientelistic networks and as a claimant of social insurance rights. The paper explores the most recent reforms in Greek social policy with regards to pension rights, the governance of pension funds and labour market conditions and rights. A clear trend towards re-commodification is identified which, combined with analysis of recent socio-economic indicators, leads to the conclusion that the dual role of family is in crisis and, with it, the logic of reproduction of familistic welfare capitalism in Greece.

Keywords: family welfare regime, Southern European welfare capitalism, household indebtedness, recommodification

1 Introduction

The family played traditionally a double role in the reproduction of the Greek society. It was the main provider of welfare to its members and a key institution for the reproduction of the Greek political economy. After the end of the World War II and even after the restoration of parliamentary democracy (1974), the family played a double role since it became the key institution for the social reproduction through a segmented and unequal welfare system, a clientilistic political system that was based on thin alliances of social and occupational groups and of a state-depended economy that preserved – in a way continues to preserve- a market where its main sectors are controlled by oligopolies. The case of Greece is not unique within its particularity. The paper treats it as a case of a particular type of welfare capitalism which we identify as ‘familistic welfare capitalism’. It is a socio-economic morpheme that bears many resemblances with other South-European countries but also internationally, with semi-periphery countries in Latin America and South Asia (Haggard and Kaufman, 2008). The paper argues that, at least in Greece, the role of the family is under crisis and along with it, the logic for the reproduction of the Greek familistic welfare capitalism.

The paper comprises three parts. In the first part, it examines the contemporary literature of welfare regimes and focuses on the concept of decommodification, the status of the familistic welfare capitalism in relation to other typologies as well as the literature on the Greek case. In the second part, the paper focuses the trend towards re-commodification in the areas of Greek social policy: pensions, pension funds’ governance and labour rights. In the third part, we examine recent empirical data for the financial status of Greek households. The paper ends with a discussion of the negative consequences for the re-commodification trends in the ability of the Greek families to consolidate and mobilise resources and consequently in the crisis of social reproduction in Greece.
2. Re-commodification and the ‘South European’ welfare states

In recent years, comparative social policy has constructed several ideal types in order to identify and explain similarities and differences across countries and regions in relation to policy processes and the importance of political, economic and gender factors for the development of the modern welfare state. Esping-Anderson’s (1990) pioneering typology grouped together welfare systems and welfare regimes to construct three worlds of welfare capitalism. *Welfare systems* refer to the institutional arrangements of welfare provision, entitlement conditions and benefits structures with pensions and unemployment benefits as typical examples. *Welfare regimes*, as Taylor-Gooby (1996, p.200) puts it, is ‘a particular constellation of social and political and economic arrangements which nurture a particular welfare system’. More specifically, the term ‘welfare regimes’ captures the modes of governance that institutionalise the role of the state, the market and the family in the production, redistribution and welfare consumption within welfare capitalism. These modes of governance, are interlinked with the enactment of public policies and political-economic institutions, with the latter crystallising ‘residues of conflict and structurations of power relations’ (Korpi 2001: 9).

Esping-Andersen’s ideal types of three worlds of welfare capitalism referred to particular type of welfare systems i.e. universal, conservative and residual that responded to particular welfare regimes i.e. Social democratic, Corporatist and Liberal, respectively. Esping-Andersen categorised the welfare systems and regimes according to the level of de-commodification, and systems of stratification. De-commodification is defined as ‘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) while the systems of stratification refer to the importance of social solidarity among social groups and how risk pooling is organised (Baldwin 1990).

2.1 The South European welfare states and the typologies of welfare regimes

In light of this theoretical contribution, there have been several critiques regarding the adequacy of the de-commodification to explain welfare state development (Knijn and Ostner 1997), the methods used (Fawcett and Papadopoulos 1997, Allan and Scruggs 2004) but mainly on the ranking and grouping of welfare systems (Castles 1993; Bonoli 1997; Arts and Gelissen 2002; Korpi and Palme 2003). The critique that we opt to focus is on the identification of a distinct welfare regime for the South-European welfare systems.

Schematically we identify two approaches for the understanding of the Southern European welfare systems. The first suggests that the South-European welfare systems belong to the corporatist- conservative welfare world and are either ‘in their infancy’ (Katrougalos 1996: 40) or represent a ‘discount edition of the continental model’ (Abrahamson 1999). These approaches argue that despite South-European welfare states’ ‘lagging behind’ (Castles 1993), it is a matter of time for the South European welfare states to catch-up in terms of their social expenditure with their
more advanced ‘sibling’ welfare systems (Gough 1996, Katrougalos and Lazarides 2003).

The second approach highlights the distinct welfare policies in South European welfare states and designates the causes for the identification of a distinct fourth ‘South European welfare world’ that includes Italy, Spain, Portugal and Greece (Ferrera 1996). Ferrera identified politico-institutional and socio-economic factors that determined the development of these South European states such as the lack of a rational (Weberian) bureaucratic state mechanism prior to welfare expansion, the polarisation between Left and Right wing parties, the role of the latter as aggregators of societal interests and finally the role of the Catholic church, the family and the legacy of authoritarian regimes.

The common characteristics of these welfare systems are the highly fragmented income maintenance system which provides generous benefits to particular occupational groups. Inequalities in welfare services are also linked with the labour market, disadvantaging employees involved in the shadow labour market, since they cannot build their social insurance claims and instead have to rely on meagre social assistance benefits. The existence of clientelistic relations among political parties, candidates and voters generates a ‘favouritism’ that services the interests of particular occupational and electoral groups and reproduces a selective mechanism for covering needs and providing welfare. Parallel to this, the South European states offer universal access in health care, without however crowding out the role of the private sector. Particularly in Greece, the relation between public and private health services is symbiotic since the state covers the cost of private health services for public employees and even hires private services to meet public demands.

However, similar to Esping-Andersen, Ferrera did not examine the role of production relations as well as capital accumulation (Jessop 2002), neither how the relations among different ‘welfare worlds’ are bargained within the process of European integration. Historically the South-European states lagged behind other continental countries in industrial development (with the exception of the Italian and Spanish north) due to the lack of long-term industrial planning from the employers that could set the basis for industrial development (Papadantonakis 1985). At the same time, ‘competitiveness’ among these countries was based on the pursuit of low labour-cost, which was politically translated in a constant attempt, on behalf of both employers and the state, to minimise their responsibility for social reproduction (Papadopoulos 2006).

These characteristics of South European welfare states were not just endogenous problems of ‘rudimentary development’ but as the result of the way in which national political economies were integrated in the global and European economy; essentially as semi-peripheral economies (Marinakou 1997) that relied on ‘external growth strategies’ and domestically remained socially unequal (Fotopoulos 1986). The end-result was the failure to introduce a universal system of social protection and instead institutionalised segmented and residual social programmes and welfare policies (Petmesidou/Mossialos 2006).

Essentially, in Southern Europe, the state ‘locked in’ the responsibility for the provision of care and social protection to the family unit, minimising therefore
employers’ political and economic cost for the reproduction of this particular type of welfare capitalism. In these welfare states, it is the family’s role to undertake the responsibility to protect its members from the exposure to social risks. In this way, it is not primarily the residual or rudimentary development of the welfare state that necessitated the reliance on the role of the family as welfare provider but the specificities of this particular political economy that embedded in its logic the role that traditionally family played within these societies.

2.2 The familistic welfare model: the Greek case

In Southern Europe, family plays a key role, as an institution that provides ‘decommodification’ when its members are out of the labour market or lack the necessary resources to maintain their living standard. 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). Therefore it is necessary to focus both on the role of the family as a welfare provider and also in the strategies that the families employ in order to consolidate and mobilise the necessary resources for the reproduction of this particular type of welfare capitalism.

Our argument in this paper preserves family’s central role as the main provider of care and protection but adds one important dimension in the role of family as the basic institution for the reproduction of the Greek political economy. These roles are interlinked with the ability of the family to consolidate and mobilise resources as

- an owner,
- an employer,
- an member within the clientelistic system
- a claimant of social security rights (through its members that were able to secure them within the labour market).

The family draws resources as an owner of wealth. The resources that it receives are money (e.g. rents, hires, subsidies) but also consuming products (e.g. foods). Apart from income transfers or goods, real estate and housing transfers are at the centre the familistic welfare model. The family house, apart from providing hospitality to its members and its symbolic significance, is essentially the place where the family redistributes and exchanges services of care and support to its members (Poggio 2008; Kohli and Albertini 2008).

At the same time, the growth of small and medium family businesses in the sectors of production and services constitutes an important part of the Greek political economy. Here the family functions as an employer since it provides the possibility to its members to be employed either permanently or occasionally. The family members can join the family venture either as their primary or secondary job, with the majority of these jobs however not contributing social insurance payments and therefore not establishing claims within the welfare system.

---

1See Allen et al 2004 on the concept of patrimony.
At the same time, the family constitutes an important part of clientelistic system that creates networks with political, social and public institutions in order to secure favourable treatment its members. In this way, the family has access in information and resources that allow its members to improve their daily and professional life. Finally, the family via its members that participate in permanent places of work (e.g. public sector) ensure fiscal support but also health services and benefits (e.g. medical cover of children, orphans and widows’ allowance).

Schematically we distinguish two periods for the reproduction of the familistic welfare model: in the first phase the family reallocated the resources that it ensured from its clientelistic relations with public institutions and political parties’ representatives. The extension of these '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). A typical example was the tolerance of the state in arbitrary constructions (e.g. housing), the trespassing of public property (e.g. commercial buildings) and the perpetuation of shadow labour markets. These examples are not exemptions or idiosyncratic problems of the Greek political economy but the norms that are in accordance with the reproduction of the Greek familistic welfare regime that places the family at the centre of this welfare and productive system. The amalgamation of these practices allowed the Greek families to increase their resources and the concentration of wealth, especially for a part of the middle classes, and provide a series of indirect subsidies to its members realised as income, products or capital (e.g. for purchase of first residence, set-up costs for businesses).

This period of “maximisation of family resources” entered a transient stage during the enactment of the ‘modernisation era’ in the mid 1990s. The imposition of market rules through the integration with the European Monetary Union locked the economic policies in a frame where public borrowing and consequently distribution of government resources was severely limited. The alternative that was offered aspired to transform families from stakeholders (family businesses) to shareholders with Greek families investing an important part of their wealth and savings in the stock market during 1999-2003. The losses of savings but also the excessive borrowing of households in order to invest their money in the stock market, constituted an important structural blow in the capacity of households to mobilise resources and protect their members. Simultaneously the amalgamation of public socio-economic policy of ‘meagre social spending’ that was enacted in the late 1990s constrained – though no completely- the possibility of families to consolidate economic resources.

During the first period of the reproduction of the familistic welfare model, the role of the family was absolutely compatible with the institutions of the Greek political economy and until recently, any crisis within the Greek welfare system was absorbed from the Greek family. Even recently, various authors (González, 2002) continue to posit the family as the main respondent to any emerging social risks and in fact they argue that the role of the family is strengthened. According to González, (2002: 173) ‘now with a more flexible labour market in which the number of non-stable jobs is increasing and non-qualified workers occupy the lowest levels in private companies, the family strengthens its inclusive role’.
The recent reforms and socio-economic changes that intensify the re-commodification trends in and out of the labour market (Papadopoulos 2005) place even more challenges to the family and its inclusive role for South European welfare states. However, we argue, that at least in the case of Greece, these changes constrain dramatically the ability of the family to mobilise and consolidate resources. Instead of strengthening the role of the family, these changes undermine it even more, placing thus the family unit under crisis along with this particular type of familistic welfare capitalism.

3. The tendencies to re-commodification

In the second part of proposal we analyze the trend towards re-commodification in three areas of Greek social policy: pensions, governance of pension funds and labour market conditions and rights.

3.1 Pension rights

The relation of re-commodification and pension rights is identified from the changes in the institutional characteristics during the recent pension reform and refer to the extend that welfare systems provide a minimal income for pensioners regardless of their participation in the official labour market (e.g. farmers, women, immigrants). Analytically, the changes in the institutional characteristics of public insurance programs focus in the increase of statutory retirement age, changes in the calculation formulas of pension benefits and the imposition of `penalties' for early retirement.

The Greek pension system was the last south-European system to meet the challenges stemming from demographics, i.e. ageing of population and low fertility rates (Ferrera 2005). Despite the challenges that the unfavourable demographics would bring in future decades, the actuarial study of the ‘INE-GSEE’ (Rompolis et al 2005) on the private (IKA) and banks (ETAM) employees’ social insurance fund highlighted two structural insufficiencies of the current public pension system. The first insufficiency refers to the redistributive ability of the pension system to offer substantial replacement rates since 64.8% of pensioners received a benefit below 500 Euros and hardly 9% of pensioners within these major schemes received above 1000 Euros.

The study emphasised the need for higher contributions of both employees and employers for the viability of the pension system. However, the study also exposed the long-standing practise of governments to avoid paying its share of social insurance contributions as detrimental for the ability of pension funds to meet their future liabilities. While the study of the INE-GSEE had already recorded a series of real challenges for the Greek pension system, the government preferred to stress the need for an administrative reform and highlight the impact of the looming demographic crisis on public social expenditure (Petralia 2007). The recent 2008 reform involved both parametric and paradigmatic changes in the pension system. Apart from the changes regarding the calculation of pension benefits and the increase of statutory

---

2 INE-GSEE is the Social Research Institute (INE) for the General Confederation of Greek workers (ΓΣΕΕ) and its members are predominantly employed in the private sector.
retirement age, the reform decreased the segmentation of the Greek insurance (5), complementary (6) and auxiliary (2) funds and established a “solidarity fund”.

The changes in the recent pension reform are summarised in strengthening the links with the labour market, the increase of statutory retirement ages and the changes in the calculation of pension benefits from 2013. More specifically, the retirement age for both men and women is established at 60 as a minimal age for the reward of an (early) pension. At the same time, the amount of years required to qualify have increased to 25 and 35 annual contribution years in order to establish a pension right for an early and full retirement benefit, respectively. The calculation of pensions is not anymore based on the choice of the best 5 years of work out of the last ten but it is calculated as the mean of the last 10 years. This change reduces the replacement rate of pension benefits and intensifies the effort of workers to achieve high rewards during their last working decade. In the event of early retirement, the pension system imposes a penalty of 6% per year while it provides as motive for delaying retirement an increase of 3.3% per year on pension benefits. The recent reform reduces substantially the pension income for women since if they retire in the 55th year of their age (as had it been before the reform) they will receive at least 30% lower replacement rate from their pension insurance provider.

Apart from the changes in the calculation of pensions, the recent reform limited the ability of complementary funds to offer a replacement rate higher than the 20% for 30 years of full contributions. In the event that the contribution is reduced to 15 annual years, the worker will receive only 8% replacement rate from the complementary fund. It becomes clear that the recent reform is not only prolonging the participation in the labour market for wage earners in order to qualify for a full pension, it also decreases substantially their generosity. In this way, the state tries to limit its economic and political cost and shifts the risk for a sufficient pension to the wage-earners. As we know from the existing studies on the Greek labour market conditions (Papadopoulos 2006), the employment structures induce uncertainty that endanger ability of the family to maintain the living conditions for its members. While therefore the family is called once again to play an important role, the rewards of its members that were able to establish pension rights are perceptibly decreasing.

3.2 The “solidarity fund” and the changes in the governance of pension funds

The second insufficiency that INE-GSEE study identified refers to the investment of pension funds’ reserves. In the case of the Greek pension fund governance, the study recorded the paradox that the more savings that are channelled in the funds, the higher the burden for the funds to meet their liabilities (Rompolis et al 2005). The reason for this ‘Greek paradox’ is that the returns from the investment of pension savings are negative, exacerbating thus the budgetary pressures for the funds to meet their promises, providing thus clear disincentives for this particular form of saving.

The role of state in the governance of pension funds remains historically a pathological problem for the pension funds since until 1992, the reserve funds were deposited in the Bank of Greece on an interest-free rate. This chronic practice was used by each successive government in order to meet their accounting needs and fund private projects, at the expense of the reserve funds’ growth (Rompolis et al 2001,
Papadantonakis 1985). A characteristic example of the clientelistic governance of the reserve funds was revealed two years ago and involved the investments of savings in `structured bonds' that induced important losses for the funds and important profits for a clientelistic network of (private) financial capital investment managers (FT 2006). In light of the aforementioned clientelistic network scandal over pension funds investments, the government issued a series of investment rules and regulations for the reserves. The new investment institutional framework allows 23% of the savings to be invested in financial capital products and only 1% in structured bonds (EtK 2007).

With the recent pension reform, the government established a new “solidarity fund” (effective in 2019) for pensioners with low-income groups. The “solidarity fund” will not be funded by the public budget but would rather draw resources from privatisations of public enterprises and assets (10% of their value), VAT income (4%) and transfer 10% of pension funds’ assets. Basically the government seeks to minimise the cost and its contribution to social protection while at the same time it arbitrarily transfers the money of the existing funds without the prior consent of their rightful owners and representatives (trade unions).

The unification of the pension funds with the recent reform allows the government to pool the resources of wealthy pension funds (e.g. mechanical engineers) and use them in order to cover the liabilities of other professional groups pension funds that had severe fiscal problems. Essentially, the government arbitrarily transfers the resources between funds, in order to minimise the cost for the public budget, without however carrying out any actuarial study to examine why some funds were overly indebted in the first place. The low return of pension fund investments as well as the arbitrarily transfer of pensions’ assets undermine the redistribution role of the funds but also their ability to invest autonomously their savings and manage their funds.

Evaluating the importance of these changes that we have presented so far both in relation to the pension system and pension funds governance, the overall aim of the recent reform is to weaken the institutional reproduction of the pension funds and consequently provide motivation to younger generations to search for more profitable, private, insurance programmes. The questions raised here are how far the private sector is willing or is capable of undertaking such a responsibility. Until 2007, the percentage of wage-earners that signed a pension contract with private insurance companies was estimated at 16.5% (EAEE 2007). Regardless whether the private sector is ready or reliable to undertake such a responsibility, these changes signal towards the marketisation of family resources with doubtful returns.

In contrast therefore with the mainstream approaches, that highlight that South-European countries remain part of the conservative-corporatist welfare systems, the findings show that the familistic welfare capitalism is not able to keep pace with the privatisation of pension provision, since wage-earners lack a substantial income in order to save. The distinct features of the familistic welfare capitalism is that it is based on the family internalises the reproduction cost, with the market retaining its essential role for a percentage of self-employed and families with high incomes. Along with the trend for the recommodification of pension rights, the consolidation of the market mechanism in the governance of pension funds stems from the investment of pension savings in the volatile financial capital markets (Roumpakis 2009).
3.3 Changes in employment relations

The trend towards the re-commodification of labour is evident in the terms and conditions of retirement. Nevertheless, it remains important to explore four (4) subcategories for the re-commodification of labour in and outside the labour market. Analytically the paper explores the application of 'flexicurity' in the Greek labour market, the increase of precarious jobs, the growth of real wage and unemployment benefits.

3.3.1 Flexicurity a la Greque

The application of 'flexicurity' in the Scandinavian countries and especially in Denmark refers to two basic characteristics of employment policies: flexibility of workers in the labour market and simultaneously security for workers during periods of mobility or unemployment. The application of flexicurity presupposes the existence of a developed mechanism of public support for the workers, a dynamic investments policy on behalf of the employers but also a social dialogue between the main social partners. These conditions are far from the reality of the Greek political economy and therefore any reductions in the protection of workers in the labour market without the simultaneous expansion of social policies will bear even greater economic and employment insecurity to the workers.

In 2007, the centre-right wing government appointed the ‘Magginas-Koykiadis’
committee to provide consultation for the institutionalisation of partial employment and the application of flexible regulations. The proposals were rejected by the Ministry of Employment since such a program would necessitate the expansion of social programs as a compensation for the further flexibility in the labour market (Makedonia 2008). The findings of previous studies (Papadopoulos 2006) along with the argument of this paper verify that the state attempts to maintain its minimal political and economic cost. In fact, the reproduction of shadow labour markets along with the increase of precarious jobs provide employers flexibility within the labour market with low non-wage costs (Karantinos 2006; INE-GSEE 2008).

3.3.2 Precarious places of work Rented workers

The tendency for re-commodification becomes even more apparent from the increase of precarious jobs since even temporally as well as fiscally, these jobs offer minimum professional and economic security and fail to establish any claim for social insurance. The precarious jobs refer to part-time jobs, EU subsidised training programs (e.g. ‘STAGE’ programmes), temporary employment but also the self-employed that work on a daily or task contracts ("δελτιο παροχής υπηρεσιών"). The increase of temporary and part-time employment does not establish full social insurance rights but also 25 % and 50% of these workers respectively, receive less than 500 Euros (Triantafylloy 2007).

---

1 The committee was named after the Minister of Employment and Social Protection and the appointed chief academic counsellor.
Along with the increase of precarious jobs, recruitment agencies that offer rented labour employ increasing numbers of workers with the latter employed regularly at different employment sites and accept wages and conditions that their permanent colleagues would not accept. The renting of labour, perhaps the most extreme form of recommodification of labour in Greece, reminds us the words of Polanyi that referred in the marketisation of labour during the early years of capitalism:

«It is not up for the commodity (labour) to decide where it should be offered for sale, to what purpose it should be used, at what price, it should be allowed to change hands, and in what manner it should be consumed […] this makes clear what the employers’ demand for mobility of labour and flexibility of wages really means: precisely that which we circumscribed above as a market in which human labour is a commodity”

(Polanyi 1957: 185)

Apart from the re-commodification that takes place within the official labour market the recommodification of labour is also linked the role of illegal migrants in the reproduction of the familistic capitalism as the most insecure workers in Greece. Although it is impossible to fully discuss this topic within this article, we want to highlight that migrants’ assisted’ in maintaining a low cost for the reproduction of the familistic welfare capitalism, at a time that the latter was ‘modernised’ and in particular during the entry of women in the labour market (see also Bettio et al 2006). The migrants contributed through the supply of care services (e.g. elderly, disabled, children), manual work (e.g. farming, construction) and cheap labour force to family business and by doing so squeezed labour costs and allowed cheaper consumption of care services. Essentially, the logics of solidarity, reciprocity and division of labour among family members were substituted with the marketisation of traditional family activities. The re-commodification of labour that marks the qualitative evolution of the Greek familistic welfare capitalism would have been impossible without the contribution of (legal and illegal) migrants.

3.3.3 Real wages

The recent annual study of INE-GSEE (2008) does not leave much space for optimism for the changes in labour market policies since an important percentage of the workforce (22%) receives low salaries and 4 out of 10 workers receive less than 1100 Euros, before tax and contributions. In comparison with the European mean, the wages of Greek workers remain lower (at 83%) and real wages are not catching (1.9% increase) with their European colleagues. This increase was overflowed by the increase of productivity (9%), securing thus employers a profitable margin from the labour process (see also Karanesini 2008). Despite these profit margins, the remarkable finding of this research is that this was accompanied with a reduction of exports. The study of INE-GSEE demonstrates the diachronic weakness and the lack of strategy on behalf of the employers to consolidate economic and productive structures that could, inter alia, boost or diversify the exports of Greek products. On the contrary, it becomes obvious that this short-term strategy aims in securing profit not from capitalized investments but from the reduction of labour costs and the intensification of the labour process.
These findings entertain the arguments regarding the ‘sibling corporatist’ welfare systems as well as the argumentation of ‘incomplete developed corporatist models'. It is obvious that the lack of substantial investments in skills and training as well as the level of real wages demonstrate the lack of long-term strategic collaboration and coordination that the corporatist welfare capitalism requires (Hall and Soskice 2001). A characteristic of the developments in labour relations and particularly in the capacity of workers to maintain their purchasing power is exemplified in Diagram 1 where the real wage of workers has actually been nailed in the past few years to lower levels than 1984! Even according to the most favourable forecasts for the economy (before the rupture of the financial crisis), the real wages would not exceed the levels of 1984 neither in 2009.

3.3.4 Unemployment benefits

In contrary to real wages, unemployment benefits have increased from 311 Euros in 2006 to 430 Euros in 2008. This increase was due to the collective agreement that was signed between GSEE and SEB (Greek Employers’ Association) and it is calculated as 55% of minimal wage (Karantinos 2006). The largest duration of the benefit is 12 months and its length depends from the participation of applicants within the official labour market during the preceding two years (OAED 2008). Despite this increase of unemployment benefit, the eligibility criteria remain interlinked with the participation in the labour market, excluding therefore young unemployed with a poor contribution record in the official labour market. Instead, the Ministry of Employment provides income support for the 20-29 year old that equals to 73,4 Euros for five (5) months (OAED 2008[b]).
The changes that we observe in labour relations show that the insecurity and the intensification of labour and productivity of Greek workers were increased without however any respective increase of real wages. The trend towards the re-commodification of labour is identified in the increase of precarious jobs, the lack of sufficient social protection for workers in and out of the labour market, the eligibility criteria for the young unemployed and most importantly that labour markets participation retains its institutional role for establishing social rights. These labour conditions constrain the ability of workers to protected in and out of the labour and maintain their living standards, unless their families continue to internalise the cost of social reproduction and provide support to its members (e.g. home, income). For once more, families are asked to play their double role and protect their members during an era that the basic components of the familistic welfare model are undermined by the trends towards re-commodification of pension and labour rights.

4. Repercussions of the re-commodification for the consolidation and mobilisation of resources

In the third part of the paper, we empirically examine the possibilities of Greek households to cope with their double reproductive and productive role and therefore we focus initially on their consumption levels and subsequently on their investments. The period of re-commodification that was signalled by the rise of the ‘modernisation’ era changed radically the framework in which families practised their traditional strategies, and therefore the properties of the familistic model. The liberalisation of financial markets, the low interest-rates as well as the vision for social evolution through ‘free-market’ competition shaped a new framework where traditional strategies of low risk and ‘patient accumulation' were replaced by strategies of short-term investments and practices of ‘here and now’ consumption. We argue that the ability of a large share of Greek families to internalise the socio-economic cost of these changes, which we described previously, was limited dramatically, since the new strategies undermine the ability of families to consolidate and mobilise their resources.

4.1 The over-indebtedness of Greek households

Initially we focus our empirical analysis on the increase of households’ debt. According to recent research findings for the consuming debt in the EU the debit of the Greek households including consumer loans and cards was estimated in 2006 at 13.1% of the Greek GNP topping the table among EU countries, while the EU average was roughly 3% (Rothemund, 2008). This was the highest percentage among the ‘Euro’-zone countries while already by 2005 the increase of debt was estimated at 22.3%, in 2006 was a further 22.8% and finally in 2007, 7.6%. Despite the fact that the increase in 2007 was significantly lower, it remained comparatively higher among other EU countries (e.g. Germany, Netherlands).
The trends for the disproportionate growth of Greek households’ debt is revealed by the figures presented in Table 1 that compare the annual percentage increases of credit consuming faith per resident between countries of Eurozone during 1994-2006. Since 2000, Greece recorded permanently higher rates of annual increase of credit consuming faith between these specific countries. Only for 2000-1 the increase reached 42.1%! The medium increase for period 1994-2004 was 36.3% per year, more than double of Italy that was second in the rate of annual increases. Since 1994, the total increase of consuming debt touched upon the astronomic figure of 2.106%.

The skyrocketing figures of Greek households is represented in Diagram 2 that presents the height of credit consuming faith per capita in Euros for period 1993-2006. The 'conservative' familial strategy of low debt (45 Euros per capita in 1993) has been replaced within 12 years by an persistent increase of borrowing that touched upon 2,300 Euros per capita in 2006. These findings exemplify the significant changes in the consuming behaviour of Greek households during 1994-2004 but also the simultaneous weakness to meet their consumer needs via the mobilisation of traditional resources, since wages stagnated. This is illustrated in the diachronic development of consuming debt as percentage the Gross and Available Familial Income (Diagram 3). From almost 2% in 1996 the percentage rocketed to 14% by 2004. Recent studies (Rothemund, 2008) identified that the percentage of consuming expenses that was covered via loans and credit cards reached 20% of annual expenditure of Greek households in 2006. In a few words, by 2006 one out five Euros spent by Greek households was borrowed.

We should point here that a key role for the increase of households indebtedness records was the dramatic increase of housing loans that were favoured by the liberalisation of financial market and the low interest-rates during 2000-2004. From 3% of GNP in 1995, the housing loans reached 20.7% of GNP in 2004. In 2007 Greek households owed in housing loans 69.4 billion Euros and for 2008 and 2009 it was estimated to reach 81 and 93 billion Euros respectively.

Source: Cofidis (2006,2007)
Diagram 2:
Consumer credit per capita in Euros, 1993-2006

![Bar chart showing consumer credit per capita in Euros from 1993 to 2006.](chart1.png)


Diagram 3:
Outstanding consumer credit as a percentage of the Greek households’ gross disposable income (GDI), 1996-2004

![Bar chart showing outstanding consumer credit as a percentage of GDI from 1996 to 2004.](chart2.png)

Source: Consumer Credit in Europe in 2006, Le Cadran de Cofidis, Briefing Memo No 26, November 2007
Table 2:
Distribution of indebted household per income group

<table>
<thead>
<tr>
<th>Income levels (in Euros)</th>
<th>Distribution of households that have received loans (%households)</th>
<th>Contribution to the total loan balance of the sample (% households)</th>
<th>Mean of the loan balance as percentage of income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 7,500</td>
<td>2,9</td>
<td>5,4</td>
<td>8,3</td>
</tr>
<tr>
<td>7,501-15,000</td>
<td>22,1</td>
<td>28,2</td>
<td>27,8</td>
</tr>
<tr>
<td>15,001-25,000</td>
<td>30,4</td>
<td>34,5</td>
<td>33,5</td>
</tr>
<tr>
<td>25,001-35,000</td>
<td>21,7</td>
<td>19,0</td>
<td>16,3</td>
</tr>
<tr>
<td>35,001+</td>
<td>22,8</td>
<td>12,9</td>
<td>14,1</td>
</tr>
<tr>
<td>Total*</td>
<td>1,418</td>
<td>1,215</td>
<td>1,063</td>
</tr>
</tbody>
</table>

b) Housing loans

<table>
<thead>
<tr>
<th>Income levels (in Euros)</th>
<th>Distribution of households that have received loans (%households)</th>
<th>Contribution to the total loan balance of the sample (% households)</th>
<th>Mean of the loan balance as percentage of income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 7,500</td>
<td>2,2</td>
<td>4,8</td>
<td>5,9</td>
</tr>
<tr>
<td>7,501-15,000</td>
<td>17,1</td>
<td>24,1</td>
<td>23,5</td>
</tr>
<tr>
<td>15,001-25,000</td>
<td>25,7</td>
<td>31,1</td>
<td>32,7</td>
</tr>
<tr>
<td>25,001-35,000</td>
<td>27,2</td>
<td>23,1</td>
<td>17,1</td>
</tr>
<tr>
<td>35,001+</td>
<td>27,9</td>
<td>16,9</td>
<td>20,8</td>
</tr>
<tr>
<td>Total*</td>
<td>637</td>
<td>422</td>
<td>409</td>
</tr>
</tbody>
</table>


Note: * These amount refer to the total number of households that have borrowed and in cases refer to the number of households, the mean of the ratio of loan balances divided to their income.

The distribution of the debt differs among income groups, since for the low-income households the exposure to indebtedness was and remains low (Table 2) while the increase is higher for middle and higher income groups. As the recent of the National Bank of Greece (2008: 10) suggested based on a sample of 6,000 households:

'the competition of banks to attract customers is focused more and more in the households that belong in the two higher income levels, so that they increase
considerably their shares of the total [indebted] households (2007: 44.5%, 2005:31.9%) and the rest of loans (2007: 59.6%, 2005:47.2%) '.

In the same research it was showed that

'the median of borrowing burden for the total amount of households increased by 50.4% in 2007, from 33.5% in 2005 and 22.8% in 2002, reflecting mainly the development of borrowing burden from housing loans. That is to say, the borrowing obligations of half of the households’ sample corresponded almost at half of their annual income in 2007, from the 1/3 and the 1/4 of their income in 2005 and in 2002 respectively'

The same research examined the difficulty in which households experience to meet their financial needs ([TtE], 2008: Table 2). In total, the overwhelming majority of households admitted that they experience difficulty in their payments of: housing loans and mortgages (57.3%), other banking loans (68.4%), monthly payments in shops (51.4%), rent charges (66.7%) and utility bills (57.9%). These findings add to the results of the Research of Family Budgets of 2004/2005 that was carried out by the Greek National Statistical Organisation where 77.3% of questioned households declared that they faced difficulty to met their financial obligations.

4.2 Increase of foreclosures of real estates and the crisis in the housing market

The over indebtedness of households undermined the most important source of resources and investment for the Greek households: real estate and particularly housing (Allen et 2006; Poggio 2008; Kohli and Albertini 2008). The weakness of households to cover their loan liabilities was captured by the figures of the National Federation of Protection of Consumers - Borrowers which estimated that within 2008 the applications of seizures and auctions for mobiles (e.g. cars) and real estate reached 150.000, a number that represents an increase of 50% for this year alone (Imerisia, 2008). It is estimated that the applications for auctions of commercial and housing properties will reach 25.000 in 2008, an increase of 25% in relation to 2004. As the problems of households to meet their financial obligations increase, the “rushed sales” of real estates, that is to say sales in which families sell their houses before they end up in auction, have increased. During the three-year period of 2006-8 approximately 100.000 houses were sold for this reason alone.

While until recently, the housing market was an investment and central lever of economic growth, the recent figures signal that the purchase of housing through loans is transforming into an unbearable financial burden for households (Athanasiou, 2006). The value of real estates remains 20-30 % overpriced with a significant amount of households paying off loans with negative equity, i.e. the initial price of the housing loan is much higher than the current price in the property market. The expected burst of the housing market bubble that would be accompanied with an increasing amount of houses and commercial properties on offer, would undermine the ability of the family to use real estate as mean towards the consolidation and mobilisation of financial resources.
5. Conclusion

The paper argues the existence of a distinct familistic model of welfare capitalism. Ideal-typically, in this model the families plays a double role as both institutions for the social protection and care of their members and simultaneously as institutions for the reproduction of a peculiar political economy where state and employers externalise the cost of social reproduction to households. These roles are interlinked with the capacity of the families to consolidate and mobilise resources as householders, employers, members of the clientelistic system and finally as claimants of social insurance rights (through its members that were able to secure them within the labour market).

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. Families utilised their clientelistic networks in order to acquire access in further resources and were supported by their members that were employed in the official labour market and were able to channel their resources to the non-insured members that were employed in family enterprises.

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 “maximisation of resources” that the Greek families followed were of high economic risk and utilised market means for their investment and consumption (with state and banks backing up these strategies). The recent pension reform intensified the re-commodification of labour while an important percentage of younger workers will save up with comparatively unfavourable terms than the previous generations. What regards the recent development in labour relations, the protection in the labour market is undermined due to the promotion of flexible arrangements, rented workers and increase of precarious jobs. At the same time the over-indebtedness of the Greek households in combination with the undermining of their most important source for resources – real estate and housing- was undermined due to the failure of the new strategies and along with it the ‘vision’ for social evolution through the ‘free market’ competition.

During these dramatic changes in the economy, the labour markets and the pension system, the capacity of a large share of Greek households to internalise the socio-economic cost of these changes is constrained. The ‘holy’ Greek family is being asked to play even a more central role in support of its members within a context where its capacity to consolidate and mobilise resources is reduced drastically. The crisis for the reproduction of the familistic welfare system in Greece climaxes.
References (in English)

Eurostat (2005) Statistics in focus - Population and social conditions, No 5
FT (2007) Beware Greek pension funds (and others) bearing risk, Financial Times, May 4th
Rothemund M. (2008), Consumer Credit in Europe 1995-2007, European Credit Research Institute (ECRI) at the Centre for European Policy Studies (CEPS), October

References (in Greek)

Athanasiou, E (2006) Visions of Greek households credit and their significance for development, Centre of Programming and Economic Research, No.84
EAEE (2007) Study on private Insurance, Associations of Greek Insurance Companies, Athens
Newspaper ‘Imiresia’(2008) Boom of seizures in USA- the “virus” hits Greece, 15 April 2008
Newspaper ‘Makedonia’ (2008) koukiadis Interview, 26 April 2008-10-21
OAED (2008) Young people (20-29 years) benefits
OAED(2008β) Unemployment benefits