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From Competitive Corporatism to Embedded Austerity: Neoliberalism and Structural Reform in Greece during the Eurozone Crisis

Geoff Kennedy ¹

Abstract

Purpose. This paper examines the transformation collective bargaining institutions and the weakening of labour market protection in Greece under the auspices of austerity since the onset of the Eurozone Crisis.

Design/methodology/approach. The paper situates the reforms associated with the Troika backed Memoranda of Understanding (MOU) within the broader context of labour market reform in Greece and Europe. It examines the impact of these reforms on the Greek labour market and its system of industrial relations.

Findings. Neoliberal structural reforms have resulted in the disorganized decentralization of collective bargaining and the weakening of employment protection. Sectoral and occupational collective bargaining has all but collapsed and Greek trade unions significantly weakened. On top of this, new forms of Eurozone governance have been implemented to further entrench neoliberalism and embed austerity in national level institutions.

Research limitations/implications. The research contributes to debates on labour market flexibility and the neoliberal transformation of Southern European labour markets in the context of the Eurozone crisis.

Originality/value. Using the most recent data, the paper demonstrates how labour market and collective bargaining reforms have little to do with reducing public sector spending and more to do with disciplining Greek labour.

Paper type. Issues paper.

Keywords: *Labour market policy, Trade Unions, Collective Bargaining, Corporatism, Greece, Neoliberalism*

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1. Introduction

This paper examines the transformation and elimination of the institutions of collective bargaining and labour market protection in Greece under the auspices of austerity since the onset of the Eurozone Crisis. The crisis represents an opportunity for Greek and European capital to push through austerity measures that will shift the balance of power away from labour and enable Greek capital to institutionalize its agenda of competitiveness. After the failure of the labour market reforms of the late 1990s and early 2000s, Greek capital has been consistently pushing for more comprehensive neoliberal reforms vis-à-vis Greek workers in the context of the failures of “competitive corporatism”.

Section one discusses the socially embedded nature of neoliberalism from the perspective of critical political economy. It argues that neoliberalism is compatible with increasing levels of state intervention and re-regulation, particularly in the sphere of industrial relations. It also argues that neoliberalism corresponds with a degree of de-democratization, in which policy making is increasingly shielded from popular influence and the neoliberal agenda of competitiveness and austerity becomes embedded within institutions that are shielded from the democratic political process. Section two examines the emergence, at the European level, of a hegemonic discourse of labour market flexibility and forms of competitive corporatism as a means of institutionalizing wage restraint. Section three examines the failure of competitive corporatism in Greece during the late 1990s and early 2000s, when successive Greek governments attempted to introduce reforms to increase labour market flexibility. Section four examines the extent to which austerity measures have succeeded in radically transforming labour markets and collective bargaining institutions in Greece as a means of further subordinating labour to capital. The final section discusses the new institutions of economic governance – in particular, the proposal to create National Competitiveness Boards – that are designed to embed neoliberalism in ways that have implications for the existence of social partnerships as well as the ability of progressive governments and movements to move beyond neoliberalism.

2. Neoliberalism and Embeddedness

Much of the literature on the structural reform movements among the advanced capitalist economies is dominated by the convergence debate in comparative political economy that examines the nature of institutional

change within the Liberal Market Economies (LMEs) of the Anglo-American world and the Coordinated Market Economies (CMEs) of continental Europe. Hall and Soskice distinguish the differences between LMEs and CMEs on the basis of the extent to which economic actors were motivated by, and embedded within, competitive market relationships.² In this regard, the LMEs of the Anglo-American world are characterized by competitive market relationships while the CMEs of continental Europe are comprised of coordinated non-market relationships. As a result, a “Varieties of Capitalism” (VoC) approach has emerged that conceptualizes economic liberalization as a process of constraining the parameters of state intervention in the economy by abolishing institutions oriented towards non-market forms of coordination and strategic interaction. In this sense, liberalization is primarily understood as a form of de-regulation that presumes the removal of political, economic and legal obstacles to the competitive market forces characteristic of an LME. From this perspective, analyses of structural reform are conducted within the confines of understanding the qualitative nature of the change that such reforms initiate, with a focus on whether liberalization results in the removal of non-market methods of coordination characteristic of coordinated market economies (CMEs), and their subsequent transformation into market oriented LMEs.

However, liberalization – or *neoliberalism*, to use the term favored by critical political economists – entails not a simple process of *de*-regulation, but rather, a process of pro-market *re*-regulation.³ While Hall and Soskice acknowledge this, they neglect to conceptualize the class-based character of re-regulation and the coercive state capacity that it necessitates, choosing instead to view re-regulation as a benign process of creating new markets and establishing new market incentives for economic actors.⁴ In this sense, new regulations governing competitiveness are thought to apply equally to all economic actors in a liberalizing economy, thereby obscuring any power relations inherent in processes of neoliberalization. Indeed, in many cases, deregulation “eliminates constraints on capital’s

² Peter Hall and David Soskice [eds], *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001).

³ Susanne Soederberg, George Menz and Philip Cerny, “Different Roads to Globalization: Neoliberalism, the Competition State, and Politics in a More Open World,” In Susanne Soederberg, George Menz and Philip Cerny [eds.] *Internalizing Globalization: The Rise of Neoliberalism and the Decline of National Varieties of Capitalism* (London: Palgrave Macmillan, 2005).

⁴ Hall and Soskice, *Varieties*, pp. 58-59 n.

discretion through the removal of legal or contractual restrictions at the workplace level, in the broader labor market, and in society” while imposing new restraints on the organizational capacity of labour.⁵ For example, the neoliberal era has witnessed increasing state intervention in collective bargaining as well as increasing administrative capacity to police the rights of property.⁶ In this sense, liberalization represents not so much a removal of the state from the economic sphere, but rather, a re-orientation of the coercive nature of the state, away from earlier post-war attempts of the state to dictate the terms of a class compromise to capital, and more towards developing its capacity to discipline the working population at the behest of capital itself; what Gamble calls the “free economy and the strong state”.⁷ In this way, structural reforms both reflect and affect the balance of power between capital and labour, influence the degree of conflict between them, and impact the outcomes of those struggles.

Secondly, proponents of VoC characterize the politics of structural reform primarily in terms of coordination problems between capital and labour. It is often presumed that the failure of liberal reform is a result of an organizational inability on the part of capital and labour to align their interests in ways that create institutional complementarities; if the right institutional fix can be found, then reform coalitions can be established in order to further the process of liberalization. This obscures the antagonistic character of the politics of neoliberalism that is rooted in the structural reconfiguration of processes of capital accumulation and the shifting nature of class interests in contemporary capitalism, as well as the shift in the balance of class forces between capital and labour discussed above. The result is a privileging of “considerations pertaining to efficiency and coordination at the expense of considerations pertaining to conflicts of interest and the exercise of power.”⁸ The *struggle* between labour and capital is largely excised from the VoC literature.⁹

⁵ Lucio Baccaro and Chris Howell, “A common neoliberal trajectory the transformation of industrial relations in advanced capitalism,” *Politics & Society* 39, no. 4 (2011): 521-563, p. 527.

⁶ Leo Panitch, and Donald Swartz, *From Consent to Coercion: The Assault on Trade Union Freedoms* (Toronto: University of Toronto Press, 2008).

⁷ Andrew Gamble, *The Free Market and the Strong State: The Politics of Thatcherism* (Durham: Duke University Press, 1988).

⁸ Jonas Pontusson, “Varieties and Commonalities of Capitalism,” in David Coates [ed.], *Varieties of Capitalism, Varieties of Approaches* (London: Palgrave Macmillan, 2005).

⁹ Chris Howell, “Varieties of Capitalism: And Then There Was One?” *Comparative Politics* 36, no. 1 (2003): 103-124.

Furthermore, VoC's characterization of liberalization obscures the intrinsically anti-democratic aspects of neoliberalization that are part of the process of structural reform. Critics of neoliberalism have argued that the successful implementation of the neoliberal reform project depends upon the strengthening of executive power in the face of popular opposition.¹⁰ At the very least, neoliberal policies have been increasingly insulated from the democratic tendencies of contemporary politics. There is thus a tendency towards "de-democratization" under neoliberalism, in which the reform process itself entails the insulation of economic policy-making from influence by popular forces outside the sphere of neoliberal elites. In this sense, far from being a deviation from some liberal democratic norm, the "process of de-democratisation is at the heart of the socially embedded nature of neoliberalism and is central to its reproduction and durability."¹¹

Under conditions of crisis, the strengthening of executive power at the expense of democratic forms of representation may be encouraged for the sake of furthering the neoliberal transformation of peripheral economies like Greece. And in light of the power relations involved in structural reforms, this may serve to intensify political conflict associated with neoliberalization and the intensification of competitiveness. At the same time, a new institutional architecture of governance is erected that is intended to further embed the process of neoliberalization. Indeed, as we will see below, the continued neoliberal transformation of the Greek economy is occurring in tandem with processes of de-democratization.

3. Labour Market Reform in the Eurozone

In the post-war period, protective labour market institutions were introduced in most Western European countries as a means of strengthening the position of workers vis-à-vis their employers. Centralized forms of collective bargaining, limits on collective redundancies, strong seniority provisions and legislation that extended the terms of collective agreements to non-unionized workers, all formed part of a movement responding to the surge in support for parties of the Left. Along with the development of de-commodifying welfare states, these institutions formed part of the larger European Social Model that shielded

¹⁰ Gamble, *The Free Market*; David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005).

¹¹ Damien Cahill, *The End of Laissez-Faire? On the Durability of Embedded Neoliberalism* (Cheltenham: Edward Elgar Publishing, 2014), p. 106.

European workers from the negative aspects of capitalism associated with the liberal economies of the US and the UK.¹²

As the post-war class compromise began to break down in the 1970s, European economies began to experience rising levels of unemployment. In the 1990s, as the unemployment levels of the liberal market economies of the Anglo countries dropped below those of the continent for the first time in a generation, economists and policy makers began to identify the rigidities created by protective labour market institutions as the source of the problem.¹³ In 1994, the OECD pointed out that in the liberal market economies of the US and the UK, unemployment demonstrated “little tendency to rise over the long term”, and that “unemployment rate differentials by age, gender and skill have either narrowed or remained stable over the last decade.”¹⁴ This low unemployment, however, was accompanied by “an increase in earnings inequality and large falls in real wages for low-skilled workers.”¹⁵ The situation on the continent was quite different. In Europe, “employment growth has been generally sluggish and there are substantial numbers of “outsiders” who are excluded from gaining entry into jobs.” At the same time, European labour markets displayed levels of “wage compression” amongst employed workers, resulting in real wage gains “for all workers irrespective of skill but at the cost of a shrinking number of job opportunities for low-skilled workers and a rise in their unemployment rates, in both absolute and relative terms.”¹⁶ That the Nordic countries had, for the most part, been able to buck the trend of European unemployment despite retaining many of their traditional protective labour market institutions did not dissuade the OECD and neoliberal reformers from their liberalizing mission. By the late 1990s, even a traditionally weak liberal market economy like Ireland had attained a level of unemployment lower than Germany, prompting economists to lay the blame at the feet of “protective labour market institutions”. The problem of unemployment was most pronounced in the countries of Southern Europe.

¹² Gosta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Cambridge University Press, 1990).

¹³ David R. Howell, Dean Baker, Andrew Glynn and John Schmitt, “Are Protective Labor Market Institutions at the Root of Unemployment? A Critical Review of the Evidence,” *Capitalism and Society* 2, no. 1 (2007): 1-71.

¹⁴ Organization of Economic Cooperation and Development, *Jobs Study* (OECD: Paris 1994), p. 55.

¹⁵ Ibid.

¹⁶ Ibid.

In this context, the OECD and the IMF promoted labour market reforms intended to enable greater adaptation to changing market conditions. Among the targets of reforms were: non-wage labour costs such as employer social security contributions, high minimum wages, inflexible wage formation and wage-bargaining systems, and legislated or negotiated forms of employment security.¹⁷ These protective labour market institutions, it was argued, needed to be reformed or abolished in order to eliminate the rigidities in the labour market that were to blame for high levels of unemployment and declining rates of labour market participation.

At the European level, the discourse of flexible labour markets was integrated into the Delors White Paper (DWP) on *Growth, Competitiveness, Employment* (1993). The DWP argued that “a large part of Europe’s structural unemployment” is the result of labour market rigidities created by “specific institutional, legal and contractual circumstances in each country.” Specifically, it singled out the “*educational system, labour laws, work contracts, contractual negotiation systems and the social security system[s]*” of each country.¹⁸ In particular, the DWP singled out the countries of Southern Europe, stating that their “laws on the conditions under which workers on unlimited contracts may be laid off need to be made more flexible, with greater assistance being given to the unemployed and with less recourse to precarious forms of employment.”¹⁹ The high threshold of social protection was considered an impediment to increasing competitiveness in the Southern European periphery. In its place, employment protection legislation was to be replaced by active labour market policies that emphasized “life-long learning” as a means of developing “human capital”. Such training would be more tailored to the market by ensuring “greater involvement of the private sector in education and/or vocational training systems and in drawing up education and training policies in order to take account of market needs and social conditions.”²⁰

¹⁷ Organization of Economic Cooperation and Development, *The OECD Jobs Study: Implementing the Strategy 1995* (OECD: Paris, 1995), pp. 18-21.

¹⁸ European Commission, *Growth, competitiveness, employment: the challenges and ways forward into the 21st century* (Brussels 1993), p. 15, emphasis in original. Available at: <http://publications.europa.eu/en/publication-detail/-/publication/4e6ecfb6-471e-4108-9c7d-90cb1c3096af/language-en>

¹⁹ European Commission, *Growth*, p. 17.

²⁰ European Commission, *Growth*, p. 118.

Such measures, it was argued, would increase the fit between unemployed workers and the changing nature of the labour market by enhancing the human capital of the former in order to adapt more effectively to the latter. The underlying belief was that flexible labour markets would solve the bottlenecks that had come to plague the Bismarckian welfare states of the continent. Under the guise of “progressive competitiveness”, Social Democratic parties embraced the push towards labour market flexibility, considering it to be the most effective means of preserving the European Social Model.²¹ However, in their “emphasis on “reform” of benefit systems towards “active measures”, and their assumption of an immutable trade-off between job growth and labour flexibility or labour costs and the growth of jobs, both the DWP and WPSP echoed the neo-liberal positions expressed in OECD policy papers of the early 1990s.”²²

The commitment to flexibility was incorporated into the Amsterdam Treaty of 1997 despite the push by Sweden and the Netherlands for the inclusion of an employment chapter committing the EU to the policy objective of a “high level” of employment (but not *full* employment). The employment chapter called for increased coordination between member states regarding employment policies, the creation of National Action Plans for Employment and the development of “exchanges of information and best practices”. In order to allay fears of convergence, the language noted that this process of coordination “shall not include harmonisation of the laws and regulations of the Member States.”²³

Labour market reform also comprised an important element of the Lisbon Programme, which sought to make the EU “the most competitive and dynamic knowledge-based economy in the world”.²⁴ Towards this end, the 2003 report of the Employment Taskforce suggested that the discourse of Lisbon has “not been accompanied by the structural reforms

²¹ Greg Albo, “A World Market of Opportunities: Capitalist Obstacles and Left Economic Policy,” *Socialist Register* 37 (1997), 5-47.

²² Ann Gray, *Unsocial Europe: Social Protection or Flexploitation?* (London: Pluto Press, 2004), p. 66. The WPSP refers to the White Paper on Social Policy. European Commission, *European Social Policy—A Way Forward for the Union* (Brussels, 1994). Available at: <http://publications.europa.eu/en/publication-detail/-/publication/16dfe2c0-7fc9-4079-9481-e5de54a3805a/language-en>

²³ European Commission, *Treaty of Amsterdam* (Brussels, 1997), p. 34. <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ%3AC%3A1997%3A340%3ATOC>

²⁴ European Commission, *Treaty of Lisbon* (Brussels 2007). Available at: <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A12007L%2FTXT>

needed for stable growth”²⁵ At the European level, the report pressed governments to increase competitiveness by creating “business environments that support entrepreneurship, innovation and encourage investment in R&D and sufficient flexibility while ensuring genuine security on the labour market.”²⁶ This necessitated social mobilization around structural reform agendas, and required all relevant actors to make concessions and contributions to the reform process. In particular, workers would have to “agree to more diversified contractual and working arrangements, increased mobility, deferred exit from the labour market, wage moderation and differentiation.”²⁷ For Greece in particular, the report recommended a further reduction of its non-wage labour costs and the removal of barriers to part-time work. By 2005, the policy objective of labour market reform was upgraded from an implicit objective to a policy priority. However, the EU lacked the institutional mechanisms to enforce convergence around labour market flexibility. In the absence of such mechanisms, reform remained the prerogative of national governments. In the context of the lack of EU level institutional capacity to enforce compliance with these policy recommendations, the mobilization necessary to implement these reforms required incorporating labour movements into the reform process. Corporatist arrangements, particularly the new “competitive corporatism” in peripheral countries like Ireland, Portugal and Spain would play a crucial role in the mobilization around the reform of protective labour market institutions.²⁸ The new social pacts signified a substantive break from the corporatist arrangements of the post-war period. Whereas the latter were embedded

²⁵ Wim Kok, *Enlarging the European Union: Achievements and Challenges*. Robert Schuman Centre for Advanced Studies (Florence: European Union Institute, 2003), p. 3. Available at: http://ec.europa.eu/enlargement/archives/pdf/kok/report_kok_en.pdf

²⁶ Employment Taskforce, *Jobs, Jobs, Jobs: Creating More Employment in Europe* (Brussels: European Commission, 2003), p. 18. Available at: <http://bookshop.europa.eu/en/jobs-jobs-jobs-creating-more-employment-in-europe-pbKE5703265/>

²⁷ Employment Taskforce, *Jobs, Jobs, Jobs*, p. 57.

²⁸ Martin Rhodes, “The Political Economy of Social Pacts: “Competitive Corporatism” and European Welfare Reform,” in Paul Pierson [ed.] *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2001); Hans-Jürgen Bieling and Thorsten Schulten, “Competitive Restructuring’ and Industrial Relations within the European Union: Corporatist Involvement and Beyond,” in Alan W. Cafruny and Magnus Ryner [eds.], *A Ruined Fortress? Neoliberal Hegemony and Transformation in Europe*. (Lanham: Roman and Littlefield, 2003); Philippe Pochet, Maarten Keune and David Natali [eds.], *After the Euro and Enlargement: Social Pacts in the EU* (Brussels: European Trade Union Institute, 2010); Sabine Avdagic, Martin Rhodes and Jelle Visser [eds.], *Social Pacts in Europe: Emergence, Evolution and Institutionalization* (Oxford: Oxford University Press, 2011).

within a context of Keynesian macro-economic policy, the former operated within a macro-economic policy paradigm that privileges non-inflationary policies over post-war commitments to full employment, and prioritizes neoliberal forms of competitiveness over social democratic policies of solidarity and egalitarianism. In particular, competitive corporatism comprises: the pegging of wage increases to productivity levels, often involving the abolition of wage indexation such as the *scala mobile* in Italy²⁹; the decentralization of collective bargaining regimes in the form of derogation from the sectoral level to the firm level, often resulting in the ability of firm level agreements to undermine national and sectoral standards³⁰; and the dissolution of solidaristic wage policies and the end of wage compression, resulting in increasing wage inequality in the labour market.³¹

The emergence of competitive corporatism, in the context of rising unemployment and the increasingly hegemonic discourse of labour market flexibility signifies a substantive shift in the balance of power between capital and labour in favor of capital. As trade union density continued to decline throughout the late eighties and early nineties, labour movements across Europe bought into competitive corporatism to obtain admission to the policy-making process – even if all they were getting in return was some “vague hope of job growth induced by wage restraint.”³² Over the course of the 1990s, unions across Europe scrambled to adjust to the changing macro-economic context of post-Maastricht integration, high unemployment, diminishing union capacities and a renewed employer offensive seeking greater labour flexibility.³³ Industrial relations systems across the continent became increasingly decentralized to the point where they converged around a neoliberal model of competitiveness.³⁴ It is in this context that Greece enters into a period of attempted reforms.

²⁹ Richard Locke and Lucio Baccaro, “The Resurgence of Italian Unions?” In Andrew Martin and George Ross [eds.] *The Brave New World of European Labor: European Trade Unions at the Millennium* (New York: Bergahn Books, 1999).

³⁰ Baccaro and Howell, “A Common Neoliberal Trajectory.”

³¹ Jonas Pontusson, *Prosperity versus Equality: Social Europe versus Liberal America* (Ithaca: Cornell University Press, 2005).

³² Jurgen-Bieling and Schulten, “Competitive Restructuring,” p. 244.

³³ Andrew Martin and George Ross [eds.] *The Brave New World of European Labor: European Trade Unions at the Millennium* (New York: Bergahn Books, 1999).

³⁴ Baccaro and Howell, “Neoliberal Trajectory.”

4. Collective Bargaining and Labour Market Reform in Pre-Crisis Greece

In the mid-1990s, Greece exhibited levels of economic growth above the Eurozone average and labour costs that were among the lowest in the Eurozone. However, unemployment levels continued to rise, peaking at just below 12% in 1999 before declining again over the next decade, until the onset of the Eurozone crisis in 2009. And while labour productivity was on the rise, Greek workers still trailed far behind their German counterparts, who had been implementing a policy of wage repression and running annual trade surpluses – what Flassbeck and Lapavitsas refer to as a kind of mercantilism – since the early 2000s.³⁵ Rising unemployment in the late 90s was used by the modernizing tendencies within PASOK³⁶ as the primary rationale for liberalizing pensions and labour markets through the establishment of a social partnership between the state, capital and labour. In other Southern European countries, social pacts were the means of getting organized labour to consent to the dismantling of the forms of employment protection that had come to characterize the Mediterranean model. In Greece, liberalization met with resistance from the trade unions, particularly after the communist affiliated trade union grouping, PAME³⁷, left the General Confederation of Greek Workers (GSEE) in 1999.

Labour market reforms were put on the agenda by the new PASOK government in 1996 in order to meet the Maastricht criteria for EMU. The Confidence Pact of 1997 established a tripartite social dialogue between the trade unions, employer associations and the state. On the agenda were labour market reforms aimed at reducing unemployment, improving social protection and increasing competitiveness. The most contentious proposals were the introduction of part-time labour in the public sector, the recalculation of working time and the introduction of Territorial Employment Pacts (TEPs) that could set wages below the standards established in the National Collective Agreement. Private sector unions rejected the proposal that TEPs could undermine national wage

³⁵ Heiner Flassbeck and Costas Lapavitsas, *Against the Troika: Crisis and Austerity in the Eurozone* (London: Verso Books, 2015). Data on German and Greek labour productivity taken from the ILO's Key Indicators of the Labor Market database: ILO KILM index: <http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm>

³⁶ The Pan-Hellenic Socialist Movement.

³⁷ PAME refers to the All Workers Militant Front.

levels while public sector unions in the Civil Servants' Confederation (ADEDY) opposed the increase in part-time employment. Both federations proposed a 35-hour workweek with no reductions in pay and sought new restrictions on compulsory and voluntary overtime. The employer associations, in contrast, pursued more drastic moves towards part-time employment as well as reductions in employer contributions to national insurance. The Hellenic Federation of Enterprises (SEV) sought a lower threshold on collective redundancies, a reduction in severance payments and the weakening of the favourability principle³⁸ embedded in the TEPs. In the course of the negotiations, it became increasingly clear that “the employers regarded high unit costs and the inflexibilities of the Greek labour market as a brake on the competitiveness of Greek businesses”, while the unions “argued that the cost of employment in Greece was among the lowest in the EU and that the competitiveness of the Greek economy would be better served through increased productivity, not the deregulation of Greek labour market”.³⁹

The government struggled to reach a consensus between the social partners. In the end, the GSEE signed the Pact only after the PASOK-affiliated president of the confederation utilized his double vote. Among the employer groups, the GSEVEE⁴⁰ refused to sign. As a result, the Pact remained a vague agreement regarding some very general targets. The issue of working time was dropped from the final document, and part-time public sector employment was modified to refer to voluntary part-time work. The TEPs were prevented from weakening the favourability principle. In the end, the Pact failed – from the perspective of neoliberal modernizers – to substantively push forward the policy objectives of labour market flexibility.

In 1998, shortly after the narrow re-election of the PASOK-affiliated president of the GSEE, new labour market reform proposals were unveiled by the Labour Minister. The proposals indicated a return to proposals that were rejected in the Confidence Pact: a two-hour extension of the workday (albeit with the consent of the unions, as opposed to the managerial prerogative proposed by SEV); a reintroduction of TEPs; unlimited part-time employment (against the

³⁸ The favourability principle refers to Article 10 of Law 1876/1990 that stipulates that firm level agreements cannot establish wage levels and benefits below those agreed to at the national level.

³⁹ Kevin Featherstone and Dimitris Papdimitriou, *The Limits of Europeanization: Reform Capacity and Policy Conflict in Greece*. (London: Palgrave Macmillan 2008), p. 129.

⁴⁰ The Hellenic Confederation of Professionals, Craftsmen and Merchants.

20% limit proposed by the GSEE); and the creation of private employment agencies. However, there was no reintroduction of the lower threshold for collective dismissals, despite heavy lobbying by SEV. This move towards greater labour market flexibility was to be compensated for by greater security in the form of limited increases in social protection. The unions, however, were incensed that the new draft law either violated the Confidence Pact or introduced new measures that were excluded from the pact. On the other hand, employers' associations – particularly SEV – felt that the reforms did not go far enough to satisfy their interests.

In 2000, new labour market reforms were tabled by PASOK seeking to abolish union consent regarding increases in working time, lower the threshold of collective dismissals, and reduce employer contributions to social insurance. The social dialogue took the form of shortened bilateral discussions with unions and employer associations. The GSEE rejected the talks on grounds of both the process and the content of the reforms and threatened sustained strike action. Government attempts to rescue the talks by moderating its agenda failed as the GSEE walked out and held a one-day general strike on 10 October 2000. The attempt at compromise also failed to placate SEV, which argued that the government's moderated proposals would drastically increase labour costs. The government ultimately pushed its labour market reforms through parliament, "with the initial proposals slightly amended in order to take into account the diverging views of the social partners."⁴¹ In response, the unions held another 24-hour general strike on 7 December 2000 – the day of the parliamentary debate. The outcome of the legislative process was mixed, due to revisions proposed by the Economic and Social Committee (OKE). Collective redundancies and part-time employment survived the changes proposed by OKE, but changes to overtime bonuses and working time regulation provisions did not.

While the OECD looked favourably on the 2000 reforms (referring to them as "steps in the right direction"), it argued that "[a]dditional, more ambitious, reforms would be needed...to achieve a significant improvement in labour market outcomes."⁴² The organization promoted a further reduction in employers' social security contributions, increases in

⁴¹ Christos Ioannou, "Odysseus or Sisyphus' revisited: failed attempts to conclude social liberal pacts in Greece," in Philippe Pochet, Maarten Keune and David Natali [eds.] *After the Euro and Enlargement: Social Pacts in the EU* (European Trade Union Institute: Brussels 2010), p. 90.

⁴² Organization of Economic Cooperation and Development, *Economic Surveys: Greece*, (OECD: Paris, 2001), p. 105.

“wage differentials” between workers (meaning greater inequality in the labour market) and a further weakening of employment protection for workers. In this context, the employers went on the offensive. During the first half of 2001, SEV complained about the slow pace of structural reforms and urged the government to take advantage of the economic uncertainty that followed in the wake of the events of September 11th. In the same month, Prime Minister Simitis held separate meetings with the GSEE and SEV (indicating a lack of tripartism) and, to the express pleasure of Greek business, was closer to the position adopted by the employers’ association. In his confrontational meeting with the unions, he rejected their calls for the strengthening of social protection policies (increasing the rates of unemployment benefits) and dismissed OECD data indicating rising inequality as erroneous. He made it clear to the GSEE that government policy would prioritize fiscal austerity as a means of bringing down the public debt in order to meet EMU economic convergence criteria; bolstering social protection in order to hit the targets of social convergence was relegated to second place in the government’s list of priorities. By the beginning of November, National Economy and Finance Minister Yiannos Papantoniou was replaced by Nikos Christodoulakis, who expressed his eagerness to accelerate structural reforms and promised to meet industrialists on a monthly basis. By this time, it became increasingly clear that the distance between SEV and the GSEE was not diminishing and that the government was increasingly siding with Greek capital.

At the end of the process, relations between the PASOK government and the social partners had been severely damaged, as demonstrated by the government’s failure to broker a reform of the pension system the following year and in their subsequent defeat by New Democracy in the elections of 2004. Upon forming government, New Democracy prioritized the interests of employers’ associations by increasing managerial prerogative over the calculation of working time, a move that alienated even the New Democracy faction within the leadership of the GSEE. The GSEE denounced the new labour market reforms as measures that abolish the eight-hour workday, favor the profits of employers over the incomes of workers by cutting overtime costs and create more poverty and unemployment.

In the end, attempts at liberalization through some form of concertation – despite the existence of corporatist institutions like the OKE, and national tripartite pacts such as the Confidence Pact of 1997 and the bilateral talks of 2000 and 2001 – were regarded as a failure. Fragmented trade union confederations were unable to forge a consensus amongst the

ideologically divided political groups within the labour movement. PAME, the communist affiliated trade union group, broke off from the GSEE in 1999, adopting a radical position of resistance to even the most modest of labour market reforms, effectively blocking the reform process through short-lived, but consistent, general strikes. At the same time, however, this was not just a problem of the GSEE being unable to bring the unions into line. The interests of capital and labour were increasingly diverging. SEV sought greater labour market flexibility, greater labour market inequality and lower social security contributions in order to increase Greek competitiveness in an increasingly neoliberal Europe. The absence of sufficient forms of social protection to compensate for labour market reforms meant that workers understandably fought to preserve Greece's protective labour market institutions and preserve their pensions. The main employer's association, SEV, was also unable to forge a consensus amongst employers due to the relatively low level of membership density amongst employers.⁴³ In the end, the reform process alienated the labour movement, failed to fully appease the employers' associations, and left the structural weaknesses of the Greek economy predominantly intact. At the onset of the Global Financial Crisis in 2007-2008, then, the Greek economy, despite demonstrating levels of growth above the EU average, was characterized by persistently high unemployment, rising labour costs, and a failed and increasingly antagonistic process of labour market reform that would set the stage for the conflict to come.

5. The Eurozone Crisis, Collective Bargaining, Labour Market Reform and Austerity

The response to the Eurozone crisis by European elites was to reinforce the commitment to austerity by developing policies intended to strengthen economic governance in the Eurozone. The Treaty on Stability, Coordination and Governance (TSCG), signed in March 2012, signified a commitment by member states to "strengthen the economic pillar of the economic and monetary union" by demonstrating fiscal discipline and increasing the coordination of the economic policies of member states.⁴⁴ The treaty strengthens the Maastricht criteria by

⁴³ Jelle Visser, ICTWSS Data base, version 5.0. (Amsterdam: Amsterdam Institute for Advanced Labour Studies AIAS. October, 2015). Open access database at: <http://archive.uva-aias.net/208>

⁴⁴ European Commission, *Treaty on Stability, Coordination and Governance* (Brussels, 2012), Article 1. Available at: http://europa.eu/rapid/press-release_DOC-12-2_en.htm

committing signatory governments to the elimination of the “structural deficit.” As a medium-term objective, the new treaty requires member states to have a budget either in balance or in surplus, defined in terms of a “lower limit of a structural deficit of 0,5% of the gross domestic product at market prices.”⁴⁵ Critics have argued that the TSCG further locks in constraints designed to keep governments on the path of austerity.⁴⁶ What is clear is that the treaty compels contracting states to “take the necessary actions and measures in all the areas which are essential to the proper functioning of the euro area in pursuit of the objectives of fostering competitiveness, promoting employment, contributing further to the sustainability of public finances and reinforcing financial stability.”⁴⁷ This requires a renewed commitment to economic coordination.

When it comes to peripheral countries like Greece, the strategy of European elites has been to exploit the crisis to transform debtor economies into more competitive market performers. Lacking the capacity to increase competitiveness through currency devaluation as a result of membership in the currency union, the Greek state has therefore embarked on a process of “internal devaluation” – the strategy of increasing export competitiveness by pushing down labour costs through austerity policies and wage repression. Structural reforms have radically transformed labour and product markets, resulting in the weakening of organized labour vis-à-vis Greek and European capital. As outlined above, Eurozone elites have been promoting an agenda of labour market flexibility since the early 1990s; and so too has the IMF. In 2000, the IMF, while praising the reform efforts in Greece, lamented the “poor performance of the [Greek] labor market”, and claimed that they “have not led to the hoped for turnaround, in particular for the segments most affected by very high unemployment rates (the young and women) and for the long-term unemployed.”⁴⁸ In light of this lacklustre performance, the IMF proposed, among other things, “a reduction in the relatively severe firing restrictions and sometimes overly bureaucratic hiring regulations – which hamper employment chances especially for new market entrants”.⁴⁹ In other words, according to the IMF, employment protection

⁴⁵ European Commission, *TSCG*, Article 3.1(b).

⁴⁶ Hugo Radice, “Enforcing Austerity in Europe: The Structural Deficit as a Policy Target,” *Journal of Contemporary European Studies* 22, no. 3 (2014): 318-328.

⁴⁷ European Commission, *TSCG*, Title IV, article 9.

⁴⁸ International Monetary Fund, *Greece – 2000 Article IV Consultation* (November 20, 2000). Available at: <http://www.imf.org/external/np/ms/2000/112000.htm>

⁴⁹ IMF, *Greece* 2000.

characteristic of rigid Greek labour markets impeded economic growth and job creation.

Early on in the reform process, the IMF argued that labour market reforms were crucial to “restoring competitiveness and boosting potential growth”. It also noted that the primary challenge the government faced in pursuing its program was to “overcome resistance from entrenched vested interests to opening-up of closed professions, deregulation, implementation of the services directive, and elimination of barriers to development of tourism and retail.”⁵⁰ By November 2010, the Fund repeated its call for Greece to make further progress on labour market and collective bargaining reforms in order to enhance “competitiveness, reinvigorate output, and increase employment”, noting that the reform movement had reached a “critical juncture” and that, in order for Greece to be transformed into a “dynamic and export-driven economy...skillful design and political resolve” would be required “to overcome entrenched interests.”⁵¹ Five years later, in its April 2015 *World Economic Outlook*, the IMF continued to promote the line that increasing the flexibility of labour markets would “strengthen external competitiveness” in the EU’s debtor economies, while strengthening investment and employment in the EU’s creditor economies.⁵²

A vital component in the liberalization of Greek labour markets, therefore, is a transformation of the institutions and practices of collective bargaining. In this regard, Greece is merely one of many European countries that have been subject to radical attacks on established institutions and practices of collective bargaining during the crisis.⁵³

⁵⁰ International Monetary Fund, “Statement by the EC, ECB, and IMF on the First Review Mission to Greece,” Press Release No. 10/308 (2010). Available at: <http://www.imf.org/external/np/sec/pr/2010/pr10308.htm>

⁵¹ International Monetary Fund, “Statement by the EC, ECB, and IMF on the First Review Mission to Greece,” Press Release No. 10/454, (2010). Available at: <http://www.imf.org/external/np/sec/pr/2010/pr10454.htm>

⁵² International Monetary Fund, *World Economic Outlook: Uneven Growth, Short and Long Term Factors* (Washington D.C., 2015). Available at: <http://www.imf.org/external/pubs/ft/weo/2015/01/>

⁵³ Eurofound, *Changes to Wage Setting Mechanisms in the Context of the Crisis and the EU’s New Economic Governance Regime*, (Dublin, 2014). Available at: <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/changes-to-wage-setting-mechanisms-in-the-context-of-the-crisis-and-the-eus-new-economic-governance>; Christophe Hermann, “Structural Adjustment and Neoliberal Convergence in Labour Markets and Welfare: The Impact of the Crisis and Austerity Measures on European Economic and Social Models,” *Competition and Change* 18, no. 2 (2014): 111-130; Martin Keune, “The effects of the EU’s assault on collective

However, Greece is perhaps the most contested case of neoliberal transformation. The Eurozone crisis has transformed Greek collective bargaining practices and institutions in a number of important ways. First, the hierarchy of multi-level wage setting based on the favourability clause in Law 1876/1990 – stipulating that regional and firm-level wage bargaining could not fall below the levels agreed to at the national and sectoral levels – has been progressively undermined to increase the fragmentation of wage setting practices, thereby facilitating the wage differentiation advocated by the OECD. Since the beginning of the crisis, a process of derogation, in which firm level agreements increasingly diverge from standards agreed at sectoral level, has occurred with increasing frequency. Secondly, the power to set the minimum wage has been taken from the social partners to become a matter of government legislation, rendering the social partnership increasingly meaningless. Thirdly, existing collective agreements have been subject to arbitrary legislative interference and even annulment – particularly as a means of enforcing public sector wage freezes. Fourthly, the extent of collective bargaining coverage has declined. Fifthly, the length of time in which an expired collective agreement remains in force has been reduced. And lastly, the rights of unions to collectively bargain at the firm level have been progressively weakened.

Collective Bargaining and Wage Setting

In relation to wage setting mechanisms, the process of undercutting the nationally established favourability clause through a process of derogation has occurred through a number of progressive stages. Since 1990, Greek industrial relations have been governed by multi-level collective wage bargaining in which industry agreements could not deviate from sectoral collective agreements and national standards if they resulted in a reduction in the terms established at the sectoral and national levels. On 17 December 2010, the PASOK government passed Law 3899/2010, which brought in special company collective agreements that weakened nationally established labour standards under the rationale of enhancing competitiveness and reducing unemployment. Law 3899/2010 amended 1876/1990 by specifying that, under special company collective agreements “remuneration and working conditions may deviate from the

bargaining: less governance capacity and more inequality,” *Transfer: European Review of Labour and Research*, 21, no. 4 (2015): 477-483.

relevant sector collective agreement up to the level of the general national collective agreement.”⁵⁴

With this amendment, article 10 of 1876/1990 (the favourability clause), as well as other articles referring to the scope of collective agreements, “do not apply” to special company collective agreements. At the time of its implementation, this suspension of the favourability clause was to be in place “until at least end-2015, [sic] in such a manner that firm-level agreements take precedence over sectoral and occupational agreements.”⁵⁵ The stated purpose of such derogation is to enable firm level collective agreements to “take into account the necessity of improving firms’ adaptability to market conditions, with a view to create or preserve jobs and improve the firm’s competitiveness.”⁵⁶ In 2011, the government sought to assess the performance of the new special firm-level collective agreements and ensure that they “contribute to align wage developments with productivity developments at firm level, thereby promoting competitiveness and creating and preserving jobs.”⁵⁷

The social partnership has also been undermined by the neoliberal politics of the crisis. Since the 1950s, General National Collective Agreements (EGSEEs) have traditionally been negotiated between the national level peak associations of labour (GSEE) and capital (SEV and ESEE). One of the key areas of this bargaining process is the minimum wage. In November 2012, however, the coalition government of New Democracy-PASOK-DIMAR passed law 4093/2012 that granted to government the power of determining the minimum wage. At the beginning of 2013, the government reduced the monthly minimum wage by 22% (32% for those under 25 years of age) and either abolished or froze all allowances – such as marriage, education, children’s, etc. – that had previously been subject

⁵⁴ International Labor Organization, *Law 1876, of 7 March 1990, concerning free collective bargaining and other provisions* (International Labor Organization: Geneva, 1990). Available at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/20025/117820/F-757641532/GRC20025%20Eng.pdf>.

⁵⁵ Greece, *Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*, (30 November 2011), p. 16. Available at: <https://www.imf.org/external/country/grc/index.htm?type=23>

⁵⁶ ILO, *Law 1876/1990*.

⁵⁷ Greece, *Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding* (28 February 2011), p. 51. Available at: <https://www.imf.org/external/country/grc/index.htm?type=23>

to collective bargaining.⁵⁸ As a result, the material significance of the EGSEE has greatly deteriorated. While still serving as the floor beneath which sectoral, occupational and enterprise level collective agreements cannot fall (with the exceptions noted above), the substance of the EGSEE has been significantly diluted due to legislative interference in the ability of the social partners to negotiate. In July 2013, a new EGSSE was agreed between most of the social partners (GSEE, GSEVEE, ESEE and SETE⁵⁹). SEV refused to sign the agreement, stating that the ESEE had no legal foundation due to the current legislative changes and therefore did not provide any benefits to employees. This represents the first time that a national agreement has not incorporated the minimum wage; and never before has a national agreement had such limited content. In March 2016, a new National Collective Agreement (EGSSE) was signed between the social partners – this time including SEV – but it remains a largely symbolic agreement that “merely includes announcements of intentions to act on pressing issues, without specific recommendations or a particular plan for social dialogue on any of the issues.”⁶⁰

Trade Union Rights of Representation

On 25 October 2011, the PASOK government passed Law 4024/2011, introducing further amendments that weaken the rights of unions to represent workers in collective bargaining. First, the special enterprise collective agreements were abolished due to their limited uptake. One of the possible reasons for the failure of the special enterprise collective agreements was the expensive, bureaucratic process of creating enterprise level trade unions – where none previously existed – for the purpose of negotiating these agreements.⁶¹ The new law makes it easier for employers in firms employing less than fifty workers, where no unions exist, to negotiate collective agreements with “associations of persons”, thereby

⁵⁸ Eurofound, *Impact of the Crisis on Industrial Relations* (Dublin, 2013), p. 25. <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/impact-of-the-crisis-on-industrial-relations>

⁵⁹ SETE is the newly formed Association of Greek Tourism Enterprises.

⁶⁰ Elena Kousta, “Greece: The 2016 National General Collective Agreement Signed,” (European Monitoring Centre on Change, 2016). Available at: <https://www.eurofound.europa.eu/observatories/eurwork/articles/working-conditions-labour-market/greece-2016-national-general-collective-labour-agreement-signed>

⁶¹ Andreas Nikolopoulos and Eleni Patra, “Current Situation and Future Trends of the Industrial Relations System and Trade Unions in Greece,” *Management Revue* 23, no. 4 (2012): 353-368.

enabling employers to circumvent unions altogether and undermine the principle of democratic, collective representation. While legislation from the 1980s (Law 1264/1982) enabled employers to conclude agreements with associations of persons, certain conditions needed to apply: they could be concluded only in the absence of a labour union; they related to the resolution of a specific issue; and they could exist only for a limited period of time. Law 4024/2011 significantly weakens the criteria that must be met in order to conclude these non-union based collective agreements. Most important, the law eliminates previous limits to the lifespan of such associations of persons, turning them into “nebulous non-elected” entities that makes it easier for employers to drive down wages and benefits in an attempt to increase competitiveness.⁶² Indeed, small business has taken advantage of this new law in order to negotiate company level agreements with “less favourable provisions than those of the relevant sector agreement.”⁶³ One commentator has described Law 4024/2011 as “one more step toward the demolition of two of the most powerful pieces of legislation to be enacted in Greece since 1974: laws 1264/82 and 1876/90.”⁶⁴

Expansion and Extension of Collective Agreements

Article 11 of 1876/1990 contains provisions for the joint accession of workers and employers to pre-existing collective agreements that relates to their line of work. Sections 2 and 3 of the same article also include provisions for the extension of the scope of collective agreements, determined by the Minister of Labour in consultation with the High Council of Labour, to include workers and employers in an entire sector or occupation regardless of whether or not they are unionized. In a communiqué to the IMF in the fall of 2011, the Greek government indicated that “the possibility to extend sectoral agreements to those not represented in the negotiations will be suspended for a period until at least end-2014 [the duration of the Medium Term Financial Strategy].”⁶⁵

⁶² Zoe Lanara, *Trade Unions in Greece and the Crisis: A Key Actor Under Pressure* (Bonn: Friedrich Erbert Stiftung Foundation, 2012), p. 8. Available at: <http://library.fes.de/pdf-files/id/ipa/09012.pdf>

⁶³ Eurofound, *Changes to Wage Setting Mechanisms*, p. 11.

⁶⁴ Christina Kopsini, “Collective Labor Agreements on the Way Out.” *Ekathimerini*, (October 16, 2011). Available at: <http://www.ekathimerini.com/136589/article/ekathimerini/business/collective-labor-agreements-on-the-way-out>

⁶⁵ Greece, *Letter of Intent* (November 2011), p. 16.

Secondly, the duration in which the terms of a collective agreement remain in force upon the expiration of the agreement has also been reduced. Under previous legislation, the terms of an expired agreement remained in force for six months; and even after the six-month period, the conditions of work outlined in the collective agreement continued to apply “until the termination or amendment of individual employment contracts.”⁶⁶ Law 4046/2012 reduces the extension period to three months, and the continuation of the conditions of work after the expiration of the three-month period does not include all work conditions, but only a portion of the salary. On 2 July, 2015, the Syriza government passed Law 4331/2015 which repealed the amendments of 4046/2012, effectively restoring the provisions of 1876/1990. However, the Euro Summit statement of 12 July 2015 – after the capitulation of Syriza following their resounding victory in the 5 July austerity referendum – demanded a return to the austerity legislation of 4046/2012 by 15 September 2015.

Labour Market Flexibility

On 11 May 2010, Law 3846/2010 was passed, legalizing new flexible labour arrangements, such as part-time work and the use of temporary employment agencies. Much of this falls outside the jurisdiction of collective bargaining and exacerbates precariousness, and is intended to reduce unemployment under the neoliberal belief that unemployment is the result of rigid labour markets. Law 3899/2010, passed in December 2010, contains provisions that increase the power of management over workers, thereby increasing the problems of precariousness in the Greek labour market. For example, the law extends probationary periods from 2 to 12 months, lengthening the time period in which workers can be arbitrarily dismissed without compensation; it increases the length of temporary contract work from 18 to 36 months, thereby reducing the incentives for employers to hire workers on a permanent basis; and the bill lengthens the period of time in which the employer possesses unilateral power over labour time flexibility from six to nine months. Law 3863/2010, passed on 15 July 2010, lowers the threshold on collective dismissals, making it easier for employers to lay off workers. Previous legislation allowed employers to dismiss up to 4 workers per

⁶⁶ Costas Papadimitriou, “The Greek Labor Law Face to the Crisis: A Dangerous Passage Towards a New Juridical Nature,” *European Labor Law Network*, Working Paper 3, (Frankfurt, 2013).

month in firms employing between 20 and 200 workers (and up to 2% of the workforce for larger firms). The new law raises the threshold to 6 for firms employing between 20 and 150 employees, and 5% of the workforce for firms employing more than 150 workers. Greece's ranking in the OECD index of employment protection legislation for individual and collective dismissals has registered a decline from 2.80 (out of 5) in 2010 to 2.11 by 2013, placing it just ahead of Ireland in the rankings.⁶⁷ It also shortens the duration of the layoff notification period and reduces the severance pay for laid off workers. The special company collective agreements legalized by 3899/2010 in December 2010 also increased the power of employers over workers in terms of their control over the working time – an issue that, as discussed above, was a contentious issue during the reform negotiations of the late 1990s early 2000s.

The State of Collective Bargaining and Working Conditions in Greece

All of these reforms have drastically affected collective bargaining in Greece. The number of national, sectoral and occupation collective agreements has significantly declined since the onset of the crisis. In 2008, 161 such agreements were in place, covering almost all of Greek private sector workers; by 2014, only 11 such agreements were in place, representing between 7 to 10% of the private sector workforce. The collective agreements that do remain in force, “foresee significant reductions to salaries, to say nothing of any bonuses or special salaries that used to be the norm in the past.”⁶⁸ At the same time, the number of firm level collective agreements has significantly increased since 2012. According to Eurofound, 976 business level Collective Employment Agreements were signed in 2012, compared to 170 in 2011 and 227 in 2010, representing a 430% increase in firm level agreements between 2010 and 2012. The number of firm level agreements has tapered off since this 2012 peak, dropping to 318 in 2016.⁶⁹

⁶⁷ OECD, *Strictness of Employment Protection – Individual and Collective Dismissals (Regular Contracts)*. Doi: 10.1787/lfs-epl-data-en (accessed 13 September 2016).

⁶⁸ Roula Salourou, “Collective Labor Contracts Becoming a Thing of the Past.” *Ekathimerini*, November 2 (2014). Available at: <http://www.ekathimerini.com/164342/article/ekathimerini/business/collective-labor-contracts-becoming-thing-of-the-past>.

⁶⁹ Eurofound, *Greece: Working Life Country Profile*. (Dublin, 2015). Available at: <https://www.eurofound.europa.eu/country/greece#collective-bargaining>

As a result of these reforms, Greece has experienced the greatest decline in collective bargaining coverage of any OECD country. OECD data indicates that collective bargaining coverage in Greece has declined to just over 40% of the workforce in 2013, down from just over 80% in 2008 prior to the imposition of austerity measures.⁷⁰ At the same time, workplace inspections by the Labour Inspectorate have indicated an “enormous upsurge” in undeclared work, suggesting that the weakening of collective bargaining institutions and protective labour market policies may be contributing to the increase of precariousness and informality in the Greek economy.⁷¹

The decline of sectoral and occupational collective agreements, the disempowerment of trade unions as the representatives of workers, the abolition of the favourability clause, the amendment of the extension of collective agreements to non-unionized workers and the limiting of the duration of expired collective agreements has put significant downward pressure on the levels of remuneration and the working conditions of workers. Collective agreements signed since 2012 “were mainly signed following the termination by the employers of the previous collective agreements and contained provisions that were more disadvantageous for workers as regards wages and employment conditions (especially in relation to working time).”⁷²

As a result of these changes in collective bargaining and the increase in labour market flexibility, Greek workers have experienced a significant decline in living standards. Average annual wages have declined to 1997 levels, real minimum wages have declined to 1976 levels and instances of low paying employment have risen from 11.7% of the workforce in 2012 to 17.8% in 2014.⁷³ Real average monthly wages have been in decline since 2009, registering an 8.1% decline in 2011, an 8.7% decline in 2012

⁷⁰ Organization of Economic Cooperation and Development, *Economic Policy Reforms: Interim Report* (OECD: Paris, 2016).

⁷¹ Elena Kousta, “Greece: Upsurge in Undeclared Work in 2015,” European Observatory of Working Life, 2016. Available at: <http://www.eurofound.europa.eu/observatories/eurwork/articles/working-conditions/greece-upsurge-in-undeclared-work-in-2015>

⁷² Eurofound, *Industrial Relations and Working Conditions Developments in Europe, 2012* (Dublin, 2013), p. 74. Available at: <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/industrial-relations-and-working-conditions-developments-in-europe-2012>

⁷³ OECD, *Employment and Labour Market Statistics*, Doi: 10.1787/data-00571-en. OECD (2016), *Wage levels* (indicator). Doi: 10.1787/0a1c27bc-en (Accessed on 15 September 2016).

and a 6% decline in 2013.⁷⁴ And finally, income inequality has increased from 0.34 in 2012 to 0.43 in 2013 (the last year data is available).⁷⁵ And finally, labour market insecurity – measured as a percentage in terms of the risk of unemployment, the duration of unemployment and the mitigation of earnings loss through government transfers – reached 32.03 in 2013, up from 7.06 in 2007.⁷⁶

7. De-democratization, Embedded Austerity and National Competitiveness Boards

In the context of the ongoing assault on collective bargaining and protective labour market institutions, Greek workers have been involved in continuous strike action since the onset of the crisis.⁷⁷ Popular discontent with austerity propelled the far-left anti-austerity party – Syriza – into power in January 2015 on a platform of rolling back austerity measures. In May 2015, Minister of Labour Panagiotis Skourletis put together a series of proposals that would abolish the legislative mechanisms for determining the minimum wage, effectively giving back to the social partners the power to establish the minimum wage through national level bargaining; return the minimum wage to the level agreed in the 2010-2012 national collective agreement; re-instate the collective agreement extension mechanisms as well as the pre-existing provisions for prolonging the duration of existing collective agreements in the event of their non-renewal through bargaining; and return to the pre-crisis status quo regarding mediation.

⁷⁴ International Labor Organization, *Mean real monthly earnings of employees, annual growth (2006-2013)*, ILOSTAT. Available at: http://www.ilo.org/ilostat/faces/help_home/data_by_subject/subject-details/indicator-details-by-subject?subject=EAR&indicator=EAR_MREE_NOC_GR&datasetCode=GWR&collectionCode=GWR&_afLoop=109645313436389#!%40%40%3Findicator%3DEAR_MREE_NOC_GR%26subject%3DEAR%26_afLoop%3D109645313436389%26datasetCode%3DGWR%26collectionCode%3DGWR%26_adf.ctrl-state%3Dql2xirg1j_21

⁷⁵ OECD, *Income inequality* (indicator). Doi: 10.1787/459aa7f1-en (Accessed on 15 September 2016).

⁷⁶ OECD, *Labour Market Statistics – Job Quality*. Doi: 10.1787/e357cdbf-en. Available at: www.oecd.org

⁷⁷ Eurofound indicates 439 strikes in 2012, 443 in 2013, numbers taken from the research institute of the Greek trade union confederation (INE GSEE). Available at: <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/greece/greece-working-life-country-profile>

However, Eurozone crisis management has brought with it a degree of de-democratization as a means of embedding austerity. The most significant component of neoliberal de-democratization is the disempowerment of the Greek parliament by the Troika through its Memoranda of Understanding. Attempts by the newly elected government to reverse collective bargaining and labour market reforms have been vociferously resisted by the Troika. After the “No” vote in the July 2015 referendum on the bailout agreement, the Troika called Syriza’s bluff, cut off liquidity to Greek banks and imposed even more stringent conditions on Greece. Labour market and collective bargaining reforms, however, were precluded by the language of the third bailout agreement signed by Syriza after the referendum. The July Memorandum of Understanding stipulates that the Greek government must “consult and agree with the European Commission, the European Central Bank and the International Monetary Fund on all actions relevant for the achievement of the objectives of the Memorandum of Understanding before these are finalized and legally adopted.”⁷⁸ A required “prior action” for the next disbursement of funds included the reversal of article 72 in Law 4331/2015 that re-instated the after effects of collective agreements that had been frozen under Law 4046/2012, implemented by the quasi-technocratic caretaker government. As a consequence of this astonishing abdication of parliamentary sovereignty, commentators have variously characterized Greece as a “debt colony with the bit of home rule” or an EU “protectorate” similar to Bosnia-Herzegovina and Kosovo.⁷⁹

At the same time, the EU began developing new mechanisms of economic governance to further embed neoliberalism in each member state and preclude threats to austerity from left-wing governments like Syriza. The EU has initiated a renewed integration process that seeks to achieve a “genuine” economic union by creating new institutions designed to institutionalize competitiveness and enhance the resilience of national

⁷⁸ European Commission, “Memorandum of Understanding Between the European Commission Acting on Behalf of the European Stability Mechanism and the Hellenic Republic and the Bank of Greece,” (Brussels, 2015), p. 4. Available at: http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/01_mou_20150811_en.pdf

⁷⁹ Paul Mason, “Greece: A debt colony with a bit of ‘home rule’,” Channel 4 News, 23 February 2015. Available at: <http://blogs.channel4.com/paul-mason-blog/greece-debt-colony-bit-home-rule/3419>. Accessed on 13 September 2016; Jan Zielonka, “Greece has become the EU’s third protectorate,” *Open Democracy* (14 August 2015): <https://www.opendemocracy.net/can-europe-make-it/jan-zielonka/greece-has-become-eu%E2%80%99s-third-protectorate>. Accessed on 13 September 2016.

economies. National Competitiveness Boards (NCBs) will be established in all Eurozone member states to act as “independent entities” mandated to surveil policies related to national economic competitiveness. Such bodies will be comprised of “unbiased” technocrats providing “high quality” advice on economic policy. In this regard, the recommendation adopted by the EU proposes that “the scope of intervention of competitiveness boards should span a comprehensive notion of competitiveness.”⁸⁰ In the initial report, the five presidents suggest that the NCBs be mandated to “assess whether wages are evolving in line with productivity” and to potentially “enhance competitiveness more generally.”⁸¹ In the broader context of neoliberalism, and the longer term trends in collective bargaining in Europe, ensuring that wages “evolve” in line with productivity means ensuring that wage gains lag behind productivity gains.

There are a number of potential contradictions in the stated goals of the Competitiveness Boards. According to the proposals, they are not intended to result in the harmonization of wage setting mechanisms or collective bargaining institutions. The adopted recommendation states that the NCBs “should not affect the right of workers and employers, or their respective organisations, to negotiate and conclude collective agreements at the appropriate levels or to take collective action in accordance with Union law and national laws and practices.”⁸² Each member state will have the space to retain their distinctive institutions and arrangements. The first thing to point out is that, in the more severely affected economies of the Eurozone – Greece in particular – free collective bargaining has either been effectively suspended or has been significantly curtailed and restrained under the auspices of austerity politics. At the same time, however, the NCBs are intended to ensure a harmonization of outcomes – that is, to ensure that wage increases lag behind productivity increases. This effectively embeds the neoliberal logic of competitiveness that was supposed to be institutionalized by the transformation of social partnerships along the lines of competitive corporatism. Secondly, NCBs are intended to be democratically accountable; and it is proposed that they should include the social

⁸⁰ European Commission, *Recommendation for a Council Recommendation on the establishment of National Competitiveness Boards within the Euro Area* (21 October, Brussels, 2015), p. 3. Available at: <http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX%3A52015DC0601>

⁸¹ European Commission, *National Competitiveness Boards*, 8.

⁸² European Commission, *National Competitiveness Boards*, 3.

partners in the surveillance process to preserve the tradition of social dialogue. Yet, at the same time, they are intended to be independent bodies that are “independent from the ministries or public authorities that deal with competitiveness-related issues.”⁸³ There is, therefore, significant potential that the NCBs possess a mandate to enforce the EU level commitment to competitiveness in ways that preclude alternatives that break from the neoliberal framework.

The political dimension of the NCBs is to augment what the EU refers to as national ownership of the structural reforms believed to be necessary for enhancing European competitiveness. In other words, to shift responsibility for austerity from the institutions of the EU to the various national governments forced to implement structural reforms. Since the onset of the crisis, the Eurozone – and to a certain extent the European Union – has been suffering a decline in legitimacy. In terms of popular support for the European project, 2015 was a very bad year, with overall levels of support experiencing a dramatic decline after a brief upsurge in 2014.⁸⁴ Over the course of the year Greek public opinion turned against the European Union, with 51% of respondents expressing negative views of Europe. Eighty-three percent of Greeks polled believe that their voice does not count in Brussels – the highest of any European country. In the context of declining support for the institutions of the European Union, the need for European elites to compel national governments to take ownership of the austerity agenda is imperative for the future of European neoliberalism.

8. Conclusion

Greek and European capital are using the Eurozone crisis as an opportunity to push through austerity measures that are shifting the balance of power away from labour to enable Greek capital to institutionalize its agenda of competitiveness in an increasingly neoliberal European Union. The decentralization of collective bargaining and the weakening of employment protection have been instrumental in this regard. This neoliberal transformation of the Greek economy has been

⁸³ Ibid.

⁸⁴ Data for this paragraph is taken from the most recent Eurobarometer survey. European Commission, “Public Opinion in the European Union, First Results,” *Standard Eurobarometer 85* (Spring 2016, Brussels), pp. 25-18. Accessed 13 September 2016 <http://ec.europa.eu/COMMFrontOffice/PublicOpinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2130>

accompanied by the substantive de-democratization of Greek political and economic life. Sectoral and occupational collective bargaining has all but collapsed and trade unions are under attack by a Troika-backed employer offensive. On top of this, new forms of Eurozone governance have been implemented to further entrench neoliberalism and embed austerity in national level institutions. In particular, National Competitiveness Boards have been created to embed austerity and to ensure national ownership of the process of neoliberal reform in a political conjuncture characterized by the rise of a radical anti-austerity Left.

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