

# Solidarity and the Welfare State in Greece

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**Abstract**— During the years preceding the financial and fiscal crisis, Greece’s welfare state had been mainly extending provisions in order to serve the political patronage system built after regime change in 1974. This system reached its limits as the number of active insurance contributions given by the working population was gradually reducing while the number of inactive members (pensioners) was increasing at an exponential rate. Because of this situation, after the outbreak of the financial crisis, the "obvious" concepts of social security and solidarity were in dispute and are currently in a process of redefinition. Undoubtedly, insurance is a way of producing solidarity and nowadays redistribution methods are put into question. At this point we note that the proposals of the Left proved unable to address the viability problem of the social security system and as a result could not prevent the appearance of “social exclusion”. This is evidenced by the fact that in Greece during the economic downturn, not only are the vulnerable affected but also the middle classes. These results stem from the requirements of the Medium Term Fiscal Strategy Programme 2013-2016, signed by the Greek government, the IMF and the EU, that proposed a selective welfare state which reduces wastage by the extreme reduction in the Health and Education services. One main aspect of the welfare state is the existence of solidarity with social content but how can this be implemented when solidarity becomes a form of charity? Does the introduction of a revolutionary tax plan which aims at increasing the development rates provide a sustainable solution to this problem? The purpose of this article is to investigate the transformation of the concept of solidarity and the formulation of policies that will make the welfare state in Greece viable while not restricting social goods.

*Index Terms* - financial crisis, social policy, solidarity, welfare state

## I. INTRODUCTION

The expansion of the Greek welfare state began after the 1980s when new, wide coverage social insurance services were established. For the first time in modern postwar Greek history lower social groups (under-privileged) gained the opportunity to equally access all the expanded social insurance services. This procedure’s aim was to achieve income-redistribution which would reduce social and economic inequalities.

However, the dysfunctional public administration structure<sup>1</sup> gradually created a large number of financial problems and was the main reason that welfare state services were ineffective.

In the 1990s there was a different approach to the social policies compared with the previous decade. In general, the reduction of the public sector was the dominant reform policy and particularly was implemented by privatizations and by the notion that solidarity has to be determined by efficiency. It is doubtful though if these reforms managed to create an effective public sector with social security services accessible to all citizens. If these reforms had achieved their goal, the impact of the Greek financial crisis on the country’s welfare state would probably not have been so vast.

## II. CHALLENGES AND REFORMS IN THE EU’S SOCIAL PROVISION

Welfare States were created in order to provide a level of social protection for citizens and reduce the inequalities that market capitalism creates. This could be achieved through redistribution mechanisms which defend the idea of solidarity among the different and unequal social groups.

Some social risks that welfare policies aim to protect citizens from are the “loss of income due to unemployment, sickness, retirement, ill-health, education for children” (Taylor-Gooby, 2010, 453) and generally the risk of poverty. During the 60’s and 70’s welfare-state-model was passive with a collective perspective. Citizens received benefits without having to act in order to earn them. Over the last two decades there have been major developments that have led to the necessity of reforming welfare state policies.

The challenges which the welfare states encountered and are still pushing for further reforms are firstly, globalisation which “has weakened the authority of national governments” (Taylor-Gooby, 2010, 455) in controlling the market regulation procedures. Secondly, the pressures from global economic factors to construct a freer world market decayed the organized working class that was the basic pillar of several corporatist,

<sup>1</sup> Such dysfunctions are caused by the mandarinism and the extended public administration corruption which expanded the public sector not with transparent ways but in order to supply petty politician interests.

social democratic and liberal kinds of social compromise across European societies (Glyn, 2007; Standing, 2009). Furthermore, according to research (OECD, 2011), life expectancy has dramatically increased during the last three decades, creating a black hole in public incomes, obstructed health care and pension expenditure. Public social spending deteriorated even more by the introduction of new technology that on several occasions replaced human resources. This means that fewer employees are necessary to export the same product and respectively, less contribution is available for the funding of the social security system. The outcome which arises is that “the less deferential more demanding stance of citizens identified by political scientists (Norris, 1999) increased the pressure for a policy response” (Taylor-Gooby, 2010: 455).

Apparently, in order to construct a more effective social security system, reforms conducted to impel active labor market participation through measures which include training, restrictions on unemployment (Lodemel and Trickey, 2001; EU, 2008; Van Berkel and Valkenburg, 2007) and increase in pension ages to meet demographic change and the contribution years (Arza and Kohli, 2008; Bonoli and Palier, 2007; Zaidi, 2009: 5–9). Also, there have been changes in employment rights and work conditions with the introduction of part-time employment and the idea of flexibility and ‘flexicurity’ of the labor force. This means that some basic employment rights have been brought into question. From the other side, equal opportunities for both genders aims at the creation of a more effective labor force.

### III. THE WELFARE STATE AND SOLIDARITY IN

#### GREECE

The concept of solidarity comprises one of the main pillars of welfare states. The main question this paper asks is to what extent a welfare state can provide the concept of solidarity effectively. Particularly, is the Greek welfare state providing solidarity fairly? The answer is that a number of factors reduce the effectiveness of the welfare state policies and the range of solidarity.

A wide range of applied welfare policies was not socially equitable due to patronage interests. More particularly, while the pensions for the middle and high incomes were high, the provision for the vulnerable social groups was historically, poor (Matsaganis, 2011).

Social partners and the promotion of social dialogue can become two crucial factors for the creation of a society with more solidarity. During the 1990s consultation between the government and the peak associations of employers and employees took place in an attempt to build on and redefine Greece’s tradition of ‘disjointed corporatism’ (Lavdas, 1997).

The attempted neo-corporatist strategy of the 1990s did not have any pragmatic result (Sotiropoulos, 2004).

During the ‘80s PASOK governments developed the Greek welfare state by implementing reforms, particularly for the socially vulnerable groups, such as the creation of the National Health System and the institutionalization of the minimum pension for all citizens (1982). The primary objective of these reforms was the promotion of social solidarity and the creation of an integrated model of equal social protection. Nonetheless, social inequalities remained as a consequence of the major inefficiencies of the welfare system. As an example of this situation, the majority of General Practitioners’ (GPs) incomes did not meet the economic potential of the system. The dysfunctional structure of the system did not facilitate the promotion of social solidarity so that corruption and clientelism were two of the key elements which led to economic collapse. Therefore, the Greek welfare state although created to promote solidarity, did not achieve that goal because of these widespread dysfunctions.

To interpret these dysfunctions we need to take into consideration the fact that the Greek context has been found to be particularly reform-resistant (Lavdas, 1997) due to its limited reform capacity (Featherstone and Papadimitriou, 2008).

### IV. THE IMPACT OF CRISIS AND THE ROLE OF THE WELFARE STATE

The Greek financial and fiscal crisis has been the combined result of domestic factors and vulnerabilities (such as the intrinsic weaknesses of the economy and an extensive public debt) and external effects (the role of international markets and their pressures on national and supranational political institutions such as those created in the Eurozone after the U.S. collapse of a number of specialized lending institutions) (Matsaganis, 2011). With some time-lag after the US crisis, conditions became similar for banks in some eurozone members while in other member states with a markedly less exposed financial sector governments, including the Greek government, increased an already ferocious public debt in an ill-conceived attempt to avoid the implications of the crisis (Lavdas, Litsas and Skiadas, 2013).

In this context, the inadequacies, the inefficiency and the vulnerabilities of the Greek welfare state were exposed in full. To an extent in contrast to international experience, the Greek case reinforces the view that the welfare state was not yet able to implement effective reforms. This is evidenced by the fact that despite the increase in social spending mainly during the 80s and the rationalization attempts over the next two decades, the function of the welfare state has not effectively improved (Matsaganis, 2011).

Moreover, on several occasions, the implementation of reform projects aimed at improving the existing system was hindered by partisan and union self-interests (Carrera et al, 2010; Featherstone, 2005; Featherstone et al, 2001; Matsaganis, 2002, 2007, 2011; Tinios, 2005, 2011; Vlachantoni, 2007).

At the social solidarity level, as Matsaganis states “the existing state of affairs jeopardized future prosperity and violated distributional justice, but generated winners as well as losers – and the former were powerful in society and politics.” (Matsaganis, 2011: 504).

Although the policies implemented during the previous two years aimed at addressing the financial crisis, brought negative impacts on society, several scientists insist that they can be the beginning of the implementation of crucial changes to the public sector that for two decades failed tremendously (Pierson, 2004).

With the adoption of the Medium-Term Fiscal Strategy 2013-2016 in November 2012 effectual changes are imposed on the Welfare State in order to reduce public spending. Welfare benefits, pensions and health expenditure are essential for the proper functioning of the welfare state and the retrenchment of these creates new conditions for the provision of social solidarity.

More specifically, relative to the welfare benefits, the Medium-Term Fiscal Strategy 2013-2016 imposes the replacement of different family benefits with a unified benefit, based on income criteria. Furthermore, the retroactive abolition of untaxed income for parents is assessed. Regarding the benefits for the unemployed, the special benefits will be abolished and a unified benefit provided, with income and geographic criteria, only for the long term unemployed and will reduce the number of unemployed who are eligible for it. The welfare benefits were applied in order to support vulnerable social groups and, for the efficient management of different vulnerability issues, specific benefits had been established. With the implementation of austerity measures these differentiations cease to exist and instead, general benefits are established which do not effectively resolve the social vulnerability problems. On the other hand, this enactment will reduce public spending and contribute to the creation of a more convenient welfare benefits provision mechanism.

Austerity measures also include changes in the pension system. The Medium-Term Fiscal Strategy 2013-2016 will necessitate increase in the retirement age by two years and the scaleable pension reduction for pensions from 1000,01 € to 1500 € by 5%, from 1500,01 € to 2000 € by 10% and more than 2000,01 € by 15%. Furthermore, it will reduce gratuities

and abolish further pension benefits.<sup>2</sup> These horizontal measures mostly affect low income pensioners and can not be regarded as socially equitable. A positive measure of the Medium-Term Fiscal Strategy 2013-2016 is the creation of Social Insurance e-Government SA which will be a unified operator for pension-payment control. This institution will ensure the transparency and credibility of pension provision since it will gather, verify and crosscheck the details of pension beneficiaries and calculates any changes in the amounts granted.

The Greek pension system should have followed the reforms applied in most European countries as the retirement age remains the lowest in Europe, according to OECD data (OECD, 2011). Therefore, life expectancy growth and high levels of unemployment continue to create major pressures on the pension system. On the other hand, an increase in the age limits should not entail an increase in youth unemployment and consequently, an increase in outward migration but the implemented policies should facilitate investments in order to create new job vacancies.

The question about the reforms in the field of Health and Social Solidarity, is whether solidarity and social protection is provided, especially for vulnerable groups, when every patient must pay the sum of one euro per prescription performed by GPs and 25 € for medical expenses in National Health System hospitals as additional social insurance fees. A socially equitable welfare system should provide health insurance to employed and unemployed citizens. Therefore, all insured citizens should be entitled to hospitalization, even granting prescriptions within NHS hospitals, because in this way social solidarity is actually implemented, protecting all citizens.

## V. POLICY PROPOSALS

Despite the opposition caused by the adoption of the Medium Term Fiscal Strategy Programme 2013-2016, the opinion that is being actuated by a part of Greek society is that this program will contribute significantly to the reform of the public sector in order to become more efficient and inexpensive. The Greek welfare state is directly affected by the implementation of these policies on efficiency, operating and social solidarity issues.

One of the main issues is that historically the welfare state (in Greece as in the rest of Europe) has been obliged to deal with unemployment. An efficient and socially equitable measure is to provide unemployment benefits for a specific time frame, and to oblige the unemployed to participate in education and training programs, in order to improve their skills, or in a job that will be proposed by the Employment Agency, as is applied by the French RMI (Rosanvallon, 2003).

<sup>2</sup> Additional money given during two specific periods per year

Several social vulnerability problems have been exaggerated due to the financial crisis and the horizontal budget cuts in welfare provision benefits. Budget cuts in the field of health provision reduce accessibility to the health services. This low accessibility mostly affects the vulnerable groups. In order to address effectively social vulnerability issues, the promotion of an integrated primary care system is the most suitable solution as it will allow more effective treatment of health problems and reduce hospital care costs.

Social security systems have been created to protect citizens both during working and pension period. In Greece this system is currently under great pressure because the implementation of several reforms has been delayed. The viability of the system will be achieved both by the increase in the retirement age and by retrenchment. However, any cuts in benefits should be based on the principles of social justice, therefore, it is essential to implement cuts which include social and economic criteria but not horizontal measures such as the repeal of the 13th and 14th pension to all pensioners. Such a measure negatively affects low income pensioners and is not socially equitable.

From this perspective, reforms of the welfare state should aim at putting center stage and – whenever possible – strengthening social rights. In this frame, the welfare state should contribute by all means available to the elimination of social inequalities by offering equal opportunities in order to ensure a better standard of living. This can only be achieved through the implementation of policies that ensure social solidarity, namely the targeted protection of vulnerable groups from poverty and other forms of social vulnerability. To ensure social welfare, peace and sustainability, welfare state policies should bear social justice as their main principle.

Finally, the financial crisis negatively affects socially and economically vulnerable groups and the state should aim to assist them with the infusion of elements of social justice into the tax system. A tax system informed by principles of social justice should provide tax relief for the socially vulnerable, impose taxes with both social and economic criteria while facilitating investment inflow that would strengthen the economy and create new jobs. In this sense, promoting effective social policies while infusing elements of social justice into the tax system, social rights and solidarity may be better shielded from the structural, long-term risks posed by the financial crisis.

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