6th Biennial Hellenic Observatory PhD Symposium on Contemporary Greece & Cyprus, 6-7 June, London School of Economics

Creating Markets out of Nothing:

The Case of the Continuing Education System in Greece

by Yiorgos Ioannidis

PhD Political Economy

Abstract

The development of the vocational training policy constitutes one of the most interesting examples of a policy which was introduced entirely due to the pressure exercised by the E.U., but it was implemented in such a way that it served the domestic political economy. The seven laws and the dozens of ministerial decrees issued from 1989-2004 reflect the effort made by the state to foster but also control the development of the market, the conflict of interests among the main players, the tensions generated by the pressures of the European Union, the interests of the private vocational centres, and the special needs and the objectives of the social partners. To be more specific, it will be argued that the development of the continuing education market in Greece can be described and analyzed on the basis of three distinct phases/ time periods: (a) The period of *initial capital accumulation* (1989-1994), (b) the period of the *controlled clearing of the market* (1994-2004) and, (c) the period of *the liberalization of the market* (2005-). In every stage the interests of the main actors – namely those of the state, the private training centers and the social partners–, were accommodated accordingly, but this was achieved at the expense of the continuing training system's efficiency. The aim of the paper is to critically assess these developments by focusing on the latent rationality underlying the state's regulatory actions, as well as on the political economy which these actions have engendered.

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Outline of the argument

The vocational training policy in Greece was introduced due to the pressure exercised by the E.U. but it was implemented in such a way that it served the domestic political economy. The seven (7) laws and the dozens of ministerial decrees issued from 1989 to 2004 reflect the effort made by the state to control but also foster the development of that particular market, the conflict of interests among the main actors, as well as, the tensions generated by the constant pressure of the European Union. The aim of the paper is to critically assess the creation and development of the continuing education market in Greece by focusing on the logic underlying the state's regulatory actions, as well as on the political economy which these actions have engendered. It will be argued that the development of this market can be seen as a three stage process:

(a) *The period of initial capital accumulation (1989-1994)* marked by the absence of effective regulation which, along with a dramatic increase in funding for training, allowed for a initial accumulation of capital in benefit of the newly-founded private firms.

(b) *The period of the controlled clearing of the market (1994-2004)* which was characterized by an intensified state regulatory action with two dimensions; market-clearing but also guaranteeing a market-share for the remaining companies.

(c) *The period of the liberalization of the market (2005-to today*) during which the state interventions focused on the liberalization of the market since the legal restrictions of the past were canceled.

In every stage the interests of the main actors –namely those of the state, the private training centers and the social partners–, were accommodated accordingly, but unfortunately at the expense of the continuing training system's efficiency.

The period of initial capital accumulation (1989-1994)

The context in which this process of accumulation took place had the following basic features: the entrance of private companies in the sector and consequently the creation of a "market"; the unprecedented increase of the public expenditure on vocational training; and the absence of any effort by the state to regulate the market or at least to monitor the way the available resources were used.

From 1989 to 1996 there was a significant increase in the funding of vocational training programs. Namely, the vocational training expenditure rose from 0.04% of GDP in 1987 to 0.24% in 1990. This rise can also be detected in the number of the trainees that increased from 360.000 during the first CSF to 550.000 during the second one (OAED 1994: 56, Vretakou & Rouseas 2002: 34). Nevertheless in spite of this unprecedented increase in the funding and in the number of trainees no systematic

effort was made to create an official register of the institutes/centers implementing these programs. Actually, the legislative framework made no provision at all for the basic requirements on infrastructure, training equipment or human resources (Karalis 2003: 16). As an outcome even sport clubs and Holy Metropolises implemented vocational training programmes within the framework of the first CSF (General Secretariat for the Management of Community and Other Resources 2007: 28). However, this did not generate any problem at all in the absorbency of the EU funds. On the contrary, the relevant Operational Programme of the second CSF ("Ongoing Vocational Training and Promotion to Employment") demonstrated the highest rate of absorbency of all the operational programmes of the CSF (Ministry of Labour, 2001: 23).

In short, the absence of any system of control or certification led to the emergence of a large number of companies operating in the field of vocational training. The precise number of these "institutes" is unknown. The Economic and Social Committee of Greece (1988: 2) states that there were 3.500 Not-for-Profit Organisations whose object was the ongoing training. According to more moderate estimates, in 1993 about 200 Training Centers and 1.000 Not-for-Profit Organizations operated in the field of training, the majority of which did not own their own infrastructure but rented the infrastructure of others (Papadeodosiou, Stavrou 1993: 42).

The first two CSFs created a huge demand for vocational training services, which the private companies hasted to satisfy either autonomously or as subcontractors. At this stage, the "poor organization" of the monitoring system contained an underemphasized "consistency." On the one hand, the absence of any control resulted in the waste of resources, but at the same time it allowed the emergence of a "critical mass" of private vocational training companies; the majority of today's certified vocational centers were established during this period. Nowadays everybody agrees[1] that this situation led to the quantitative expansion of vocational training without the relevant improvement in the effectiveness and the quality of the services provided.

The period of the controlled clearing of the market (1994-2004)

The government policy during the period of the *controlled clearing of the market* (1994-2004) focused at two goals: on the one hand, there was a market clearing procedure in the sense that the vast majority of the "vocational institutions" of the previous period were excluded from the new programs. The main mechanism through which the market clearing was achieved was the certification of the vocational institutions. On the other hand, the government would safeguard a market share for each one of those institutions/companies that were to be included in the new system. The main mechanism through which this was achieved was the restrictions in the number of sub-offices and in the fields of operations.

The pressure for a rationalization of the vocational training system came initially from the European Commission which demanded that only certified centers should be eligible to implement co-financed training programs (European Commission 1994: 63-64).[2] Moreover, the Greek government decided to lower-down

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[1] For example, Karalis & Vergidis 2004, Efstratoglou 2004, Palios 2003, Kokkos 2005, 2008, Doxiadis et. al. 1993, Vergidis et. al. 1999, Karalis 2003, UNESCO 1997, 1999.

[2] This demand was also included on the 2nd CSP (1994-1999) which mentioned the obligation of the Greek government to develop such a certification system (European Commission 1994, 63-64).

the number of the vocational training companies to 350 in order to safeguard the quality of the training services and to facilitate the monitoring of the funding (Palios 2003: 40).

Nevertheless, the criteria adopted by the Ministry of Labour aimed only at the exclusion of the freelancers one-man training "centers". Moreover, the certification process was carried out by a 4-person committee with no administrative support and no mechanism of checking the validity of the dossiers submitted by the vocational centers. So given the fact that the minimum requirements for certification of the vocational centers where indeed minimum, the first round of certification (1994) was quite easy for the vast majority of the training companies. At the end of the process 481 Vocational Training Centers (KEK) in total –332 private ones– where certified. In practice, the 1994's certification targets limited themselves in excluding only the virtual companies. Even so, the inability to check "beyond the paper" permitted even night-clubs to be certified as vocational centers (Dimoulas 2002: 130). Given the above it is no surprise that 1996 European Commission's inspection resulted in a 2-year financial "freeze" of the Operation Programme as a pressure to the government to develop a new and functional certification system (Amitsis 2000: 98).

So, in 1997 a new certification round was launched with new criteria and processes. During this round the desired number of the training institutes (KEK) that was to be certified was elevated from 350 to 496, that is a bit more than the already certified centers. But this time, a cup was set concerning the maximum number of sub-offices as well as the maximum thematic fields of operation for each KEK: no vocational centre could open as many sub-offices as they wished, and no vocational centre could offer training in all the thematic areas possible. The only exclusions to the above restrictions were the social partners KEK. Finally, the minimum needed infrastructure was reinforced. The new criteria prevented at least half of the 481 prior certified KEK to apply. In total, 296 dossiers were submitted out of which 262 passed successfully (149 of the private sector).

It is worth mentioning the way the resources of the second CSF were used in the process of market clearing: the public expenditure on the ongoing vocational training programmes skyrocketed just before the suspension of the relevant Operational Programme in 1997, and again just after its implementation in 1998. In other words, it was something like a "payment in advance" and a "payoff" to the proprietors of the institutions for the investments they had made. At the same time, only during the period 1994-1996, more than 200.000 people participated in vocational training programs, out of which 80.000 were trained in private vocational centers (Karantinos et. al. 1997: 36). In practice, this meant 100% capacity utilization of the private training centers for at least 2 years given that after 1997's certification, the total training capacity of the vocational institutes reached the amount of 35.000 trainees per year.

To make a long story short, the same procedure was also followed in the 2001 and 2003 certification rounds. Every time the certification criteria were a bit stricter in order to clear-out the market, but the restrictions concerning the number of the sub-offices and of the thematic fields where upwards revised in order to help the remaining companies to grow bigger. The successive certifications gradually reduced the number of the vocational training institutes from 3.500 (1989-1993), to 481 in 1994, to 262 in 1997 and 283 to 2001.

Moreover the realization of this obligation was a perquisite for the unhindered funding of the whole O.P. for the employment.

The period of the liberalization of the market (2005-).

The third period is the one of the *liberalization of the market* (2005-), since all the restrictions of the past concerning the minimum and the maximum number of the sub-offices, the thematic areas and the legal form of the vocational centres were canceled. Moreover, after 2005 the certification process was an open-ended procedure, meaning that any company which wanted to be certified as a KEK didn't had to wait for the next certification round. Nonetheless, the government retained a significant tool in order to promote its targets according the number and the size of the KEKs; the allocation of the training programs among the KEKs. It was only after 2010 that this tool was to be gradually withdrawn after the pressures of the bigger companies. The "training voucher" which the unemployed-user can use in any KEK of his/her choice resulted in the first TV advertisement from a KEK in June 2010. The outcome is the present-to-day structure of the ongoing vocational training system which numbers 274 certified vocational centers with 540 certified education structures.

However, the scope of the vocational training programmes did not change; they remained focused not to the needs of the trainees but to those of the vocational centres. This is demonstrated by the fact that after 2005 there was a considerable increase in the programmes targeted to workers in comparison to the ones directed to the unemployed,[3] due to the fact that the potential worker-trainees can be easily tracked down.[4] On the other hand the training programmes for the unemployed were limited to areas in which the training centers had previous experience and their implementation was relatively cheap.[5]

The political economy of the vocational training system.

From 1994 to 2009 the number of the KEK decreased, but their average size grew considerably. Additionally, contrary to the number of the vocational centers, the vocational training programmes were doubled from 8.800 in 2003-2005 they rose up to 16.064 in 2007-2009 (EKEPIS 2006, 2007, 2011). However, the effectiveness of the vocational programmes remained low (General Secretariat of Community Funds 2007, Lamans Lmd 1999, Kokkos n.d., 2008, EKPA 2005). In the literature about the Greek vocational system, the absence of pubic intervention during the first phase (that is the period of capital accumulation), as well as the shallow certification criteria during the first half of the second period (that is the controlled clearing of the market), often are used in order to demonstrate the well-known organizational problem and the "special" ways of the Greek public administration. Respectively, the attempts to rationalize the system through the successive certification cycles are being described as a process of gradual maturing.

[3] In the time period 2007-2009, just 28% of the programmes targeted the unemployed compared to 40% of the programmes in the time period 2003-2005.

[4] On the contrary, in the case of the unemployed, the vocational centres should track down the unemployed, organize and implement accompanying actions like employment promotion, monitor the integration of the participants into labour market etc. In general, training the unemployed is more expensive and requires greater organizational and managerial potential.

[5] The majority of the programmes are related mainly to two fields of training: informatics and economics-management. Moreover, the significance of these thematic areas increased over the years; from 55% over the programmes in 2003-2005 to 64% in 2007-2009.

Nonetheless, from the political economy's point of view what matters is the latent functionality/rationality of the intervention absence during the first period, as well as, the latent rationality of the increased intervention after 1997. In every period the developments according this specific market served relatively effectively the interests of the main "players," —that is the government, the private vocational centres and the social partners— unfortunately to the detriment of the effectiveness of the vocational training system.

From the government's point of view, the political benefits of giving out money without specific criteria are more than obvious and they need not be further explained. But, it should be noted that the most important benefit for the state, was that it managed to partly deal with the insufficiency of the unemployment benefit which excludes the majority of the unemployed (the long-term due to the depletion of the maximum period of assistance, and the youth due to the fact that they don't meet the minimum requirements). Since the vocational training programmes, which include a payment for the participant, acted as a substitute for the unemployment benefit. Secondly, the lack of evaluation and certification criteria provided a temporary flexibility that allowed higher rates of EU funding absorption. This was of great political and macroeconomic importance given that during the implementation of the second CSF, Greece was on a process of fiscal adjustment with the ulterior purpose to become a member of the EMU.

As far as the vocational centers are concerned, the advantages they enjoyed have been mentioned: the opportunity of initial accumulation of capital during the first phase, market clearing and a bigger market share for the ones that survived in the second phase, complete liberalization of the market in the third one. The benefits for the rest of the companies-users of the vocational programmes are fewer, but not minimal. It is quite clear that for the vast majority of the Greek enterprises the perceived value of training programs are financial: six out of ten companies claimed that they appreciate more the direct financial benefits resulting from the funding than the net benefit that derives from the training itself (University of Piraeus 1994: 16, Chletsos & Kaminioti 2006).

Lastly, the organizations of the social partners benefited the most. The social partners, who up to 1992 were only marginally involved in the vocational training system (Mpasdra & Theodorakis 2003: 22), within five years managed to develop the biggest and best organized vocational centres. The national representative confederations of both employers' and employees' gained access to large amounts of resources. This was accomplished by means of two mechanisms: by excluding their vocational centres from the restrictions concerning the maximum number of the sub-offices and the thematic areas of training and by securing exclusive sources of funding through the LAEK Fund. According to the initial predictions (1996), LAEK could provide up to 6% of its revenues for funding to the vocational centres of the social partners. Two years later this proportion rose up to 15%, and by means of the National Collective Labour Agreement in 2004-2005, it rose to 20%. With regard to these resources, 45% was granted to GSEE and the rest 55% to the employers' organizations (GSEE et.al. 2006: 26). With that money the social partners representative organizations managed to finance not only training actions but mainly the extension of their network, and sometimes their very function. It is not a coincidence that the unions that were deeply involved in the vocational training policy were the major social partners; GSEE (workers) and GSEVEE. These two confederations established and ran two of the biggest vocational centres in the country both in terms of financing and capacity. On the contrary, SEB facing no financial

problems since its members were well-off came up with the establishment of a singular “private university” (the ALBA school), which engaged in training the managerial personnel destined to work in the businesses of its members.

The above mentioned reasons, in combination with the individual features of the social partners *per se*, offer an adequate explanation with regard to their consistent attitude in favour of certification. It is worth pointing out that their public field of action and the exclusive funding they ensured prevented them from adopting ambivalent practices of financing. In any case, the vocational centres established by the social partners were the first ones to comply with the certification and the evaluation criteria, and for the most part their infrastructure was larger than the one required; the working conditions were better in comparison to the ones in the private vocational centres and they were in favour of stricter rules.

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Dynamics of Policy Change in Reactive States: A Comparative Political Economy of Greece and Turkey

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Abstract

It is widely acknowledged in the literature that crises are important tipping points that pave the way for significant policy changes (Hay, 1999; Boin, 't Hart and McConnell, 2009; Boin, McConnell, 't Hart, 2008; Hogan and Feney, 2012; Walsh, 2006; Hogan and Hara, 2011). Crises are critical junctures that "make significant structural changes possible because they render politics highly fluid" (Garrett and Lange, 1995: 522). Economic crisis, in this context, is a forceful game-changer in the particular institutional equilibrium of power relations because it breakdowns the incumbent distributional coalitions and vested interests by delegitimizing existing policy paradigms. Not all crises, however, lead to major policy changes. In fact, exogenous shocks per se fall short of explaining post-crisis variations in different policy realms in different cases because crisis with similar magnitude leads to diverging post---crisis changes. The literature suggests that there are many cases that status quo ante is re-established without any major policy change whatever the depth of the crisis is (Legro, 2000: 424, Alink, Boin, 't Hart, 2001). As Hogan and Feeney (2012: 1) put, however, the existing literature has not paid much ado to determine the causal mechanisms through which crises result in policy change or non-change. This leads to major research question of this study: Why, when, how crises lead to major policy changes? What/who are the dynamics/actors of policy change during critical junctures? How external and domestic actors interact toward policy change during critical junctures and what kind of role "policy entrepreneurs" at these junctures pursue? This study aims to search for answers to these questions by providing a comparative political account of the transformation of state capacity in Greece and

Turkey by comparing two crisis junctures in respective countries, especially within the context of the transformation of macroeconomic and financial regulatory capacity. In this context, Turkey's 2001 crisis will be compared with the Greek economic crisis emerged in 2009.

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Abstract

During the last years in Greece, an interesting debate takes place regarding the corporate governance model. A central issue in the above debate is whether Greece moves towards the Anglo-Saxon market-orientated model. Although this seems to be the case for most corporations in the private sector, a number of important companies still operate in a different sub-model, which could be described as "*unionistic corporate governance*", a distorted expression of the corporatist philosophy that prevailed in state owned enterprises (SOEs) and organizations of the wider Greek public sector. However, the implementation of the Economic Adjustment Program - especially the 2nd one- affected the "*unionistic acquis*" but there is still quite a distance to cover in order to eliminate this phenomenon.

Introduction

According to Shleifer and Vishny (1997) corporate governance is the way in which the suppliers of finance to corporation assure adequate returns on their investment. Agency theory and agency problem are central in the relevant literature. Agency problem refers to the potential conflict of interest between shareholders (*principals*) and managers (*agents*) and the arising *agency costs*. Two main different groups of corporate governance models are evident worldwide: a diffuse *shareholder model* and a concentrated *blockholder model* (Gourevitch and Shinn, 2005). In the shareholder model managers are supervised by shareholders via an elected board of directors and although board members hold relatively small portions of the total stock, their vote is necessary for major decisions. In the latter model managers are supervised by "insiders" (concentrated blockholders), with little formal protection of the outsiders (minority shareholders)[1].

Concentration of ownership allows the overcoming of free riding problems in corporate control thus improving the control of managers (Grossman and Hart, 1988) but at the same time generates private benefits of control and blockholders may hurt the interests of minority shareholders or debtholders (Vives, 2000).

Corporate Governance in Greece

It has been already argued that ownership concentration is the main indication for corporate governance and all previous studies describe ownership in Greece as highly concentrated. In La Porta *et al.* (1999) Greek corporations are mainly family owned (50% with a mean of 30%) and state owned (30% with a mean of 22%). If we lower the threshold from 20% to 10% the family ownership percentage increases to 65% (with a mean of 35%). According to Claessens and Tzioumis (2006), the percentage of Greek listed companies without at least one shareholder exceeding a 25% stake is 20% with a mean of 45%. Karathanassis and Drakos (2004) also find a high degree of concentration using data from companies quoted on the Athens Stock Exchange (ASE). In the same line are also Kapopoulos and Lazaretou (2007) and Gourevitch and Shinn (2005) who rank Greece second regarding its level of owner concentration and first among OECD countries (75 with a mean value of 47). Finally, most recent research supports previous findings on high levels of concentration but also identifies a convergence toward the Anglo-Saxon model, partly due to a wider Europeanization process (Papadopoulos 2011). Other scholars find a global convergence of corporate governance policies and frameworks towards shareholder model (Van der Elst, 2000; Hansmann and Kraakman, 2002; Wojcik, 2006).

"Unionistic" Corporate Governance

During the last 10-15 years, most corporations in the Greek private sector seem to adopt characteristics and structures of the Anglo-Saxon market-orientated model of

[1] While shareholder model has the main basic characteristics in the Anglo-Saxon economies where is mainly applied, there are several varieties of the blockholder model. In particular, large shareholder blocks may be held by financial institutions, banks or other firms in one version. Another possibility is the family network, in which personal ties are used to control managers. A different version is state ownership model, where public authorities supervise firms through a variety of mechanisms.

corporate governance. However, a number of important companies still operate in a different sub-model, which could be described as "*unionistic corporate governance*", a distorted expression of the corporatist philosophy that prevailed in state owned enterprises (SOEs) and organizations of the wider Greek public sector. The main characteristics of the "*unionistic*" corporate governance are: a) management is appointed and manipulated by the party in power since state directly or not controls the majority of shares, b) absence of either internal (transparency and accountability) or external (legal framework, market for control) control mechanisms, c) strong linkages between political parties and trade unionists as both recruitment and career progress in these organizations are based on political affiliations rather than meritocracy, d) direct formal or informal involvement of trade unionists in corporate governance, and e) nonalignment of interests between organizations and their basic actors, management and employees, since irrespectively of goal achievement or profitability, managers and employees retain (or even increase) their high levels of prosperity in terms of salaries, bonuses and other benefits. Some representative examples of this model include DEI, OTE (prior to privatization), OSE and other large state owned enterprises and organizations in Greece.

Particularly, in the "*unionistic*" corporate governance sub-model we have an agency problem which differs from those faced in other models. The principal in this case is the state (or even the society as a whole) and the agents are the managers and the employees. Employees, as members of powerful unions advance their status from productive resources to agents with managing powers. Managers and employees build a strong coalition in expense of the state (or society). At the same time, a second agency problem arises when politicians (agents) act against their principal's (society) interests and tolerate if not encourage such coalitions. They do so by appointing political affiliates for top management positions, by recruiting political supporters in SOEs, and by offering them "scandalous" privileges, which put them in a much better position when compared with the unprotected private sector employees.

In this context, where an organization is not managed according to market or financial targets but on the basis of political and personal pursues, the main actors ended in a "golden balance" within a "*unionistic*" corporate governance model, where all won in the expense of organization's efficiency and profitability. This strange "win-win-lose" game, with society being the loser, could not have been played without the support of a "*generous*" state that kept covering (if not opening new ones) black financial holes, justifying its behavior on the rhetoric of "general public (or national) interest". Greek state was offering subsidies, tax exemptions, and guarantees for loans, building a protective environment, away from the "vicious" market forces, for its protégés. The cumulative effect of these policies was a further increase to the public deficit and debt which had to be maintained in the face of dynamic trade union actions, including the occupation of ministries, power plant blackouts, and cancellations of flights.

Efforts for Change

The Greek political system, during the last three and a half decades, had two major policies in order to face the forces that had shaped "*unionistic*" corporate governance

in organizations of the wider public sector and, especially, the SOEs.[2] The one was a large scale privatization program (as a public policy[3]), where the change of the ownership and the management -after selling the total assets or the majority of a SOE- would create new corporate governance environment inside the enterprises and also dynamics for a broader corporate governance reform, and the other was a legal and institutional reform that would lead to an updated corporate governance regime of the SOEs, allowing them to become compatible and efficient in a market economy. The latter reformative policy could prevent the privatization of a profitable SOE or alternatively would increase its value. The pre-reform employment regime (permanence of employment, many discrete allowances, unionistic benefits, extensive and generous insurance and pension schemes, lump sum schemes, etc) and the rooted inefficiencies (union's involvement in management, lack of training procedures, low level of human capital, etc) are a crucial factor that reduces assets' value. In any case, public revenues are higher after a reform in corporate governance than in the case of privatization without any changes in the relevant institutional regime.

The policy that was chosen by the political system in Greece -according to the factual approach[4]- had been the promotion of a privatization program, aiming -first of all- to the fiscal results, because of the revenue raising from the sale and the relief of the state budget from the relative subsidies or the loan guarantees, to the improvement of the investment and economic environment, because of the broader spill-over effects towards a non-monopolistic economy, and to the modernization of the corporate governance regime in the SOEs (Pagoulatos, 2005; Pagoulatos and Zahariadis, 2011). Particularly, the privatization program and the public listing of firms in the stock market created a disciplinary framework of efficiency improving corporate governance, as convergence with higher international accounting and corporate governance standards was the prerequisite to attract international institutional investors (Goyer, 2003; Schmidt, 2003; Lutz and Eberle, 2004; Pagoulatos, 2005).[5] Surely, alongside the domestic incentives for the promotion of a privatization program, there where, also, pressures or opportunities from the external environment considering the role of SOEs in the Greek economy, as the EU integration process towards a common market with a common currency, the internationalization of the financial and funding transactions, the tremendous changes in technology and innovation, and the liberalization of international markets (Rapanos, 2009).

In this framework, the privatization program started during the '90s as the previous decade was the one during which, among others, the public sector extremely enlarged, the state's intervention and "guidance" in key sectors of the economy expanded

[2] According to Zahariadis (1995), the state involvement in corporate management has shifted in the last decades from direct methods of control (ownership) to indirect methods (regulation).

[3] Privatization program is approached as a public policy that seek to reform the state ownership structures in order to face inefficient resource allocation as a result of various incentive distortions, like electoral cycles, moral hazard, principal – agent problems etc (Pagoulatos, 2005).

[4] The choice of the political system is described, considering the results, by the *actual approach* (Masciandaro and Quintyn, 2009) and not by the *narrative approach* as the willingness of relative reforms was always in the political agenda and rhetoric but was never translated into actual policies.

[5] This was the case for the large SOEs, where the objective was the access to domestic and international capital market in order to raise funding for technological investment and modernization, to implement strategic alliances and to maintain a competitive size in the global and European markets (OECD, 2001; Pagoulatos, 2005).

through methods of central planning and the "socialization" of failed private enterprises[6], and the institutional and political environment for the development of the "*unionistic*" corporate governance sub-model was created (Kazakos, 2001; Pagoulatos, 2003; Rapanos, 2009; Sotiropoulos, 2009; Kazakos, 2011). So, after a decade of nationalization and under the EU pressure (Pagoulatos, 2005) the '90s was the first decade of privatization and was divided into two periods. The first one was the 1991 - 1993 period, during which the government tried to implement a privatization program oriented in the sale of either the public enterprise as a whole or of a majority stake of the public enterprise (see Table 1). However, this privatization tactic cannot be characterized as successful because the program faced many political and social obstacles and stopped in 1993 after the elections (Pagoulatos, 2005; Kazakos, 2011). According to Kazakos (2011), one of the significant factors for this failure was the strong unions of the public sector that aggressively responded to the privatization program.[7]

The period after 1996 was characterized by a gradualist and non-conflicting tactic (see Table 1), which emphasized the retention of public control over the under privatization enterprises, while the overall environment was certainly more conductive than during the first period (Pagoulatos, 2005; Pagoulatos and Zahariadis, 2011).[8] However, the fundamental element of this gradualist tactic was that, substantially, it didn't affect the unionist system that was developed during the '80s. On the contrary, on a large scale this tactic retained it as (a) the partial privatization (sell of minority stakes) led to retention of the union-party-ministerial bureaucracy control upon the enterprises (Kazakos, 2011), while this situation remained in many even in cases when the state lost the majority stake given either the wide dispersion of the rest of the enterprise's shares or the participation of quasi-public institutions and organizations in the enterprise's ownership (Pagoulatos, 2005)[9], (b) the workforce in SOEs remained in high levels[10] as this area of the broader public sector (with the local government) was the most attractive for the political system to expand its "*clientelism*"[11] because of the quasi-public management nature and the core public

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[6] In 1983 the government established a public holding group for ailing enterprises (Industrial Restructuring Organization) in order to control a big number of private firms for restructuring purposes partially with illegal methods.

[7] As Kazakos (2011) underlines, "*Several factors were responsible for this early failure, among them the instability of a government which could only count on a marginal majority, a still unfavorable public opinion, internal tensions in the governing party between liberals and conservatives, serious policy design mistakes as a result of lacking experience and an aggressive opposition, dominating the unions of the public sector and still promising to renew the populist politics of the '80s.*"

[8] The reasons for the more conducive environment were the opposition consensus, policy learning, favorable economic and market conditions, and the ideological and leadership shift of the government (Pagoulatos, 2000a; Pagoulatos, 2000b; Pagoulatos, 2005). Furthermore, Rapanos (2009) states that the entrance -through "*equitization*"- of these enterprises to the stock market had positive effects in terms of profitability and in terms of revenues raising from the privatization.

[9] A characteristic case is that of the National Bank of Greece, as even though the state's percentage of share decreased in single digit levels the wide dispersion of the rest of the company's shares and the entrance in the company's ownership of the Greek Church and the pension and insurance funds allowed the state to remain in control (Pagoulatos, 2005).

[10] Based on estimation of the Greek Ministry of National Economy, in 1997 employees in public enterprises were about 130.000 (Kazakos, 2011).

[11] About "*clientelism*" in the Greek political system and economy, among many others, see Tsoukalis (1997), Kazakos (2001), Pagoulatos (2003) and Featherstone (2008).

employment scheme (with full benefits and "*permanency*"), (c) the wage level kept an increasing trend -alongside the rest of the public sector- that was not related to the enterprises' profitability and efficiency, while the extra benefits for the workers remained in place or increased[12], (d) the partial privatization movements were accompanied by generous voluntary retirement schemes for a large number of (old) employees under the pressure of the unions (Pagoulatos and Zahariadis, 2011) and changes -in the cases of the state banks- in the pension system structures, affecting negatively the sustainability prospects of the pension system (Kazakos, 2011).[13] This situation and privatization logic, mainly, continued and after 2000.

Thus, even though that the unions' power was limited slightly as a result of the openness of the markets[14] and the entrances of strategic partners in the management (with majority stakes in some cases), the fundamental elements of the institutional and political environment that allowed the development of "*unionistic corporate governance*" in SOEs remained in place as the focus of the partial privatization program was on the temporary fiscal dimension of the policy (one-off revenues) and not on the structural one (midterm economic benefits). So, the government in order to achieve the fiscal targets of revenues-raising and subsidies-saving didn't change "*much in the way the system works*" and tried to retain "peace" with the unions by neglecting the second reformative policy that could change the corporate governance regime of the SOEs: institutional reforms.

Table 1: Privatizations in Greece, 1991 – 2011

Date	Company (Share %)	Value (US $ mil.)
04/1991	Olympic Marine S.A. (100%)	5,11
09/1991	Chios Bank (100%)	15,80
10/1991	Elvim S.A. (100%)	8,86
11/1991	Minion S.A.	6,62
12/1991	Thraki S.A. (100%)	8,37
01/1992	Thessalian Paper Mills S.A. (100%)	2,45
03/1992	Hercules Cement S.A. (69,8%)	644,18
06/1992	Chandris	200,00
12/1992	Elefsis Shipyards S.A. (100%)	373,80
01/1993	Bank of Athens (66,7%)	31,36
07/1993	Hellenic Sugar Industry (20%)	12,20
03/1996	OTE S.A. (7,6%)	430,90
02/1997	Thessaly's Cotton Ginning (100%)	2,74

[12] According to Pagoulatos and Zahariadis (2011), considering the OTE's privatization case, underline that "*during the first public offering in 1996, a number of shares were distributed to OTE employees*" and that "d*uring 1996 – 2004, a consensus-seeking policy of industrial peace was pursued by OTE's management, concordant with the government policy at macro-level. Very favorable enterprise-level collective labor agreements were signed, and an extensive bonus system was applied until 2004.*"

[13] Particularly, the merger of the banking market's pension funds weakened the general Social Insurance Foundation by taking out of it the pension funds of private banks and consolidating already existing pension privileges of the state bank employees (Kazakos, 2011).

[14] Limited union power in a non-monopolistic environment is a reason why privatization, which evolved parallel with the gradual market liberalization, did not lead to increasing but decreasing labor tension as the pressure instrument of "strike" was seriously weakened (Pagoulatos and Zahariadis, 2011).

05/1997	CosmOTE S.A.	97,68
06/1997	OTE S.A. (12,4%)	1123,90
12/1997	Athens Stock Exchange (39,67%)	78,70
04/1998	Bank of Macedonia – Thrace (36,98%)	74,33
04/1998	Geniki Bank (14,5%)	55,80
04/1998	OTE S.A. (3,5%)	399,90
05/1998	National Bank of Greece (10%)	87,20
06/1998	Hellenic Petroleum S.A. (23%)	272,70
09/1998	Bank of Central Greece	58,39
11/1998	OTE S.A. (15%)	1019,50
04/1999	Chalkis Shipyards S.A. (100%)	9,31
04/1999	National Bank of Greece (4%)	553,30
04/1999	Olympic Catering	10,90
06/1999	Athens Paper Mills S.A. (100%)	120,00
07/1999	OTE S.A. (14,1%)	979,20
10/1999	National Bank of Greece (4%)	302,90
11/1999	Duty Free Shops S.A. (25%)	173,16
12/1999	ETVA (25%)	398,00
12/1999	Hellenic Petroleum S.A. (11,5%)	458,10
12/1999	EYDAP (25%)	210,90
02/2000	Hellenic Petroleum S.A. (15%)	355,00
07/2000	EPA Thessaly (49%)	35,13
07/2000	Athens Stock Exchange (60%)	66,80
12/2000	CosmOTE S.A. (11,02%)	403,60
12/2000	Agricultural Bank of Greece (7%)	300,80
04/2001	OPAP S.A. (5,5%)	79,70
06/2001	OTE Leasing S.A. (100%)	20,94
08/2001	Thessaloniki Port Authority S.A. (25%)	15,00
08/2001	EYATH S.A. (25,45%)	14,40
10/2001	Hellenic Shipyards S.A. (51%)	5,30
12/2001	Public Power Corporation S.A. (15,09%)	391,70
06/2002	OTE S.A. (8%)	627,80
07/2002	OPAP S.A. (19%)	437,90
09/2002	Olympic Catering (58%)	15,75
12/2002	Public Power Corporation S.A. (13,2%)	323,90
05/2003	Hellenic Petroleum S.A. (16,65%)	384,19
07/2003	OPAP S.A. (24,6%)	710,40
07/2003	Piraeus Port Authority S.A. (25%)	61,50
10/2003	National Bank of Greece (11%)	577,10
10/2003	Public Power Corporation S.A. (15,7%)	714,30
03/2004	Geniki Bank (50,01%)	154,62
08/2004	Hellenic Petroleum S.A. (8,21%)	237,13
11/2004	National Bank of Greece (7,46%)	725,50
07/2005	OPAP S.A. (16,4%)	1518,58
08/2005	OTE S.A. (10%)	1036,90
05/2006	Agricultural Bank of Greece (7,23%)	421,30
05/2006	Hellenic Postbank (35%)	793,03
06/2007	OTE S.A. (10,7%)	1485,99

07/2007	Hellenic Postbank (20%)	701,10
12/2007	Hellenic Postbank	36,00
05/2008	OTE S.A. (3%)	681,14
03/2009	Olympic Airlines (100%)	225,04
07/2009	OTE S.A. (5%)	957,08
06/2011	OTE S.A. (10%)	548,80
09/2011	OPAP Licenses	1137,66

Source: *Privatization Barometer (2009), Ministry of Finance (2009), Rapanos (2009) and Ministry of Finance (2012)*

After the '80s there was no substantial reformative initiative considering the SOEs governance and employment regime until 2005, when the first legislative initiative took place (3429/2005) in order to establish a framework considering the function, governance, control and employment of SOEs. However, even though the 2005 law could be characterized as "breakthrough" -for Greece's standards- with remained weaknesses considering the OECD guidelines for SOE corporate governance (Rapanos, 2009), the results weren't the expected ones and the SOEs' losses continued, contributing to the country's fiscal problem.[15] These poor results could be attributed, mainly, to the fact that the framework didn't introduce (transparent) automatic procedures and retained the "privilege" of the government to decide about the enterprise's performance (party-ministerial bureaucracy control) and to the absence of strict financial and funding constraints related with the management's accountability. Thus, the law 3429/2005 couldn't by itself hurt significantly the "*unionistic acquis*" and this weakness was also reflected in the reaction that was not as aggressive as in other relative initiatives. Such an aggressive reaction from every part of the political spectrum was noticed in 2008, when a legislative initiative was taken in order to enhance the framework established in 2005 by setting wage constraints. These constraints enhanced the effectiveness of the framework and affected significant the "*unionistic acquis*", as they hurt the direct union's benefits from the development of the "*unionistic*" corporate governance, which were the SOEs' workers high earnings. However, the 2008 amendment's provisions, substantially, were not activated before Greece's entrance into the EC/ECB/IMF Support Mechanism[16].

Undoubtedly, during the first two years in the Support Mechanism, the implementation of the Economic Adjustment Program affected the "*unionistic acquis*", mainly, because of the extended wage reduction and benefit cut in the broad public sector, as there weren't any significant movements considering the two policies that could face the forces that had shaped "*unionistic*" corporate governance. However, during 2012 and after an extended electoral period that increased the liquidity of the political environment and put at stake the country's future in the Euro area the government's attitude against the framework of SOEs changed. Firstly, the government decided a series of measures that affected the core of the "*unionistic acquis*", like (a) the targeted movements in order to abolish special privileges and

[15] According to Rapanos (2009), in 2008 total SOEs' losses amounted around 1,6 billion Euros that mainly where covered from state subsidies that increased also, while in the cases of profitable SOEs the level of profitability were very low.

[16] See laws 3833/2010, 3845/2010, 3871/2010, and 3899/2010.

harmonize with the previous law on wages[17], (b) the abolition of the supplementary pension awarded to union officials who served as presidents and general secretaries of primary and secondary organizations (law 4093/2012), (c) the further harmonization of the SOEs' special wage regime with the one of the public sector and, thus, reducing significantly salaries and allowances (law 4093/2012), (d) the reductions in the remuneration, allowances, expenses and earnings in general of President, Vice President, CEO and Board members (law 4093/2012), and (e) the implementation of the relative law considering the strikes.

Furthermore, what seemed to change the institutional environment that allowed the development of the "*unionistic*" corporate governance was the legislative initiative that was added as an automatic financial constraint mechanism to the framework established with the 3429/2005 and its amendments. It was an initiative in law 4111/2013 about the establishment a new type of financial controls in all bodies within General Government -and SOEs- which are harmonized with the new standards that impose cost reduction of the auditing process and the simplification and flexibility of the auditing regimes' operations. Particularly, this initiative (a) set a monitoring mechanism for the annual SOEs' budget according to which they have to submit to the Ministry of Finance their budget and quarterly targets for the basic revenue / expense accounts and (b) introduced an automatic "financial correct" mechanism according to which (i) in case of shortfalls from the targets by 10% then every kind of state financial support is reduced by the shortfall's rate, (ii) in case of shortfalls that exceeds 10% then the Board's remuneration payment is suspended until the achievement of the initial budgetary targets, and (ii) in case of an annual shortfall that exceeds 10% the Board's term of office is considered as de facto expired. Consequently, this initiative introduced the structural elements of automatic audit procedures and strict financial constraints that were absent but necessary for the full and efficient implementation of the 2005 law. In the new framework, the environment that allowed the development of the "*unionistic*" corporate governance at the expense of public debt lost fundamental characteristics as the accountability of the enterprise's management became directly connected with its viability and remuneration and the enterprise's performance is reverse and negatively related with the subsidy of the state. So, there is no managerial and financial room left for the actors of the "*unionistic*" corporate governance to exploit the benefits of it.

Conclusions

There is no doubt that steps to the right direction have already been made as the sovereign debt crisis and the strict fiscal adjustment program that followed it in order public finances become sustainable eliminated the room for the broader political system to retain the strange "win-win-lose" game of the "*unionistic acquis*", with society being the loser that had to pay the bill. However, there is still much to be done regarding the full implementation of the institutional framework, the promotion of the privatization program, the disengagement of SOEs from the political network of parties and trade unions, and the development of a "market-harmonized" transparent framework of corporate governance rules. Particularly, if unions in SOEs

[17] Particularly, the government pressured for and achieved the cut of the high "family benefit" for the managers of PPC and moved the LARKO's management for not harmonizing the enterprise's wages with the previously adopted laws (3833/2010, 3845/2010, 3899/2010, 3986/2010 and 4024/2011).

continue to serve as “nurseries” for political parties and the SOEs’ management continues to be a field of political settlement or bargain, the results of any reform will not be the expected ones and corporate governance reforms in the wider public sector will be stillborn efforts.

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