THE CRISIS IMPERATIVE,
REFORM DYNAMICS AND RESCALING
IN GREECE AND PORTUGAL

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Abstract

This article compares the welfare reform dynamics and rescaling processes over the last few years in Greece and Portugal. It comprises four main sections. After an introduction, the second section briefly describes the salient features of social security, healthcare and labour market policy in the two countries in the years prior to the crisis. It also sets out the major dimensions of comparison. The third section provides a short account of the unfolding of the crisis and the common pressures for structural adjustment, while the fourth section examines the policy options and outputs in the above three policy domains under the bail-out. In the light of the major points of comparison put forward, the interplay of external and internal factors in welfare state reform and rescaling are analysed in section five. The conclusion briefly points to restrictions and challenges in the post-crisis era.

Keywords: bail-out; Greece; Portugal; reform dynamics; rescaling; welfare state; sovereign debt crisis

1. INTRODUCTION

This paper examines the socio-political dynamics of welfare reform and rescaling in Greece and Portugal during the crisis. Some distinctive features of socio-political integration and policy – which have been characteristic of the two countries for a long time, such as the preponderance of a ‘consensual’ mode in Portugal, and of a
conflictual/clientelist pattern in Greece, are crucial for this comparison. Equally important are the common pressures for structural adjustment exerted on both countries under crisis conditions and ‘bail-out’ conditionalities. Rescaling social welfare constitutes a crucial dimension of reform. We define rescaling in a two-fold manner: as a reconfiguration of the appropriate actors for dealing with social problems (who decides and how) and as a repartition of competencies along public/private and central/local dimensions.

The next section provides a summary account of the two countries’ policy profiles in three main areas (social security, health and labour market policy) in the decades prior to the crisis, and sets out the major dimensions of comparison. The following two sections focus on the common pressures for structural adjustment under the financial and sovereign debt crisis and on the ‘rescue deals’ in the two countries. We briefly trace the reforms in the above three policy areas and highlight the underlying policy choices. Then we move to an analysis of the reform dynamics and the major aspects of welfare rescaling, in the light of the dimensions of comparison set out in the previous sections. The conclusion summarises the main points of the comparative analysis, briefly hinting at the post-crisis challenges.

2. POLICY PROFILES UNTIL THE ONSET OF THE CRISIS

2.1. THE TWO COUNTRIES COMPARED

Following the restoration of democracy in both countries, previously constrained social pressures led to rapidly increasing social expenditure in the late 1970s and most of the 1980s. In Greece, due to the strong populist current throughout the 1980s, welfare policies came to be a crucial instrument in the clientelistic-particularistic exchanges that characterised socio-political integration in the country. Studies in political science define socio-political integration in Greece as an ‘eccentric majoritarianism’ that for a long time combined the ‘logic of populism’ with electoral overbidding in clientelist concessions and rent-seeking behaviour (see, for instance, Kovras and Loizidis 2014). In the policy studies literature these features are described as a ‘statist pattern’ with ‘extensive and all-pervading state intervention that, however, did not lead to the formation of effective and efficient socio-economic planning processes’ (Petmesidou 2006: 30).

Rather than building comprehensive, rights-based welfare arrangements, policy measures involved favourable provisions, such as early retirement schemes for some socio-professional groups, disability pensions, and the expansion of social insurance coverage to groups which had never paid any contributions (for instance, Greek

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1 See also Monastiriotis and Antoniades (2009: 3), who aptly describe Greek reform pathologies as ‘reform activism with little change in policies and outcomes’.
repatriates from Eastern Europe and the former Soviet Union). These imposed considerable strains on the finances of social insurance organisations.

In Portugal, the transition to democracy occurred under large-scale revolutionary mobilisation. But soon the prospect of accession to the EU and later the challenge of joining the EMU prompted a shift in policy-making towards more consensual forms of interconnected reforms in income, labour market, social security and welfare policies through social pacts. Although the frequency of social pacts diminished after entrance into EMU, the institutional structure remains in place.

Table 1 depicts the rapid rise of social expenditure (as a percentage of GDP) from 1980 until the eve of the crisis (from 12.2 per cent of GDP in Greece and 14.7 per cent in Portugal, in 1980, to 26 per cent and 24.3 per cent respectively, in 2008). Although these increases are remarkable, social spending per capita lagged behind increases in GDP per capita (both measured in Purchasing Power Standards or PPS, as compared to the corresponding EU-15 rates), indicating that the two countries underspent in social protection in terms of their wealth. This runs counter to the argument that welfare state expansion is a main reason for the deterioration of public finances. Moreover, the effect on redistribution has historically been low in both countries (particularly in Greece). The poverty rate was comparatively high at the onset of the crisis, and has increased further since then.

Table 1. Social expenditure and poverty

<table>
<thead>
<tr>
<th>Social expenditure as percentage of GDP</th>
<th>At-risk-of-poverty rate, 2009/2012*</th>
<th>Per capita social expenditure (in PPS**, EU-15 = 100)</th>
<th>GDP per capita (in PPS**, EU-15 = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>19.4/24.0 27.8</td>
<td>18.4/19.4 93 94 101/88</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>12.2/22.0 26.0</td>
<td>19.7/23.1 64 81 73/87</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>18.2/19.9 22.7</td>
<td>20.1/22.2 64 78 84/93</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>14.7/16.3 24.3</td>
<td>22.4/22.6 55 64 68/66</td>
<td></td>
</tr>
<tr>
<td>EU-15</td>
<td>– 27.1</td>
<td>16.2/16.8 100 100 100/100</td>
<td></td>
</tr>
<tr>
<td>EU-27</td>
<td>– 26.4</td>
<td>16.4/16.9 85 88 87/90</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
* Income data refer to previous year (cut-off point: 60 per cent of median equivalised income).
** Purchasing Power Standards.

The economic recession in the first half of the 1990s and serious fiscal pressures under the EMU criteria brought imbalances to the fore. With greater success in Portugal than in Greece, reforms sought to tackle gaps and inequalities in social protection, while at the same time experimenting with new welfare mixes, many influenced by policy visions and options promoted by the EU, e.g. the Lisbon Agenda (Guillén and Petmesidou 2006). Nevertheless, in both countries, from the mid-1990s until the
credit crunch, the goals of welfare state reforms were similar. They included cost containment and rationalisation in the main policy domains matched with new programmes in social assistance and social care.

Three factors shed light on the different socio-political dynamics of policy-making in the two countries, and provide the basis for comparison. First, Greece failed to develop the processes of negotiated reform that were prominent in Portugal. No major platform of social dialogue for large-scale reform emerged, think tanks and policy communities that might drive the policy debate were absent, and industrial relations remained highly politicised, fragmented and conflictual.

Second, the ways in which political parties related to their social base differed markedly between the two countries. In Greece, but not in Portugal, electoral support was maintained through clientelistic exchanges and patronage networks that extended to trade unions. The current crisis has significantly restricted the resources for political overbidding (and rent-seeking). However, it remains to be seen whether the underlying logic of this mode of socio-political integration will wane. Overall, the legitimacy of political parties (and trade unions) has declined precipitously and the party system has experienced a deep flux. Support for the two main political parties which were alternately in power (the right-wing New Democracy, and the centre-left PASOK) reached record low levels, and new parties on the far-right, centre and left have emerged.

In Portugal, a stronger tradition of compromise and a difference with Greece in respect to the unfolding of the political cycle account for the resilience of political structures (Afonso 2013). The outgoing Socialist Party (PS) signed the bail-out deal with the support of the incoming centre-right Social Democratic Party (PSD) which undertook its implementation without strong opposition. In Greece, PASOK bore the brunt of the blame for dragging the country to the so-called troika (the three international creditors – the European Central Bank (ECB), the European Commission (EC) and the International Monetary Fund (IMF) and fervently implementing its stringent austerity measures. This alienated huge swathes of voters in the mid-2012 election and brought the party to its nadir in the January 2015 elections.

Third, compared to Greece, Portugal did not experience a ‘boom and bust’ trajectory in the 2000s. Excessive deficit procedures stemming from anaemic growth led Portugal, on several occasions, to engage in cost containment and fiscal retrenchment well before the crisis. Hence, the turn towards the bail-out austerity measures was not as abrupt as in Greece.

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2 Interestingly, amidst the crisis (in 2009), the major election campaign slogan of PASOK (the Panhellenic Socialist Party) was ‘There is Money’ (for the state to spend). In the same vein, SYRIZA’s (the Coalition of Radical Left) election campaign, culminating in a decisive victory on 25 January 2015, adopted a similar, though admittedly milder, stance.
2.2. PENSIONS, HEALTHCARE AND LABOUR MARKET POLICY

Historically, in both countries social insurance relied on a public, first pillar, earnings-related system.\(^3\) The 1990s and 2000s saw various attempts to improve horizontal equity (amalgamating plans) and to adjust to population ageing (e.g. increasing the pensionable age, adding a sustainability factor, and discouraging early retirement). However, rationalisation has progressed further in Portugal. Despite some steps towards consolidation, fragmentation continued to be much higher in Greece.

Table 2 depicts the rapidly rising old-age dependency ratio in both countries and related social spending (pensions, health and long-term care) as a percentage of GDP. Due to timely attempts at system rationalisation prior to the crisis, old-age related spending in Portugal is not forecast to increase as rapidly as in Greece (in 2035 and 2060). Early intervention also accounts for the fact that forecasts before and after recent reforms do not exhibit any further significant decline in spending (as is the case for Greece).

Table 2. Old-age dependency ratios and public expenditure

<table>
<thead>
<tr>
<th>Old-age dependency ratio</th>
<th>Old-age-related public expenditure 2007–2060 (pensions, healthcare and long-term care), as percentage of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>30.5</td>
</tr>
<tr>
<td>Greece</td>
<td>24.2</td>
</tr>
<tr>
<td>Portugal</td>
<td>27.7</td>
</tr>
<tr>
<td>EU-27</td>
<td>25.9</td>
</tr>
</tbody>
</table>

Source: EU Commission 2009 and 2012.

* The forecasts take into account the recent reforms briefly discussed below.

Despite a pension-heavy welfare state, in both countries the risk of poverty among the elderly (aged 65 and older) remained high (19.2 per cent and 22.4 per cent in Portugal and Greece respectively, in 2008; EU-27 average of 14.7 per cent). In part this reflects the very low rates of minimum pensions, as well as the large number of people in non-contributory schemes (introduced in both countries after the restoration of democracy). Currently, in Portugal, 40 per cent of old-age spending accrues to the wealthiest 5 per cent of the population, while in Greece about a third of old-age retirees receive a pension at the level of the non-contributory social pension (Petmesidou 2014).

Both countries introduced a National Health System (NHS) in the late 1970s and early 1980s respectively, but a mixed system (in terms of funding and service delivery)

\(^3\) Funded (occupational and private) schemes cover only a tiny section of the labour force.
continued to operate, as both countries combined the NHS with special insurance schemes (a large number of occupational-based health insurance funds in Greece, and ‘health insurance subsystems’ with more generous provisions, mostly for public employees, in Portugal). Since the 1990s both countries have faced problems of cost escalation, but for different reasons. At 1.5 per cent per year, the rate of growth in Portuguese health spending from 2000 to 2009 was the second lowest in the OECD (OECD average of 4 per cent) and at the opposite end of the spectrum from Greece, which had average annual growth of 6.9 per cent. However because Portugal had very low economic growth, health spending increased faster than GDP for all but two years (2006 and 2007) during this period, and reached 10.2 per cent of GDP in 2009 (as it did in Greece).

Persistent overuse of expensive specialist services is accounted for by an ineffective referral system in Portugal, and lack of a gate-keeping mechanism in Greece. Some forms of private-public mixes (e.g. contracting out various ancillary services by the NHS) were embraced in national health policies in both countries, and de-concentration was attempted through the creation of regional health administrations. Both countries also introduced user charges, changes in the pricing system for pharmaceuticals and the promotion of generic drugs. However, in Greece these policies were not particularly successful, given the fact that spending on drugs increased on average by 9.9 per cent yearly (in real terms) between 2000 and 2008 (2.3 per cent in Portugal), and regional reorganisation was not rigorously pursued (Petmesidou, Pavolini and Guillén 2014).

As regards labour market policy, both countries proceeded to the liberalisation of employment services and, if not successful in practice, at least in principle, embraced the idea of promoting a mix of passive and active policies. Reforms signal an attempt to broaden the concept of social protection rights by weakening the link with regular employment. This is reflected in the expansion of social assistance and of integrated measures for social inclusion and work-life balance, particularly through EU funding (e.g. in the home help programme in Greece, which, since the late 1990s, has aimed to improve work-life balance and support female employment). The introduction of the minimum income scheme for social inclusion (Rendimento Social de Inserção (RMI)) in Portugal, in 1996, also embraced an integrated policy. Nevertheless, expenditure on active labour market policies remained low in both countries (it stood at a tiny 0.22 per cent of GDP in Greece and 0.59 per cent in Portugal in 2010/2011). Stringent rules on dismissals, high reservation wages, strict work demarcation, and varieties of dualism (e.g. through a large informal economy in the case of Greece and segmentation between a ‘fringe’ of weakly protected temporary contract workers and a ‘core’ of protected permanent workers in Portugal), have persistently been major predicaments.

Overall, welfare state development followed similar paths in the two countries. In Portugal, a socio-political context conducive to dialogue among major stakeholders

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5 This refers to the lowest wage rate at which a worker would be willing to accept a particular type of job.
(trade unions, political parties and advocacy groups) – though with a highly varying scope and breadth over time – can be considered a major factor in explaining some early attempts at system rationalisation (in social security and healthcare) and recalibration (e.g. with the introduction of the RMI). In contrast, a stalemate is evident in Greece.

3. THE SOVEREIGN DEBT CRISIS AND THE BAIL-OUT

The debt crisis has both domestic and international causes (Armingeon and Baccaro 2012; Lapavitsas 2012). Heavy borrowing in international markets to fund the government budget and current account deficit, in tandem with weak revenue collection and structural rigidities in the economies of both countries, are among the common domestic causes. Yet this is most starkly the case for Greece, while in Portugal it is the global financial crisis that triggered the ballooning of the public deficit and debt (in 2010 the public debt reached 148 per cent of GDP in Greece and 94 per cent in Portugal, while the respective rates of the public deficit were 15 per cent and 9.8 per cent of GDP). Equally important are external macroeconomic parameters, such as the inherent flaws of the Euro project (a monetary union of unequal economies with divergent interests and subject to asymmetric shocks, without any forthcoming transfer union6), in parallel with easy access to capital at low interest rates that accession to the Euro area implied for both countries.7 An analysis of these issues, however, is outside the scope of this article.

In the wake of escalating borrowing costs following the revision of the budget gap in late 2009, Greece was cut off from the markets and pressed to enter into a bail-out agreement with the troika in March 2010, on condition that a large-scale structural adjustment and harsh austerity measures were implemented. As the crisis deepened, the rescue plan was revised several times, and in October 2011 a fresh loan was agreed (in parallel with a 50 per cent debt restructuring for private bondholders) with stricter conditionality requirements. Strikingly, when the country entered the bail-out, the troika expected that growth would resume in 2012, unemployment would peak at about 15 per cent in the same year and start falling afterwards, and the country would recover full market access in 2013. All these assumptions proved to be wrong. GDP contracted for six consecutive years (between 2009 and 2013, its nominal decline was 27 per cent), real domestic demand collapsed by around 30 per cent (Varoufakis 2013), while unemployment reached 26.4 per cent in mid-2014 (and youth unemployment

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6 i.e. political union (meaning a kind of centralised, federal European union) with redistribution functions.

7 The narrative of fiscal laxity and administrative inefficiency of Southern European countries as the main cause of their debt crisis, overstated by the media and orchestrated by the EU political elite and their domestic supporters, is a one-sided view hiding the more complex interplay of internal and external causes (Armingeon and Baccaro 2012: 254–255).
rocketed to 52 per cent). The long-awaited return to growth remains an issue of contention, as tentative signs of recovery forecast an anaemic trend in the medium-term.

The troika’s forecasts for Portugal were also overly optimistic and the recession was longer and deeper than anticipated, although it did not reach the depths of the Greek calamity. Portuguese GDP declined by 5.7 per cent from 2010 to 2013, and unemployment climbed to 17.6 per cent (36 per cent for youth unemployment) in mid-2014. Exiting from the bail-out does not mean the country has a clean bill of health. Private sector deleveraging will continue for some time, servicing the high debt will consume revenue, and the prospects for robust growth are small. The future is therefore unlikely to include rapid employment growth. Given high levels of social need stemming both from developments prior to the crisis and as a result of it, along with continued population ageing, the likely scenario for social spending in Portugal is one of continued constraint.

Despite the IMF’s embrace of ‘a philosophy of parsimonious conditionality’ after strong criticism of the way it dealt with the Asian crisis (Stiglitz 2002; IMF 2002), the ‘rescue deals’ for Greece and Portugal can be characterised in terms of extensive conditionality eroding political and economic sovereignty. This also indicates a major shift in EU supra-national governance with respect to social and labour market policies: namely from the flexible governance of the Open Method of Coordination, to a raft of strict and binding conditions for the bailed-out countries. A report commissioned by the European Parliament with the aim of tracking the main themes of EC documents monitoring the structural adjustment plans of both countries shows that ‘fiscal consolidation, structural reform and privatisation’ are the themes occurring with the highest frequency in the programme documents (mentioned, on average, 2.06 times per page in the case of Greece and 1.79 times in the case of Portugal), whereas the frequency with which ‘unemployment’, ‘poverty’, ‘inequality’ and ‘fairness’ are mentioned is negligible (Sapir et al. 2014).

Below we briefly review social policy change under the common pressures of the crisis and the bail-out conditionalities, with an emphasis on the policy choices guiding the reforms.

4. POLICY REFORMS

Assessments of structural adjustment measures to date (Armingeon and Baccaro 2012; Degryse, Jespen and Pochet 2013; Sapir et al. 2014) highlight many negative

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8 Unless otherwise stated, all statistics are drawn from the Eurostat webpages at http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/.

9 In a total of about 2,000 pages of EC programme documents on Greece, the term ‘poverty’ is mentioned 59 times, while there is only one reference to inequality. In a total of about 1,000 pages of EC programme documents on Portugal there is no reference whatsoever to either poverty or inequality.
effects. First, they demonstrate how the sovereign debt crisis created fertile ground for the strategic actors in Europe (ECB, Directorate General for Economic and Financial Affairs (ECFIN), Economic and Financial Affairs Council (ECOFIN)) to push forward the ‘self-regulating market’ mode of economic governance, where social and labour policies are the main adjustment variables of the monetary union (through internal devaluation). Second, they clearly illustrate the undermining of democratic legitimacy at the national level (as the ‘Memoranda of Understanding’ (MoUs) leave little room for policy choice and negotiation by national governments and other domestic actors). Finally, they provide evidence of the vicious circle generated by structural adjustment. Austerity leads to contraction, increases unemployment and depresses state revenues, and this requires further austerity measures, trapping the countries in a ‘downward spiral’. Dangerously high levels of long-term unemployment (18.5 per cent in Greece and 9.3 per cent in Portugal in 2013; EU-28 average 5.1 per cent)\textsuperscript{10} have resulted in serious concerns regarding structural joblessness that can have the opposite effect on competitiveness and productivity to that intended by the ‘rescue’ policies.

4.1. PENSIONS AND HEALTHCARE: EMPHASISING FISCAL SUSTAINABILITY OVER ADEQUACY AND EQUITY

In both countries the issue at stake is whether the prevailing fiscal consolidation can be balanced with policies redressing inequalities and guaranteeing benefit adequacy. As yet, however, particularly in Greece, a downwards equalising bias to a low common denominator predominates. Here, the 2010 path-breaking reform replaced the Bismarckian social insurance system (based primarily on the first pillar), with a unified, multi-tier system that distinguishes between a contributory and a basic (quasi-universal) non-contributory pension. The combination of shrinking pensionable income and lower replacement rates will significantly reduce pensions for future retirees, when new regulations come into force in 2015. The above two tiers will need to be complemented by funded occupational pension schemes and private savings, a condition that will seriously impair adequacy (and collective solidarity). Current pensioners’ incomes have also been drastically reduced through successive rounds of cuts (on average, of 30 per cent, going up to 60 per cent for the high pension benefit brackets) compounded by a tax increase over the last three years that disproportionally hit middle to lower incomes (Petmesidou 2014).\textsuperscript{11}

\textsuperscript{10} Strikingly, the average waiting time before finding a job in Greece has increased to more than 9 months, surpassing not only Spain, but also South Africa (ILO 2014a).

\textsuperscript{11} According to a simulation study by Matsaganis and Leventi (2014), if the poverty threshold is fixed at 60 per cent of the 2009 median equivalised disposable income (adjusted for inflation), the poverty rates for people aged 65 years and over between 2009 and 2013 increased by 20.4 and 6.4 percentage points in Greece and Portugal respectively. For an account of cuts in pensions in both countries, see also Zartaloudis (2014).
In both countries, concerns about benefit adequacy are completely missing from the reform agendas (as are any projections of the effects of the ongoing reforms on poverty). Most importantly, sustainability – the flagship of the reform – is highly questioned in Greece. The social funds’ revenues have been severely strained by steeply falling wages and salaries, escalating unemployment and the inability of the self-employed and small businesses to continue paying contributions. But above all, a devastating blow to social insurance was dealt by the government’s decision (under the rescue deal) to include the social insurance funds in the private sector ‘haircut’ of March 2012. A large part of the funds’ reserves are, by law, invested in government bonds. Their inclusion in the ‘haircut’ led to over 50 per cent losses. This surely undermines the actuarial valuations (and forecasts) guiding current reforms. Benefits will thus be driven further downwards increasing the poverty risk among pensioners.\(^\text{12}\)

In Portugal, cost containment measures were introduced well before the bail-out. In mid-2010, means testing of non-contributory social benefits became obligatory, and the majority of non-contributory benefits were frozen. Later on, pensions for 2011 were frozen and public employees’ contributions increased (by 1 per cent). Expenditure on the RMI was cut by 20 per cent, and child benefits decreased.\(^\text{13}\)

Since March 2011 the Portuguese MoU has introduced a wider array of reforms. Initially, pensions above 1,500 euros were reduced, but later all but the lowest pensions were also cut (on a progressive scale), tax exemptions for pensions were curtailed and a special social solidarity levy on pensions above 5,000 euros was introduced (a similar levy was introduced in Greece in mid-2010 – ranging initially between 3 per cent to 10 per cent of gross monthly (basic) pension income, but increased to 14 per cent in early 2012). In both countries, the 13\(^{\text{th}}\) and 14\(^{\text{th}}\) month pensions were suspended (in Portugal, for pensions over 1,100 euros). In the latter, in April 2013 the Constitutional Court ruled against these measures (particularly the 14\(^{\text{th}}\) month payment in the public sector, on the grounds that it was discriminatory relative to private sector). The government responded immediately with alternative measures in the public sector, including changes in the status of public employees, an increase of the retirement age to 66 years and an additional tax averaging 10 per cent on pensions above 600 euros. A new ruling by the Constitutional Court in August 2013 introduced further limits on some of the new measures.

Equally in healthcare, achieving fiscal balance has been the overriding aim. Rising user charges, the rolling back of public provision, and rationing through increasing waiting times and other stalling mechanisms (e.g. in Greece, the introduction of

\(^{\text{12}}\) A decrease in social insurance contributions by 3.9 per cent (embraced in the second MoU signed in February 2012), for wage and salaried workers, which came into effect in July 2014, will further squeeze revenues of social insurance organisations.

\(^{\text{13}}\) Between 2010 and 2012, further cuts were implemented totalling, for the RMI, 28.8 per cent; for child benefits, 32.3 per cent; and for survivors’ benefits, 7.7 per cent (Bernardo, Silva and Correia 2014: 110).
ceilings on the number of patient visits for which doctors under contract with the public healthcare system can be paid, as well on the number of prescriptions and laboratory tests they can issue) have had negative effects on access, equity and service quality in both countries (Petmesidou, Pavolini and Guillén 2014).

In Greece, health insurance was reorganised under a single entity (EOPYY – the National Organisation for Healthcare) in a move to improve horizontal equity. Yet, since its establishment, EOPYY has been seriously underfunded (its debt is currently set at about two billion euros). There are plans for a purchaser/provider split: EOPYY is assigned the function of a funding organisation, while its polyclinics have merged with health centres run by the NHS to create a unified primary care network (PEDY – The National Primary Healthcare Network) that will operate under the Regional Health Authorities. However, so far, major issues regarding primary care reform remain unresolved. For instance, which criteria will be used for the redeployment and merging of existing units in the new primary care network? What role in the network will the private sector play? What kind of contracts will be signed by EOPYY and the various providers? Meanwhile, a drastic downsizing of public health centres is evident, as only about half the number of the medical personnel previously employed in them agreed to join PEDY.

In Portugal, a number of reforms were made to expenditure on pharmaceuticals, prescriptions, wage costs and user fees in order to achieve savings of 670 million, the amount specified in the MoU. As in Greece, measures included much greater use of generic drugs (achieved through electronic prescriptions and robust monitoring of doctors’ prescriptions) and the promotion of competition.

Centralising the purchase of medical goods and reducing the costs of hospitals (through closures and the amalgamation of hospitals and clinics, more drastically pursued in Greece) have also been high on the reform agenda. In both countries sizeable increases in user charges have affected access and quality (Karanikolos et al. 2013). In Greece, this dismal procedure has been compounded by the diminishing range of public provision. There are over two million uninsured people, unmet medical needs have sharply risen, and infant mortality, mental disorders, cardiovascular disease, unhealthy practices (like alcohol and drug addiction), HIV rates, and suicides (Kentikelenis et al. 2014) have all been on the increase.14 Equally in Portugal, mental disorders have been prevalent, while spending on mental healthcare has declined. As early as 2011, neonatal deaths increased in nine municipalities, with a working class suburb of Lisbon reverting to the mortality rates of 2002. Support by charitable organisations (Médecins sans Frontières, religious organisations, and others) cannot adequately substitute for diminishing public coverage. Particularly in Greece, an eruption of expensive morbidity is highly likely, causing a boomerang effect on system sustainability – the flagship goal of reform.

14 New legislation provides for free access to primary care units by the uninsured; yet barriers remain due to very stringent means-testing criteria and the absence of specialist and hospital care coverage.
4.2. WEAKENING OF LABOUR PROTECTION

Successive legislation under the MoUs significantly changed the rules governing industrial relations. In Greece, public sector reforms embraced wage reductions, a recruitment freeze and a mobility scheme involving suspension/reallocation associated with wage reductions, and eventually dismissals. In the private sector, legislation boosted flexible and precarious employment, facilitated redundancies and reformed the collective bargaining system.

In February 2012, the General Collective Agreement among the social partners in force at that time was abolished by law. A 22 per cent reduction of the minimum wage (to 580 euros, gross) was imposed and sub-minimum wages for youth introduced; this also reduced unemployment benefit to 360 euros. Reforms facilitated enterprise labour contracts and the individualisation of employment conditions accompanied by reduced remuneration (and an increase in uninsured labour). Legislation provided that minimum wages will be set by law, thus nullifying the role of autonomous collective negotiations. The requirement of prior consultation (by the Ministry) with the social partners before legislating on minimum wages only pays lip service to the trade union right to free collective bargaining. Regulations also embraced a pay freeze, suspended the application of industry-wide and occupational agreements for all employees in a sector or occupation, and restricted the ability of employees to seek arbitration, as it banned unilateral recourse to arbitration and also severely limited its scope to minimum wage issues. By facilitating the drawing up of employment agreements at the business level, even in very small enterprises and by informal associations of workers, legislation under the MoU effectively dismantled the collective regulation of working conditions. It also set up barriers to striking and significantly weakened the role of unions (Dedoussopoulos et al. 2012). In response to the trade unions’ appeal filed in 2012, the Council of State recently issued a ruling that found the restrictions in arbitration unconstitutional, but rejected the appeal against the entire spectrum of reforms seriously limiting labour rights.

15 The MoU stipulates that until 2015 the public sector must shed 150,000 employees (including retirements). Until the end of 2014, far fewer dismissals were made than stipulated by the MoU. In early 2015, the newly formed coalition government of SYRIZA and the Independent Greeks pledged to rehire dismissed workers.

16 Among the enterprises inspected in the last few years, the percentage of undeclared labour rose from 25 per cent in 2010 to 36.2 per cent in 2012. In the first quarter of 2012, for the first time part-time employment and job rotation recruitments surpassed full-time ones; while the conversion of full-time contracts into flexible employment contracts increased significantly (Labour Inspectorate 2013).

17 Strikingly, the government only partly complied with the judgment (unilateral recourse was reinstated but the scope of arbitration remained limited to minimum wages). In its election campaign, SYRIZA pledged to restore collective bargaining and increase the minimum wage to its 2012 level (that is, to 751 euros). However it remains to be seen how these manifesto pledges will be reconciled with the international creditors’ demands.
In Portugal, labour market reform under the MoU purportedly aimed to address labour market dualism, which, despite this, has been growing. Labour costs have been significantly reduced. Dismissal has been made easier by reducing severance payments and widening the criteria for fair dismissal. The regulation of fixed-term contracts was redesigned to allow for longer terms and a greater number of extensions to a maximum of 18 months. Overtime pay was reduced by 50 per cent, four public holidays were abolished, paid holiday entitlements (the 13th and 14th month) were reduced, and the minimum wage was frozen at 485 euros monthly (from January 2011).

Collective bargaining agreements were altered to significantly reduce their application to non-unionised workers. Given Portugal’s low union membership (20 per cent), this has had a significant impact. According to the Portuguese Ministry of Employment, from 2008 to 2012, the number of private sector workers covered by collective agreements dropped sharply from about 1.9 million to 327,600.

In order to increase unemployment benefit coverage in Portugal from a very low level, the necessary contribution period to access benefits was lowered from 15 to 12 months. However the maximum duration of benefits was cut by almost half, from 30 to 18 months. In Greece, an extra benefit of 200 euros for the long-term unemployed was introduced (for up to 12 months). However, due to the highly restrictive eligibility criteria, only 1.5 per cent of the registered long-term unemployed currently receive it.18 Unemployment benefits were also extended to some categories of self-employed workers in both countries.

5. REFORM DYNAMICS AND RESCALING

In light of the foregoing analysis we attempt to unravel the reform dynamics and welfare rescaling, and to critically position the main issues of the current debate in this respect. The distinctive features of socio-political integration and the economic trajectory in each country, which we singled out as crucial for explaining reform options prior to the crisis, as well as the common pressures during the crisis, provide the basis of the comparison (Table 3, below, summarises the main trends).

5.1. POLICY DECISIONS RESCALED UPWARDS

The strict conditionalities of the rescue deals have overridden sovereignty, as reforms have bypassed governments and parliaments. Greece provides a striking example of a situation where a large number of significant legal changes which were either explicitly or implicitly required by the international lenders became law, not through parliamentary procedure, but by ministerial and presidential decrees allowed by the Constitution

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18 Data obtained from the Greek Manpower Employment Organisation.
only in cases of emergency. Under the combined effect of directly imposed structural adjustment by the bail-out and the crisis management tools of the EU (the ‘Six Pack’ of macroeconomic policies, the Euro Plus Pact etc.) decision-making for major reforms in social and labour protection has been significantly rescaled upwards.

In both countries trust in parties and politicians and support for the EU have fallen sharply. Yet the structure of the Portuguese party system has remained remarkably stable throughout the crisis. The collective share of the vote, in parliamentary elections, for the two main parties (PSD and PS), has diminished only slightly, from 73.8 per cent in 2005, to 65.67 per cent in 2009, and to 66.71 per cent in 2011. In Greece, by contrast, the crisis caused a deep transformation, with the collapse of PASOK (its vote shrank from about 44 per cent in 2009, to 4 per cent in 2015) and the significant decline of New Democracy (from about 33.5 per cent in 2009, to 27.8 per cent in 2015), the emergence of an extremist anti-immigrant and anti-EU right-wing party (Golden Dawn), and the rapid ascendance of a previously marginal party on the left (SYRIZA), which secured an election victory in January 2015 and formed a coalition government with the centre-right Independent Greeks.

Table 3. Policy dynamics and rescaling

<table>
<thead>
<tr>
<th>Decision-making with regard to:</th>
<th>The overall structural adjustment policies - Public protest</th>
<th>Labour market reform</th>
<th>Healthcare and social security reform Transfer of competences</th>
</tr>
</thead>
<tbody>
<tr>
<td>By passing parliamentary procedures</td>
<td>Bypassing parliamentary procedures</td>
<td>The balancing role of the Constitutional Court</td>
<td>Public protest</td>
</tr>
<tr>
<td>Greece</td>
<td>++</td>
<td>–/+</td>
<td>++</td>
</tr>
<tr>
<td>Portugal</td>
<td>+</td>
<td>++</td>
<td>+</td>
</tr>
</tbody>
</table>

Note: ++ = high, + medium, – = low, –/+ = low during the first years of the crisis, but increasing subsequently, ++/+ = high during the first years of the crisis, but diminishing subsequently
* Only by the UGT.

19 Also, lengthy and complex legal texts enacting a range of stipulations by the international creditors are passed through parliament as urgent bills in a couple of days, leaving no room for parliamentary scrutiny.

20 Strikingly, even for the countries not under a bail-out, EU policy settings like the European Semester indicate a shift towards a stronger supra-national intervention in social and labour policy, as the recommendations issued by this economic coordination tool embrace strong pressures of wage and social dumping in Europe (Degryse, Jespen and Pochet 2013).
As shown above, these differences can be accounted for by the significantly greater intensity of the crisis in Greece, the different bases of party support in the two countries, and a greater diffusion of responsibility for the crisis in the Portuguese case. Nonetheless, public opinion suggests that the opportunity structure for the emergence of a new party is present in Portugal.21

While upward rescaling of policy decisions raises serious questions about democratic deficits and domestic sovereignty, for at least three reasons these are arguably less acute in Portugal than in Greece. The first is that the party system in Portugal has long represented clearer differences in ideological positions than the one in Greece, where clientelistic articulation with voters has been much stronger. Moreover, because of a dismal economic performance during the 2000s, many influential actors and a considerable portion of the electorate see at least some of the structural reforms demanded by the troika as overdue. The second is that the Portuguese Constitutional Court has played a moderating role, in more than one instance limiting the ability of the government to enact MoU-induced austerity. Finally, there is a rich debate in the country regarding both the need for structural reforms and the importance of equity considerations.

Issues of democratic deficit (and diminishing sovereignty) with regard to the austerity-driven reforms have triggered a number of critical reviews by international organisations (the UN Human Rights Council, ILO, ETUC and others). In a brief review of the social effects of structural adjustment in Greece, the UN Expert on Foreign Debt and Human Rights emphasises the detrimental impact of the austerity programme in a country where ‘the social protection system is ill-equipped to absorb the shock of unemployment, salary cuts and tax increases’.22 The report is highly critical of diminishing access to healthcare and considers the unprecedented rise in unemployment a severe violation of the right to work. It also considers a pilot scheme guaranteeing a minimum income that began in late 2014 (with a meagre budget of about 20 million euros) to have minimal effects on combating poverty and social exclusion.

Overall, the critical debate by supranational bodies (including the EU Parliament through its recent review of the troika actions in the bail-out countries) reveals that the crisis management measures by the troika run counter to basic principles in the EU Treaties. Direct intervention by the bail-out programmes in the field of social rights not only contradicts the principle of subsidiarity, but further violates Articles 9 and 168 of the Lisbon Treaty. The former requires that the EU take into account the guarantee of adequate social protection when designing and implementing new policies; the latter forbids interventions that negatively affect human health protection. In addition, the Council of Europe has condemned the pension cuts in

21 For instance, on the right-wing political spectrum, as attitudes towards immigrants are by no means particularly progressive in Portugal (Baum and Glatzer 2014).
Greece, considering them a violation of Article 12 of the European Social Charter of 1961 and Article 4 of its Protocol. However, the media and governmental authorities have extensively downplayed the significance of these critical reviews, while major social actors like the trade unions have not been very successful in using this discourse to broaden debate on welfare reform challenges.

5.2. ‘HOLLOWING OUT’ OF THE SOCIAL DIALOGUE

As stated above, social dialogue has been persistently weak in Greece. Though in formal terms a consultation procedure is in place, its relevance in terms of substance has always been low and has further weakened under structural adjustment. According to an ILO report (Dedoussopoulos et al. 2013: 40), ‘the troika considered social partners part of the problem, not part of its solution’, and pushed for reforms that turned social dialogue and collective negotiations ‘into an empty shell’.

Undoubtedly the clientelist mode of political integration accounts, in part, for the weak institutionalisation of social dialogue. Trade unions remain fragmented and highly dominated by public sector interests, while union density has remained low (24 per cent in 2008). Labour union political factions (affiliated with the governing party and with those in opposition) have functioned in accordance with party political expediency and have not constituted an autonomous structure capable of delivering efficient services to their members (through social dialogue, collective action and a significant role at the workplace). This has had a negative effect on trust in unions, a condition further aggravated by the crisis.

Successive legislation under the MoU has progressively rescaled labour market arrangements both upwards and downwards. The February 2012 dissolution (by fiat) of the General Collective Agreement and the transfer of responsibility for setting minimum wages to the Ministry of Employment indicates a centralisation that is at odds with the liberalisation/deregulation mantra. Yet, at the same time, and in tune with the latter, a sharp downwards rescaling is recorded. Over the last three years, a large body of legislation has drastically limited trade union rights and shifted regulation of the employment contract from the level of collective negotiations to individual arrangements that have seriously curtailed labour protection.

In Portugal, a narrative appealing to the social rights enshrined in the ‘Constitution’23 has been a central motif in political debate from the 1970s to the present and a bulwark against welfare retrenchment. Also, as stressed earlier, social dialogue (even though not on a regular basis) has deeper institutional roots, compared to Greece. Nevertheless, austerity-driven reforms have significantly transformed labour market policy in substance and in process. Unemployment benefits were reduced, dismissals were made easier and working time increased. But social dialogue

23 Written at the height of the left-wing revolution in the mid-1970s, it embraces a detailed and lengthy description of social rights. See also Fishman 2013.
and tripartite bargaining were also affected. The institutional and consultative roles of the unions as social partners have been weakened by decentralising wage agreements, devolving them to lower levels, and ending the process of the automatic extension of the results of collective bargaining to non-unionised workers.

The ILO has voiced serious concerns that the sidelining of the social partners and processes of social consultation violates core ILO Conventions.24 Similarly, a survey of the changes, prepared for the Employment and Social Affairs Committee of the European Parliament, concludes that ‘an attempt to radically change the former system of industrial relations is underway’ (Valente and Marques 2014: 8).

Both the CGTP (Confederação Geral dos Trabalhadores Portugueses) and the UGT (União Geral de Trabalhadores) have reacted by resorting to strikes and mass protests. While there were five general strikes in the first 35 years of democracy (1974–2009), there have been an equal number since 2010. The CGTP adopted a hard-line stance and refused to sign any social pacts during this period, while the UGT followed a dual strategy of supporting industrial action but also participating in collective negotiations. Since 2008, it has signed three pacts with the employers’ confederations. Nonetheless, neither strikes nor social pacts have blocked the MoU-instigated reforms from being implemented.

A distinctive feature of the reform dynamics in Portugal concerns the prominent role of the Constitutional Court in overseeing social rights. It has repeatedly opposed government attempts to cut select social and labour market provisions, generally on arguments of equity and equal treatment found in the Constitution, or on Article 53, which prohibits dismissals without just cause.

In April 2013 the Constitutional Court rejected four of the nine austerity measures of the state budget designed by the government to comply with the demands of the troika. It ruled that the cuts in pensioners’ and public servants’ holiday bonuses, as well as reductions in sickness leave and unemployment benefits, were unconstitutional. In August 2013, the Court constrained the ability of the government to reduce the size of the public sector, arguing that the criteria for recruitment of state workers into a special mobility scheme was likely to be arbitrary and unfair and would violate the constitutional principle barring dismissal without just cause. In November 2013, it ruled against parts of the revised Labour Code of 2012, declaring unconstitutional some of the provisions regarding individual dismissals in the private sector, again for violating Article 53 of the Constitution. It also protected the autonomy of collective bargaining, finding that the government could not violate prior agreements on matters such as rest time and increases in annual leave.

The frequent rulings of the Constitutional Court against austerity-driven measures legislated by the Parliament stand in marked contrast to the Greek case. Appeals to the Council of State in Greece for violations of social and labour rights have increased over the last few years, but the rulings have not substantially countered austerity

24 The Right to Organise and Collective Bargaining Convention (No. 98), the Minimum Wage Fixing Convention (No. 131), and the Social Security (Minimum Standards) Convention (No. 102) (ILO, 2014b).
measures. We mentioned above the recent ruling against changes in the process and scope of arbitration. But the trade unions’ petition regarding measures to dismantle collective bargaining was rejected by the Council of State. Recently it ruled positively in respect of petitions about pay reductions filed by the armed forces, the judiciary and university academic staff, but overall, the government’s compliance with the rulings has been poor.

Public protest is also an important component of the socio-political dynamics in both countries. On the eve of the crisis, resistance movements gathered momentum and stimulated public debate. They distanced themselves from labour anti-austerity actions, a condition accounted for, at least in the case of Greece, by the low levels of trust in the unions. Particularly in Greece, repressive measures against mass protests by the police and propaganda by powerful media in order to defuse opposition to structural adjustment, have contributed to the diminishing momentum of mass mobilisations. So far, in neither country have mobilisations been able to trigger a comprehensive debate on issues of justice and equality and articulate an alternative pathway.

5.3. RESCALING ALONG THE PUBLIC/PRIVATE AND CENTRAL/LOCAL DIMENSIONS

Prior to the crisis, Portugal had gone much further than Greece in developing integrated interaction between local authorities, associations of municipal councils and NGOs in social assistance, social care and social insertion policies (particularly through the implementation of the RMI (Glatzer 2014)). In Greece local welfare provision has been fragmented and deficient. An expansion of social programmes and functions undertaken by local government (and municipal enterprises) throughout the 2000s drew primarily on EU funding, and took place in an uncoordinated way, with a high risk of activities being discontinued as soon as external funding stopped. Furthermore, the revenue and expenditure of local authorities as a proportion of general government revenue and expenditure have persistently been the lowest among the EU-15 countries (Petmesidou 2006).

Most importantly, reforms in the three main policy domains reviewed above strongly indicate a transfer of competences from the public to the private domain. In Greece this exists in the rollback of first pillar pension benefits and an eventual shift towards occupational/private (funded) schemes. In combination with the high unemployment rates, forecast to continue over the coming years (if austerity measures persist), these conditions will deepen inequality in social insurance for future retirees. In Portugal, the tightening of eligibility criteria for non-contributory pensions and a sharp decrease in spending on the RMI (and child benefits) indicate a hastening

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25 Issues discussed in this section for Portugal and Greece are also contemplated in Del Pino and Pavolini (this volume, p. 247) for the cases of Spain and Italy.
retreat of public provision and a weakening of local welfare policies. In Greece, the funding scale of a belated piloting of a safety-net scheme hardly allows us to forecast the strengthening of local authorities and other major local actors in welfare provision.

In healthcare, ‘rescaling’ is linked to drastic rollback of public provision, particularly in Greece, where about a third of public spending was slashed from 2009 to 2012, and a further estimated 1.2 billion euros cut during 2013–2014. In Portugal total public health spending fell from 11.6 billion euros in 2012 to 8.3 billion euros in 2013, a drop of 28.5 per cent. Rescaling is also linked to the purchaser/provider split recently introduced in Greece, and the, as yet not clearly designed (or implemented), transfer of management and coordination of primary care provision to Regional Health Authorities. As indicated earlier, deconcentration in healthcare hardly proceeded beyond a small-scale administrative rearrangement in the past and ongoing reforms to date present a blurry picture of the extent and mode of repartition of responsibilities between central and regional/local bodies.

In Portugal a regional administrative reorganisation took place much earlier (in 1993 and 2003). Under the MoU a further reorganisation of primary healthcare (Agrupamento de Centros de Saude) is in progress with the aim of fully transferring primary healthcare to regional/community level authorities. But cost cutting predominates and reinforces pre-existing trends with regard to greater use of purchaser/provider splits, experimentation with internal markets and competition between public and private providers (Vieira da Silva 2012).

Last but not least, a sideways rescaling (towards civil society solidarity initiatives and international/domestic NGOs) is evident in both countries. It embraces increasing third sector provision during the crisis. In Greece, NGOs and solidarity networks (‘We Can’, ‘Allies of Health’, ‘Metropolitan Community Clinic’, Médecins du Monde and others) providing food, medicine and services have emerged over the last few years in response to the growing need for support. Given the country’s poor record in social engagement, these constitute a new expression of social solidarity. From 2010 to 2013 there was a 44 per cent increase in the number of Greeks taking part in volunteer projects and solidarity activities (Malkoutzis 2013). More critically oriented solidarity movements embrace the ‘Can’t Pay, Won’t Pay’ movement that started as a mass road toll non-payment campaign but expanded to other areas. In the health sector, this movement is supported by a number of healthcare workers who occasionally occupy the cashier office of outpatient hospital departments allowing patients free entrance.

In Portugal, third sector involvement in welfare provision was prominent even before the crisis, in the context of a more integrated local welfare system. By the mid-1990s about two thirds of the central government’s social assistance budget was distributed to the over 3,000 non-profit social welfare associations, intricately linked with central state and local authorities in the delivery of welfare provision. A Social Emergency Plan, adopted by the government during the current crisis, increased financial support to third sector social welfare organisations. It widened the scope of their activities, reduced red tape in their operation and encouraged voluntarism.
Nonetheless, the funding allocated to third sector organisations under the Plan is insufficient to meet the increased levels of need.

6. CONCLUDING REMARKS

In this article, we have compared the welfare state profiles of Greece and Portugal prior to, and during, the crisis. We concentrated on three major policy areas: social security, healthcare and the labour market. As outlined in the first section, some crucial aspects of socio-political integration in each country, such as the way political parties are linked to their social base and the modes of policy decision-making, in combination with the trajectories of their economies in the last decade, provide the major dimensions of our comparison.

Both countries experienced an expansion of welfare policies during the 1980s and 1990s. In Greece, clientelistic exchanges and patronage networks (extending to trade unions and industrial relations) have, for a long time, provided the basis for the expansion of welfare policies. Political overbidding and rent-seeking have reproduced extensive fragmentation and inequality in social protection and generated a highly conflictual industrial relations environment. These conditions were conducive to policy stalemates. Hence, the reform impasse regarding the pronounced inegalitarian tendencies of the pension system, the incomplete transition to a fully-fledged NHS, and the persistently weak role of sub-national government levels in social welfare.26

In Portugal, after the restoration of democracy, the prevalent mode of socio-political integration has reflected, more or less, the ideological congruence between social groups and political parties. Moreover, a tradition of compromise has played a significant role in social reform, although its presence has varied significantly over time. Portugal embarked on rationalising social insurance earlier than Greece and also achieved a higher degree of NHS integration. Nevertheless, inequalities in pension incomes and healthcare coverage persisted. Importantly, Portugal took some steps towards the recalibration of social protection, e.g. with the introduction of the RMI and community level social (and labour market) integration schemes in the mid-1990s.

In both countries, the sovereign debt crisis placed great strains on social protection. Unmet need rapidly increased and sustainability, adequacy and equity issues became prominent. Yet the MoU-instigated reforms have clearly been controversial. The rhetoric of system rationalisation (for improving sustainability and equity) permeates reforms. But rolling back social and labour protection emerges as the major adjustment variable in the rescue deals. In both countries, austerity measures have impacted directly upon fundamental social and employment issues: they have rescaled decision-making, funding and provision; they have seriously affected the

26 The vertically controlled clientelistic ties of the statist-clientelistic system of socio-political organisation leaves little room for decentralisation (not to mention devolution) of policy responsibility.
balance of power in the industrial relations system to the detriment of labour; and they have intensified conflictual positions between the social partners *vis-à-vis* the major bail-out-stipulated reforms.

Nevertheless, some differences between the two countries can be observed in the socio-political dynamics under which reforms have been carried out. In Portugal, social dialogue has weakened in the face of significant budget cuts and the determination of the state to enforce changes to wages, work conditions and social protection. But the institutional channels for public debate and negotiation remain in place, even though the unions’ representative role in them has been squeezed. The controversy and conflicts surrounding the unions in Portugal contribute to this as they react critically to austerity plans and take part in negotiations. In Greece, any formal processes of social dialogue, which were very weak even in the good times, have been drastically curtailed. Furthermore, low levels of trust in the unions account for their inability to forge alliances with civil society anti-austerity movements.

In Portugal, the very active role of the Constitutional Court has been an important and distinctive component in the dynamics of reform. Contrarily, in Greece, we frequently observe the use of ‘emergency powers’ by the government to bypass parliament and legislate through presidential or ministerial decrees. Checks by the Greek Supreme Court have been few and have not significantly buttressed social rights. Furthermore, political fluidity in Greece has tended to favour short-term trench warfare around social and labour policy issues among political actors, a situation that has seriously limited the contours of public debate. In Portugal there has been a robust public debate on post-crisis reform challenges among academics, specialists and politicians. Nonetheless, in neither country has there been any clear articulation of an alternative pathway or of its risks and benefits.²⁷

The long-term repercussions of austerity-driven reforms depend inextricably on both internal and external factors. The clash between Europe’s social ambitions (as inscribed in the Treaties) and the pursued European economic governance through a wage squeeze and the weakening of public services and social protection has been a critical factor in affecting whether countries will continue to tread a path of retrenchment. Equally important have been the fiscal limitations imposed by protracted high debt-servicing costs in both countries (and in the case of Greece, by an admittedly non-sustainable level of sovereign debt). How to find solutions – in the governance and provision of social protection and the public/private mix - that balance sustainability with equity and benefit adequacy criteria, in the post-bail-out era, are pressing policy questions. But, so far, no substantial breakthrough in public debate on these issues has emerged in either country.

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²⁷ At the time of writing this article, SYRIZA’s rise to power, in Greece, on the back of promises to end austerity-driven measures, seems to open up new prospects. Yet, it is highly unclear how successful the new coalition government will be in delivering on its promises.
REFERENCES


