

**University of Exeter**

**Discursive Institutionalism and Pension Reform in  
Greece 1990-2002: Appraising Europeanization from the  
'Bottom-up'**

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## **Abstract**

The research puzzle of the thesis is to investigate how policy discourse mediates domestic policy adjustment consequent on commitments entered into at the domestic level by the European Union. Conceptually, it adopts the discursive institutionalist framework as developed by Vivien Schmidt and Claudio Radaelli. Empirically, it chooses a single-case study approach to focus on the Greek old-age pension policy adjustment during 1990-2002. The thesis also appraises the process of Europeanization. It adopts the 'bottom-up' approach to Europeanization as developed by Claudio Radaelli. Under this scope its analysis does not start from EU policy commitments as an independent variable, but from a system of interaction at the domestic level.

Conceptually, the thesis looks at policy discourse as a consensus and legitimacy building resource. It focuses on the discursive interactions of key policy actors and analyses how they use policy discourse in order to justify the necessity and the appropriateness of policy adjustment in a given institutional context. The thesis suggests that the discursive institutionalist argument of how policy discourse facilitates policy adjustment puts too much emphasis on the governmental discourse and that the input of the rest of key policy actors must be included in the analysis. It thus proposes the integration of certain elements of the Neo-Positivist Narrative Analysis framework to discursive institutionalism. The argument claims that policy actors' discourse will take the form of policy narratives that either expand or contain the policy issue. The institutional context will determine the level at which the discursive interaction will take place. In simple polities like Greece, discourse will be thicker at the communicative level and thinner at the coordinative. The effectiveness of discourse will be determined by the level of trust between the government, the key policy actors and the public.

The empirical analysis points to a number of domestic factors that restrict the effectiveness of policy discourse and the process of Europeanization, which fall outside the pension policy area and Greece. The thesis also contributes to the advancement of discursive institutionalism. Firstly, it incorporates narrative analysis to the study of discourse. Secondly, it highlights certain limitations, it suggests ways

that discursive institutionalism could be improved and directions towards which it could be fruitfully developed.

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*To my Sister Polytimi, my mother Constantina, and my friend Panayotis  
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## **List of Abbreviations**

**AEDDY:** Supreme Administration of Greek Civil Servants Trade Unions

**AMA:** Athens Medical Association

**BGAD:** British Government Actuaries Department

**DAKE:** Democratic Independent Workers Movement

**DEI:** Public Enterprise of Electricity

**DEKO:** Public Utilities

**DSA:** Athens Bar Association

**ECJ:** European Court of Justice

**EET:** Hellenic Bank Association

**EMS:** European Monetary System

**EMU:** European Monetary Union

**ESEE:** Association of Commerce Unions of Greece

**ETAM:** Single Social Security Fund for the Salaried

**ETEAM:** Single Auxiliary Social Security Fund for the Salaried

**EU:** European Union

**GENOP-DEI:** General Staff Federation-DEI/Public Electricity Enterprise

**GESASE:** Greek Confederation of Greek Agrarian Association

**GSEE:** General Confederation of Greek Workers

**GSEVEE:** Hellenic Confederation of Professionals, Craftsmen and Merchants

**IKA:** Social Security Fund

**ILO:** International Labour Organisation

**IMF:** International Monetary Fund

**INE:** Institute of Labour

**IOVE:** Foundation for Economic and Industrial Research

**ISAP:** Electric Railways of Athens and Piraeus

**KEPE:** Centre of Planning and Economic Research

**KKE:** Communist Party of Greece

**KYSYM:** Central Ministerial Assembly

**NAT:** Seamen Pension Fund

**NHS:** National Health System

**OAED:** Labour Employment Organisation

**OAEE:** Social Security Organisation for the Self-Employed

**OECD:** Organisation for Economic Cooperation and Development

**OGA:** Agricultural Social Security Fund

**OKE:** Economic and Social Committee

**OTOE:** Greek Federation of Banking Unions

**PASEGES:** Pan-Hellenic Confederation of Unions of Agricultural Cooperatives

**PASKE:** Fighting Union Movement of Greek Employees

**PASOK:** Panhellenic Socialist Movement

**PAYG:** Pay-As-You-Go

**PNO:** Pan-Hellenic Seamen's Federation

**POPOKP:** Pan-Hellenic Federation of Personnel of Social Policy Organisations

**POSDY:** Pan-Hellenic Federation of Civil Servant Pensioners

**SEV:** League of Greek Industries

**SOE:** Council of Economic Experts

**SYN (Synaspismos):** Coalitions of the Left Movements and Ecology

**SYDASE:** Confederation of Democratic Agrarian Unions of Greece

**TAE:** Insurance Fund of Tradesmen

**TAP-ETBA:** Insurance Fund of Personnel - ETBA

**TAP-ILT:** Insurance Fund of Personnel – Ioniki and Laiki Bank

**TAP-OTE:** Insurance Fund of Personnel – Greek Telecommunications Organisation

**TAPAE-Ethinki:** Insurance Fund of the Personnel at the Insurance Enterprise - Ethniki

**TEADY:** Pension Fund for the Auxiliary Social Security of the Civil Servants

**TEE:** Technical Chamber of Greece

**TEVE:** Greek Social Security Fund for Craftsmen and Small Traders

**TSA:** Insurance Fund of Motorists

**TSAY:** Fund of Pensions and Self-insurance of Employed in the Health Sector

**TSEAPGSO:** Pension fund and Auxiliary Insurance of Personnel of Agricultural Cooperatives

**TSP-ATE:** Insurance Fund of Personnel – Agricultural Bank of Greece

**TSP-ETE:** Insurance Fund of Personnel – National Bank of Greece

**TSP-HSAP:** Insurance Fund of Personnel – Electric Railways of Athens and Piraeus

**USA:** United States of America

## **Chapter 1 – Introduction.**

### **1. The research question and puzzle.**

This thesis seeks to contribute to the literature on domestic policy adjustment consequent on commitments entered into at the domestic level by the European Union (mainly Schmidt 2002; also Boerzel 2000, 2005; Radaelli 2003, 2004; Featherstone and Papadimitriou 2008; Radaelli and Franchino 2004; Goetz 2002; Mair 2004; Haverland 2000, 2003). Research on domestic policy adjustment to EU policy commitments has paid particular attention to the Europeanization process both in its top-down (setting regulations and creating obligations) and its bottom-up (agenda setting) dimension (Boerzel and Risse 2000; Meny et.al. 1996). Studies focusing on either of the dimensions take the impact of Europeanization for granted, in the sense that they are looking for a certain degree of policy change either at the domestic or the EU level. The thesis aspires to contribute to the understanding of the Europeanization process without prejudging the domestic role of EU policy commitments. Thus, it adopts the ‘bottom-up’ research approach to Europeanization as developed by Claudio Radaelli (2003; 2004). Under this scope its analysis of domestic policy adjustment does not start from EU commitments as an independent variable, but from a system of interaction at the domestic level (Radaelli 2004: 4). The thesis approach to Europeanization is discussed in details at chapter 2.

The contribution is both conceptual and empirical. Conceptually, the thesis adopts the discursive institutionalist framework put forward by Vivien Schmidt (2002, 2006, 2008, and 2010) as well as Schmidt and Radaelli (2004) in order to better understand how policy discourse intervenes in the policy process and eventually facilitates policy adjustment. There is broad agreement that policy discourse can play a significant role in the policy process (Roe 1994, Hajer 1995, Fischer 2003a&b, Hay and Rosamond, 2002). The definitions of discourse vary depending on the epistemological orientation of each author. Vivien Schmidt does not develop one herself. Instead, she embraces Connolly’s definition of discourse, which will also be the working definition of the thesis. Specifically Connolly and Schmidt define policy discourse as ‘institutionalised structures of meaning that channel political thought and action in certain directions’

(Connolly 1983: 1; Schmidt 2008: 309) (a deeper discussion on policy discourse is offered in chapter 2).

Discursive institutionalism is one of the many approaches that deal with the role of discourse in the policy process. Its merit is that it integrates institutions, policy ideas, and policymaking into the analysis of policy adjustment. In this way it also manages to bring structure and agency closer to the explanation of policy change and to facilitate an analysis that can account for both continuity and change. Nevertheless, the thesis does not seek to pre-judge this approach. Rather, the aim is to appraise specific discursive institutionalist hypotheses that have observable implications.

According to the discursive institutionalist argument, policy discourse can either operate as a vehicle of new policy ideas or as a resource of consensus and legitimacy building. The focus of the thesis is on the discursive interactions of key policy actors and on their use of policy discourse as a consensus and legitimacy building resource. Interests also matter as drivers for policy change, but whether they will serve this cause also depends on their ability to be persuasive about the imperative for change (Schmidt and Radaelli 2004: 193). In other words according to discursive institutionalism, policy discourse is not the only variable to be analysed but instead it operates in conjunction with other elements, namely institutions and interests. However, what makes discourse a unique variable is its transformative power. It is rarely a direct cause of policy change, but it can transform problem definition, interests, and the social perception of actors and their resources. Under this scope policy discourse may or may not matter; at times it may convey meaning and others it may just be 'rhetorical smoke'. The aim of the thesis is to collect evidence in order to facilitate the causal analysis that evaluates empirically (Van Evera 1997: 90) the reasons of success or failure of policy discourse to promote certain policy ideas and to contribute to certain policy outcomes.

Empirically, the thesis chooses a single case-study approach to focus on the critical case of Greece, a state that has not been studied within the discursive institutionalist framework and has struggled to develop its reform capacity within the context of pressures stemming from the EU. The thesis selects pension reform and specifically the adjustment of domestic old-age pension policies in response to EU policy

commitments. Chronologically the study looks at the attempts to reform the old-age pension system during 1990-2002. Due to its empirical depth and its chronological stretch, the Greek case can facilitate the evaluation of the hypotheses generated by the thesis.

EU pressures to reform pension policies stem primarily from EMU membership that signified the shift to a supply-side model of economic growth and set a number of fiscal constraints. Governments had to discipline their public finances if they were to fulfil the single currency entry criteria of no more than 3% deficit and less than 60% public debt. The integration of the 3% budget deficit rule to the Stability and Growth Pact by the Amsterdam Summit in June 1997 added a continuous constraint to the finances of the member states. Although pension policy reform was one of the ways to comply with EMU obligations, it is accepted that EMU membership and pension reform were coterminous, (Featherstone et.al 2001: 465) given that in most member states pension policies were the biggest piece of social expenditure and were absorbing a great amount of public income (Dudek and Omtzigt 2001: 4). Indeed, in 1990 11.8% of the GDP was spent on pension expenditure in EU-12 (Eurostat).

Additional pressures stem from the liberalisation agenda of the Single Market requirements in two different ways. Firstly, through the new accounting procedures that affected the financing of the pension schemes of state monopolies (Featherstone et. al. 2001: 465). Secondly, by the liberalisation of financial markets and the freedom of labour movement that essentially invited private pension schemes (Pochet 2003). Pressures also stem from the Lisbon programme both by its focus on growth, employment and competitiveness, as well as its emphasis on structural reforms. Thirdly, pressures are also exercised in terms of the three-pillar pension policy design that the EU implicitly favours (Ervik 2006). Finally, EU member states were also under pressure to reform their pension policies due to demographic changes, maturation of the policies and changes in the family patterns that also inflated the finances of the system.

Despite the strain for policy change, pension policy adjustment has not been an easy task for the governments. Pension policies are normatively heavy, institutionally 'sticky' (Pierson 2001) and change resistant. Strong social opposition to pension

reform is present due to both changes to pension entitlements and the retirement arrangements it entails, as well as a normative commitment to the extant pension schemes and a deep moral conviction to both insurance and distribution (Schmidt 2000: 230). In other words, extant policy structures and arrangements are also supported by a strong sense of appropriateness. In this context, resistance to policy change is generated not only by those already in the system, but also by those who are outside of it and who could potentially benefit from pension reform.

In the Greek case, public resistance to pension policy adjustment is also related to lack of knowledge of the case for reform. Indeed, in terms of the old-age pension system the Greek public is uninformed and unaware of the challenges it faces. During the period of study the Greeks were the most optimistic EU citizens about their pension entitlements. According to Walker (2002: 7) in 1999, 63 % of the EU citizens believed that in the future people will get less pension for their contribution. In contrast, only 34% of the Greek population believed that their entitlements would decrease in the future. Equally surprising is the belief of the Greek public in the growth of the welfare state. Between 1992 and 1998 the percentage of Europeans who believed that the welfare state would continue to grow and that pensioners will be better off, fell from 32 % to 18 % (Walker 2002: 12). In Greece on the other hand, there was no change in public opinion between 1992 and 1998 (36%). In fact, while the percentage of EU citizens believing that the retirement age will increase in the future raised from 35% in 1992 to 40% in 1999, in Greece it fell from 14% to 6% (Walker 2002: 11).

Following the discursive institutionalist argument, pension reform is a typical case where a government would resort to policy discourse in order to raise consensus and legitimacy over the new policy programme. The governments are on the one hand under pressure to reform a policy while on the other hand is change resistant and enjoys wide public support. According to Schmidt (2002, 2008, 2010) as well as Schmidt and Radaelli, (2004) in such cases governments will use policy discourse in order to build consensus and legitimacy and enhance their capacity to reform. The type of policy discourse the governments will mostly utilise is determined by the institutional context. In simple polities, that is polities with unitary states, majoritarian representation systems, and statist policymaking process, the government will utilise

communicative discourse in order to raise legitimacy amongst the public. On the other hand, in compound polities, that is polities with federalist states, proportional representation systems and corporatist policymaking processes, the government will utilise mostly the coordinative discourse in order to build consensus amongst the key policy actors.

Yet the Greek case of pension reform (1990-2002) suggests that the relationship between the governmental policy discourse, consensus and legitimacy building, and policy adjustment may not be as linear as initially suggested. According to the discursive institutionalist typology Greece is a simple polity. It is a unitary state that has had a majoritarian electoral system throughout the period of study. Its policymaking process is statist. Societal structures are 'dispersed' (Schmidt 2006: 224) with numerous sectoral interest representation organisations being loosely interconnected horizontally through peak organisations. Hence, according to the discursive institutionalist argument the type of discourse the Greek governments will mostly utilise is the communicative one. Nevertheless, throughout the period of study the reactions to the new governmental plans were massive, resistance was fierce both by the public and the key policy actors, and eventually pension reform was limited and incremental. In fact, some of the changes introduced increased spending rather than reducing it.

This is surprising as one would expect that the lack of knowledge about the pension policy problem and its future implications amongst the Greek public would offer a fertile ground to the governmental discourse and legitimacy building. All the government would have to do would be to 'feed' the Greek public with raw information about the pathologies and distributional inequalities of the system, the consequences of the demographic trends on its finances, and the implications of pension spending on fiscal discipline and on EMU membership in the short-term and Greece's position in EU in the long-run. In fact, the results of the Greek attempts to reform pensions are even more surprising if one considers that EU membership and in particular EMU membership was greatly supported by the majority of the Greek public and political elites, including the main two parties PASOK, and ND (Featherstone et. al. 2001: 462) throughout the period of study.



In 1990 64% of the Greeks supported the single currency when the EU average was 55% (European Commission 1990). In 2000 the support for the single currency in Greece increased to 70% (third highest in the EU) when the EU average remained at 55% (European Commission 2000). Similarly, in 1990 78% of the Greeks believed that Greece had benefited from EU membership compared to EU average of 58% (European Commission 1990). In 2000 this percentage dropped to 72% for Greece and to 46% for the EU average (European Commission 2001a). Finally, in 1990 75% of the Greeks believed that EU membership was a good thing compared to 69% of the EU average, whereas in 2000 the percentage dropped to 61% just 1% above the EU average (European Commission 1990, 2001a).

This research puzzle suggests that the discursive institutionalist argument about the role of discourse in the policy adjustment process and its relationship with the institutional setting may be more complex than initially assumed. It hence invites the clarification of the role of discourse as a lever of capacity to reform and encourages the following question:

*How policy discourse mediated the process of pension policy adjustment in Greece?*

The argument of the thesis is that discursive institutionalism puts too much emphasis on the governmental discourse and thus ignores the input of the rest of the policy actors. In order to grasp the role of policy discourse in the policy adjustment process analysis needs to go beyond the governmental policy discourse and instead look at the discursive interactions between the government and the key policy actors. Moreover, the thesis argues that we also need to dig deeper into the mechanism of policy discourse, that is to look at the specific form policy discourse takes and the specific discursive politics that affect agenda-setting and the policy problem definitions. In order to do so the thesis proposes the integration of certain elements of the neo-positivist narrative analysis framework to the discursive institutionalist one. In particular the thesis suggests that policy discourse must be studied in the form of policy narratives and that the focus of the analysis must be on how the appropriateness and necessity of policy adjustment is causally justified by policy actors. In this way its emphasis is on the discursive politics of key policy actors in the

sense that it looks at how they conflict about assigning responsibility about the policy problem and eventually controlling the policy process.

Specifically the thesis argues that:

- a) policy discourse can facilitate policy adjustment in different ways depending on the institutional context within which it is articulated. In simple polities discourse it will facilitate policy adjustment by raising consensus primarily at the communicative level and secondarily at the coordinative. In compound polities it will facilitate policy adjustment by raising consensus primarily at the coordinative level and secondarily at the communicative.
- b) policy discourse facilitates policy adjustment by means of a specific form, namely policy narratives; and specific strategies, namely narrative strategies, that either expand or contain the policy issue
- c) the effectiveness of policy discourse ultimately depends on the level of trust between key policy actors. If there is limited trust of the narrator then the effectiveness of the discourse will be limited as well.

This section has dealt with the research puzzle and research question of the thesis. It also included a short presentation of the argument of the thesis. The following section aims to justify the selection of discursive institutionalism as the conceptual framework of the thesis. It focuses on conceptual frameworks that have been used predominantly to explain pension reform; which nevertheless will be also useful to the appraisal of Europeanization. Indeed, the study of Europeanization has traditionally been placed within the context of a borrowed conceptual framework. This is due to the fact that Europeanization is not an independent theory but rather an ‘attention-directing’ device (Olsen 2002) to a distinct set of processes in need of explanation (Featherstone and Radaelli 2003: 333).

## **2. Analyses of pension policy adjustment.**

Literature on pension policy change can be distinguished in three big categories: (a) studies of an economic orientation that focus on the economics of welfare provision, the sustainability of the PAYG pension systems, the role of capital markets and

private pension schemes, (Börsch-Supan and Tinios 2001; Barr 2002a&b; Banks and Emmerson 2000; Blackburn 2006, 2003; Chand and Jaeger 1999); (b) literature with a social policy or sociological orientation that focuses on the way different welfare state models adapt to the globalisation pressures for reform, the broader implications of population ageing in advanced capitalist countries, and the implications of pension reform for different groups of the population (Taylor-Gooby 2002; Esping-Andersen: 1996, 1997, 1999; Levy 1999; Walker 2003; Rothstein 2001; Pierson 2000; Peters 2005; Bonoli 2003; Marier and Skinner 2008); (c) studies of public policy orientation that focus on the domestic politics of pension policy adjustment (Myles and Pierson 2001; Béland 2005; Bonoli and Shinkawa 2005; Natali and Rhodes 2004; Béland and Hacker 2004; Hacker 2002). Whereas the economic and sociological literature is preoccupied with the reform content as such, public policy studies focus more on who drives the reform and how policy adjustment occurs.

The thesis is dealing with the politics of pension reform and hence it draws on public policy literature. Public policy explanations of the politics of pension reform are dominated by historical institutionalist analyses (Bonoli 2000; Natali and Rhodes 2004, Schludi 2001, 2003; Pierson 1994, 2001; Hinrichs 2000, 2005; Haverland 2001; Hemerijck and Visser 2002; Hinrichs and Kangas 2003). These studies apply a consequential logic to the analysis of pension policy change. Decisions taken in the past have a 'lock-in' effect in the sense that they structure and limit choices for both the advocates and the opponents of the new policy programme. The concept of 'policy feedback' is central to their argument and it points out the structuring impact that previously enacted policies have on policymaking. According to Pierson social policies operate in a context of complex social interdependence that often generates increasing returns and high fixed costs, learning effects, co-ordination effects, and adaptive expectations (Pierson 1994: 44). Large social programmes introduced in the post-war period, such as pension policies have created an 'army of beneficiaries' that prevents far-reaching changes to the welfare state (Pierson 1996). In this context most policy change is path-dependent. The concept of path-dependency refers to the *unintended consequences* that decisions taken at the introduction of a new policy have on future economic and political performance (Pierson 1994: 44).

Historical institutionalists with a rational choice orientation have stressed the role of power concentration in a political system, or reform capacity, in order to explain how exactly far-reaching policy change is blocked, as well as how governments negotiate policy change. The more concentrated the political power the greater the political institutional capacity to introduce policy change. The analysis of power diffusion/concentration often uses the concepts of 'veto players' and 'veto points'. Veto players 'are individual or collective actors whose agreement (by majority rule for collective actors) is required for a change of the status quo' (Tsebelis 1995: 289). The higher the number of veto players and the bigger the ideological distance between them, the less the political institutional capacity and the less likelihood of policy (Tsebelis 2002: 11-12). The notion of veto points on the other hand is broader and refers to institutional points situated at various levels of the policy-making process, where a coalition of actors can block the policy-making process (Scharpf 1997; Immergut 1992; Weaver and Rockman 1993; King 1995; Bonoli 2000: 42-43). Haverland distilled from the veto-point literature (Immergut 1992, 26; Kitschelt 1986), the following definition: 'veto points refer to all the stages in the policy-making process that agreement is legally required for policy change (2000: 85). Following the same rationale Bonoli (2000: 43) refers to 'patterns of institutionally determined power distribution'. In other words, veto-points are not random but they are determined by the rules on representation, the processes of decision and policy making (Immergut 1992: 4 & 27).

According to the historical institutionalist argument the beneficiaries of the extant pension policies will utilise their veto-power in order to block pension reform. On the other hand however, governments will utilise strategies of compensation or blame avoidance to bypass resistance and promote pension policy change. Schludi (2001: 21, 2003: 208; 2005) notes that governments may apply these strategies either in the corporatist or the parliamentary arena. Strategies of compensation involve offering veto-players trade offs (Natali and Rhodes 2004: 8) or else *quid pro quos* (Bonoli 2000: 49) in exchange for their consent to the new policy programme. In the absence of such strategies policy adjustment might be unachievable (Bonoli 2000: 42). According to Pierson (1994: 19) the governments may also try to manipulate information in order to decrease public awareness of their actions or their negative

consequences (strategies of obfuscation), or to divide their opponents (strategies of division).

In this context Pierson (1994) showed how Reagan and Thatcher managed to retrench their pension and housing policies by means of strategies of obfuscation and division, along with strategies of compensation. Similarly Bonoli (2000) showed how France, UK and Switzerland managed to retrench their core pension schemes by expanding, (*quid pro quos*) at the same time, pension provision to social groups that were initially excluded by the system (for example part-time workers). Natali and Rhodes (2004) on the other hand showed how pension policy change was feasible in France and Italy only after the government expanded the role of trade unions in the management of the pension system. Finally, Schludi (2001, 2005) showed how the Swedish party system facilitated the consensus of the social-democratic and bourgeois parties on pension reform.

Historical institutionalist approaches have offered insightful analyses of how existing institutions and policies mediate the domestic impact of major economic and demographic transformations. Nevertheless, they have also been criticised for explaining continuity rather than change, and for failing to grasp the role of the agency (Clemens and Cook 1999: 442). According to Hall, **that** although looking at the role of institutions is of great value it leaves us with an analysis that treats the policy process as a black box (Hall 1993: 275). To claim that policy legacies determine the content of the subsequent policies raises the question of why some legacies are more influential than others (Hall 1993: 275). Béland (2005: 4; also Béland and Hacker 2004: 42) on the other hand notes that historical institutionalist analyses can explain how institutions create obstacles or opportunities for pension reform but they fail to cast light to the policy ideas that influence the policy content and ultimately the legislative decisions.

Also, Levy (1999: 240) notes that concentrations between key policy actors and consensus building is not just a matter of crude exchange of material interests. It rather relies on framing the policymaking process in a way that also satisfies the normative aspects of the policy preferences of key policy actors. Hence, governments use the *vice into virtue* rather than *quid pro quos* strategies by which they often

manipulate vices of the extant policy in order to justify the virtues of the proposed changes (Levy 1999: 240). In this context Béland suggests that research needs to focus on the impact of the meaning and the scope of policy choices in the policy process and that for this reason research must bring policy ideas - in the sense of specific policy alternatives with both cognitive and normative aspects - into the centre of the theoretical framework (Béland 2005: 4).

In an effort to bring the agency and the role of ideas into the analysis of policy change Peter Hall introduced the concept of policy paradigm as the ‘framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing...a *Gestalt*’ (Hall 1993: 279). Policy paradigms are the pragmatic ‘world view’ of the policy experts, bureaucrats and politicians involved in the policy process. According to Hall policymaking consists of three central variables: the overarching goals that guide public policy, the techniques or policy instruments used to attain those goals, and the precise setting of those instruments (Hall 1993: 278). Policy change can be categorised in three orders, namely: ‘third order’ policy change or transformation which occurs when the overarching goals of the policy change; ‘second order’ or parametric change which occurs when governments maintain the logic of the policy but change the instruments; ‘first order or instrumental change’ which occurs when governments attempt to apply different setting of instruments as a remedy to the same problems (Hall 1993: 279-280).

Shifts between orders of change are related with policy learning processes (Hall 1993: 279-283). According to Hall policy learning is a ‘deliberate attempt to adjust the goals or techniques of policy in response to past experience and new information’ (Hall 1993: 278). Policy experts play a key role because they devise the new programme/paradigm and can advise the governments to abandon the old (and now perceived wrong) way of doing things and to innovate. The process by which a new policy paradigm comes to replace the old one involves shifts in the locus of authority over policy (Hall 1993: 280). Being under pressure from experts, politicians would have to decide whom they regard as an authority. This ends in the whole of the policy community becoming engaged in an authority contest over the issues at hand.

Bruno Palier (2001) uses Hall's paradigm approach in order to measure pension policy change. He suggests that three different types of pension policy change can occur at different points of time, varying between transfer and instrumental change (Palier 2001: 13). Social policy reform under this scope refers to the way 'welfare states [are] transformed in order to promote new principles and to develop new institutions more adapted to the current situation' (Palier 2001: 4). Béland on the other hand shows how social learning related to specific ideological assumptions and policy legacies in the public and the private sectors have impacted the reform process of earnings-related pension schemes in Canada and the US in the 1990s (Béland 2006). Similarly, Frank Boenker (2005) looked at the changing ideas on pension policy and the differences in the spread of the three-pillar paradigm across five EU social insurance countries.

Literature focusing on the role of policy ideas and the agents of policy oriented learning in pension policy reform has also paid attention to the role of 'epistemic communities' (Haas 1989) in generating and even orchestrating paradigmatic pension policy change. According to Peter Haas an 'epistemic community' is a 'network of specialists with a common world view about the cause and effect relationships which relate to their domain of expertise and common political values about the type of policies to which they should be applied' (Haas 1989:16). Their connecting link is a common belief that a certain policy idea can be applicable to policy development (Ladi 2005). In this context Patrik Merier (2008) showed how a 'political epistemic community' formed by Swedish parliamentarians, experts, and civil servants managed to push forward a paradigmatic pension reform in Sweden. Similarly, Matos (2010) showed how policy ideas generated by international and domestic epistemic communities promoted consensus around pension reform strategies that ultimately resulted in the recalibration of public pensions, and the promotion of private fully-funded supplementary schemes across EU27. Evrik (2005) on the other hand highlighted how concepts and accounting techniques devised by international epistemic communities have shaped the pension reform debate and the pension policy content in Norway. Finally, Müller (2008) demonstrated the contribution of the newly dominant epistemic community - 'the new pension orthodoxy' - to path-breaking pension reform in Central and Eastern European countries.

The paradigm and policy learning approaches offer convincing accounts of how developments in ideas between policy experts and policymakers contribute to the realignment of the central governmental policy assumptions (Talyor-Gooby 2005: 4). The policy paradigm argument in particular gives an influential explanation of how different kinds of policy change can be recognised and linked with different stages of the learning process (Talyor-Gooby 2005: 4&7). Despite this they have been exposed to a variety of criticisms. For instance King and Hansen (1999) argued that these approaches ignore the ideological conflicts that shape the learning process. Hinrichs and Kangas (2003: 3) on the other hand, claimed that despite the great value of transformation as a heuristic tool, the distinction between orders of change is still problematic because of the 'incremental fashion of transformation'. First and second order changes can eventually lead to a paradigmatic change in the long-run, and since controlling for time is a very difficult task in social research, the assessment of policy change at medium or short-term periods, on the basis of orders of change is problematic. Finally, these approaches ignore the role of institutions in determining how policy ideas are framed (Campbell 1998), as well as in selecting the policy ideas that will be translated into policies. In this context Béland (2005: 6) calls for comprehensive theoretical perspective that will clarify the relationship between ideas, institutions and the policymaking process.

Discursive institutionalism as developed by Schmidt (2002, 2006, 2008, 2010), as well as Schmidt and Radaelli (2004) is such an approach. This conceptual framework is an additional strand within the new institutionalist tradition that incorporates the role of institutions and ideas to the analysis of the policy process, while pushing research beyond the economic, historical and cultural determinism of the previous institutionalist approaches. Its focus is not on policy ideas as such, but on discourse as the vehicle of ideas (Schmidt 2008: 309). This approach looks at how governments use policy discourse as a means to legitimise their policy ideas and translate them into applied policy. The institutional context (formal and informal rules, laws, social and political norms and conventions) defines discursive interactions, i.e. how the new policy programme is justified and negotiated. It determines the structure and the dynamics of the policy adjustment process and shapes its political parameters of who talks to whom and about what (Schmidt and Radaelli 2004: 197). In fact discursive institutionalism integrates the historical institutionalist argument about the hindering



role of policy legacies and the preferences policy actors play in policy adjustment. It argues however that governments will use policy discourse as a consensus and legitimacy building tool, in order to enhance the governmental capacity to reform and eventually bypass resistance to change.

Policy discourse can affect the policy process through its ideational and interactive dimensions (Schmidt 2002: 210). The ideational dimension is rather structural and it includes 'the policy concepts and norms, methods and instruments, objectives and ideals contained in the policy programme' (Schmidt 2002: 213). Hence, the ideational dimension of discourse brings discursive institutionalism closer to Peter Hall's notion of policy paradigm. In fact Schmidt (2008: 307) distinguishes between three levels of ideas: a) the policy ideas that refer to the policy content as such, b) the programmatic ideas that refer to the cognitive dimensions of the new policy paradigm, and c) the philosophical ideas that refer to the normative dimensions of the new policy paradigm. On the other hand the interactive dimension of discourse focuses on agency and refers to the use of discourse by policy actors in order to raise consensus about the new policy programme. The interactive dimension of discourse also incorporates all the individuals involved into the generation of the new policy ideas, policy formulation, and policy communication to the public, such as, epistemic communities, advocacy coalitions, discourse coalitions, policy entrepreneurs, spin doctors, spokespeople, party activists and the like (Schmidt 2008: 310). Hence, the interactive dimension of discourse brings discursive institutionalism closer to pension policy studies that focus on the role of policy experts in pension reform.

In this context, Schmidt (2000: 281) showed how policy discourse facilitated pension reform in Germany, when the government recast the traditional post-war liberal social-democratic discourse in order to legitimise a more liberal turn in the social market economy. Similar are the cases of France where the government devised a discourse that showed how liberalising policies match well with the left-leaning values the majority of society continued to bear (Schmidt 2000: 296-297), or in Italy when the government legitimised the far-reaching pension reform on the basis of the '*Più ai figli, meno ai padri*'—more to the children less to the fathers— discourse which struck a highly receptive chord (Schmidt 2000: 300).

Overall, discursive institutionalism offers a better framework for the study of pension policy adjustment. It integrates elements of previously used explanations and in this way it focuses its analysis on the interrelationship of institutions, policy ideas and policymaking within the pension reform process, as suggested by Béland (2005). By doing so, discursive institutionalism also helps research to overcome the limitations and the criticisms addressed to historical institutionalists and policy oriented learning approaches. Specifically, it can help the thesis examine in detail the negotiation of different pension policy programmes based on a different pattern of policy paradigms, and to clarify the complex process by which either evolutionary or paradigmatic policy change occurs. Moreover, the analysis can account for the role of both structure and agency in the policy process (Schmidt and Radaelli 2004: 192). The institutional setting, the policy legacies and the ideational dimension of discourse, stress the structural constraints as well as the normative and cognitive policy ideas that frame the policy process, whereas the interactive dimension of discourse enables analysis to account for the input of key policy actors. The discursive institutionalist argument is discussed in more details in chapter 2 within the framework of the theory of the thesis.

### **3. EU policy commitments and the adjustment of old-age pensions.**

Pension policies in EU member states and their reform have been at the centre of both research and policymaking agendas, as well as public life. Old-age pension policies are an integral part of the contemporary welfare states and reflect a set of values that underpin welfare provision in a society. In most European countries they constitute the backbone of the welfare state and as such their reform is destined to have serious implications in people's lives. The pressures to reform pension policies are linked with a number of socio-economic developments that resulted in the gradual transformation of pensions from a policy *issue* to a policy *problem* (Banks and Emmerson 2000; Barr 2002a&b, Holzmann et. al. 2003, Myles and Pierson 2001, Walker 1993).

Starting from the mid-1970's the low rates of economic growth and rising unemployment contributed to the erosion of the revenue basis for pensions (Schludi 2001: 5) and made the fiscal burden of public pension schemes explicit. The globalisation of production and finance, with its implications on labour cost and

taxation created additional pressures for cost containment. The fiscal burden of population ageing, the ideological shift away from Keynesianism and towards supply-side policies that emphasized productivity, international competitiveness and strict public finances, as well as the increase in demand for services beyond the capacity of the available recourses, and changes in the family patterns (Natali and Rhodes 2004), are all factors that contributed to pressures for cost containment and revision of the provided services.

As already noted above for EU member states the macroeconomic pressures were solidified by the EMU membership criteria. Member states who wished to join the euro-zone had to discipline their public finances in order to fulfil the single currency entry criteria. It is in this context that the retrenchment pension expenditure, the costliest of all social policies, became a complementary element of the ‘sound money’, ‘sound finance’ reform agenda. On the top of that, the demographic projections painted a grim picture about future pension expenditure and added to the considerations about its fiscal burden. In 2001 the Commission projected that fertility within the EU would continue to grow slowly until 2020. According to its 2001 study EU population would increase from 376 million in 2000 to 386 million in 2020, and thereafter it would start dropping reaching 364 million in 2050, a drop of some 12 million compared to 2000 (European Commission 2001b: 11). The same study projected that the EU working age population (persons between 15 and 64) would drop by 18% between 2015 and 2050, while the numbers of the elderly (aged 65 and above) would rise by 70% between 2000 and 2050. These demographic trends showed that the dependency ratio (persons over 65 as a percentage of the working population, i.e. persons aged between 15 and 64) would increase from 24% in 2000 to 42% in 2050. In terms of public spending for pensions the implication would be an increase by 3.2% of the GDP.

Additional pressures stem from the liberalisation agenda of the Single Market requirements in two different ways. Firstly, through the new accounting procedures that affected the financing of the pension schemes of state monopolies (Featherstone et. al. 2001: 465). Secondly, by the liberalisation of financial markets and the freedom of labour movement that essentially invited private pension schemes (Pochet 2003). Pressures for pension reform also relate with EU recommendations about labour

market efficiency and new modes of employment. The enforcement of the Amsterdam Treaty and in particular the chapter on employment urged member states to promote employment friendly welfare provisions, whereas the Commission launched a number of papers that encouraged member states to adjust their pension systems so that more disadvantaged groups are not discriminated against due to career paths (European Commission 1994) and that a new look at the 'link between economic and social policies' is adopted (European Commission 1993a). Later the Cologne European Council (1999) advised member states to reshape their pension systems in 'order to be able to cope with the financial burden on welfare spending of the ageing population and the need to influence future labour supply' (European Council 1999). Overall, the demand for a more flexible labour market brought forward the need for pension arrangements that would facilitate flexible patterns of employment, whereas labour mobility raised concerns about the limitations the domestic pension systems set to it.

Pension reform is also linked to the Lisbon programme and its agenda of structural economic reforms. The Lisbon Council launched the Lisbon programme in March 2000 with the aim to make EU 'the most competitive and dynamic knowledge-based economy in the world' (European Council 2000). Its priorities included economic liberalisation, sound finances and social solidarity<sup>1</sup>. Its emphasis was on 'Growth, Employment and Competitiveness' (European Council 2000) and it established the agenda for a coordinated reform of the European social model, with pension reform being part of this agenda. In order to pursue these objectives the Lisbon programme was matched with a new policy instrument, the Open Method of Coordination (OMC) that was fundamentally different from the traditional Community Method in that it would not produce legally binding rules to the member states (Featherstone and Papadimitriou 2008: 79). The OMC aim is to diffuse knowledge and best practice

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<sup>1</sup> Its long-term policy goals were a European area for research and innovation, a friendlier environment for small business, a complete and fully operational internal market, efficient and integrated financial markets, fiscal consolidation and sustainable public finances, education and training for living and working in the knowledge society, an active employment policy, modernising social protection, and promoting social inclusion (European Council 2000).

across member states and to facilitate the emergence of national policies on the basis of common EU goals (European Council 2000: 3)<sup>2</sup>.

Finally, pressures for pension policy adjustment also concern the content and the aim of pension policies. Although the EU does not prescribe a specific policy design, its policy recommendations actually have been promoting the three-pillar pension system, (Ervik 2006: 36) whereby the first pillar focuses on poverty prevention and is provided by the state, the second on security and is provided by occupational pension schemes, whereas the third pillar includes private pensions<sup>3</sup> (European Commission 1997; European Council 2001; SPC & EPC 2001; European Commission 2003; European Commission 2006). The first EU references to pensions were made in 1993 at the White Paper on Employment, Growth and Competitiveness launched by the Delors Commission (European Commission 1993b). The first significant references regarding the policy design were made at the Green Paper in 1993 (Commission 1993) and the Green paper on Supplementary pension in 1997 (European Commission 1997). Although these papers were only partially dealing with the pension system they were significant because they stressed the role of private pension provision in a single integrated financial market and encouraged the diversification of pension schemes (Pochet 2003). Following that, the Commission released the Financial Services Action Plan in 1999, which was central to the construction of a single market for financial services<sup>4</sup>. A year later the significance of the Financial Services Action Plan in boosting the competitiveness of the European economy was reaffirmed by the Lisbon agenda.

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<sup>2</sup> The OMC contains common guidelines, indicators and targets, and a decentralised method of coordination in which various actors would participate such as the Commission, member states, local and regional actors, social partners and members of the civil society. In fact, OMC was first developed as an instrument of economic monitoring within the framework of EMU and was later utilised by the European Employment Strategy (EES) (Featherstone and Papadimitriou 2008). The Lisbon programme expanded its use in social policy areas such as health care, social protection and pensions.

<sup>3</sup> The three-pillar pension policy paradigm was initially put forward by the World Bank and its 1994 report on *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* (The World Bank 1994).

<sup>4</sup> The Financial Action Plan had 42 articles related to the harmonisation of financial service markets. It was created to last six years and it was scheduled to be completed in 2004.

Pensions however entered the EU agenda of social policy reform in 1999, when the Cologne European Council focused on matters related with actuarial fairness such as the extension of working life and the limitation of early retirement schemes (European Commission 1999: 14). The same year the Commission issued a Communication on ‘A concentrated strategy for modernising social protection’ (European Commission 1999) that reiterated the preference for active ageing, active unemployment policies, as well as for a pension system that guarantees minimum income while combining alternative ways of financing of both private and public elements, i.e. funded and PAYG (European Commission 1999: 14).

A year later, the Lisbon Council (March 2000) brought actuarial fairness and the balance between contributions and benefits to the foreground when it established the High Level Working Party on Social Protection within the Economic Policy Committee, which was later replaced by the Social Protection Committee. The mission of the High Level Working Party was to conduct an actuarial study of social protection with an emphasis to the long-term sustainability of pension systems (European Council 2000). The input of pension policies to fiscal indiscipline and public debt was also considered.

Since the launch of the Lisbon programme in 2000, various European Councils, (Satna Maria de Feira, June 2000; Nice, June 2001; Stockholm, March 2001; Laeken, December 2001) on the basis of various supportive committees, working groups (High Level Working Party on Social Protection, Social Protection Committee), and Commission reports and Communications have stressed the link between fiscal discipline, public debt, competitiveness and pension reform, and underscored the long-term sustainability of the pension systems as the main objective of pension reform. In the end, the Laeken European Council (December 2001) defined a set of eleven common goals for pension reform across the EU<sup>5</sup> (European Council 2001). The goals were divided into three policy objectives, namely adequacy, financial sustainability and responsiveness to changing needs, (European Commission, 2001) with particular emphasis paid on financial sustainability (Evrík 2006: 19) that to a

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<sup>5</sup> The Laeken European Council also extended the OMC to the area of pensions and established the obligation for member states to submit National Strategy Reports.

great extent was linked with actuarial fairness<sup>6</sup>. On the other hand the goals of adequacy were linked with poverty aversion and maintenance of living standards (SPC and EPC 2001). Finally, modernisation was linked with inclusion of flexible patterns of employment into the system, greater equality between men and women, and the ability of pension systems to meet future challenges (SPC and EPC 2001).

#### **4. Why Greece?**

The case study of the thesis is Greece and it represents a ‘critical case’ for the discourse hypothesis. A ‘critical case’ is one where it can be alleged that if the hypothesis is not valid for this case, then it is unlikely to be valid for other cases (Eckstein 1975, Flybjerg 2006). Chronologically the thesis will focus on the attempts to reform the old-age pension system during 1990-2002. Due to its empirical depth and the chronological stretch, the Greek case can facilitate the evaluation of the hypotheses generated by the thesis. Specifically, the fact that Greek attempts to reform pensions stretch over a twelve-year period will enable the thesis to evaluate the relationship between policy discourse and the institutional context and to account for the changes or continuity of the patterns of the discursive interactions and actors’ narratives.

Greece can be regarded as a least likely case in relation to pension policy adjustment due to the domestic conditions that contrast significantly **with** the Lisbon programme. Furthermore, its pension system is remarkably ‘sticky’ and distorted by domestic interests. Additionally, public support of the extant pension system is also robust. If the hypothesised discursive mechanisms apply in the Greek case then they can also do so in most other cases. Moreover, Greece can also help us evaluate the role of EU policy commitments in stimulating domestic policy adjustment. In relation to that, Greece can again be regarded as a least likely case, given its constant need for

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<sup>6</sup> The goals of financial sustainability included a) adjusting benefits and contributions in a balanced way (not overburdening the active generations), b) extending working lives (pension system to offer effective incentives for the participation of older workers), c) raising employment levels (High level of employment, provided by EES and consistent with BEPG, d) making pension systems sustainable in a context of sound public finances (may include reduction of debt and setting up of dedicated pension reserve fund), e) ensuring that private pension provision is adequate and financially sound (SPC and EPC 2001).

economic support by the EU; its South European state tradition; the danger of being marginalised in the context of further enlargement; and its role as a ‘policy taker’ rather than ‘policy initiator’ within the EU (Featherstone and Papadimitriou 2008: 23). If Greece was to converge to EU commitments, then the domestic role of EU policy commitments would be notable. In any case the study of a crucial case such as Greece can cast light on new causal insights even if the discourse hypothesis is not met (Brady and Collier 2004: 283).

In general, Greece is an EU member state that has a bad score in abiding with EU policy commitments. It often fails to meet common targets, misuses EU funds, stands aside from common declarations on foreign policy (Featherstone and Papadimitriou 2008: 5) and recently misguided the Commission with false statistical data. Greece has one of the worst scores in implementing and upholding EU legislation. During 1980-2005 it has had one of the two or three worst records in terms of received letters of formal notice, reasoned opinions, and referral to the ECJ (for detailed data see Featherstone and Papadimitriou 2008: 6). Moreover Greece is one of the worst offenders in terms of the transposition of the internal market legislation. In 1997 its transposition deficit was one of the highest at 7.6% (highest score held by Austria with 10.1%) and despite the relative improvement in 2006 it had the highest transposition deficit along with Italy at 3.8% (European Commission 1997, 2006a). Greece is also a ‘villain’ in terms of the application of the Lisbon programme. By 2005 it had transposed only 66.7% of the Lisbon programme directives. Finally, according to the Lisbon Scoreboard (Tilford and Whyte 2010: 11), Greece was 20 in EU-27 in 2008 and 22 in 2009 in terms of the progress made towards the fulfilment of the Lisbon targets. The EU has often underscored its limited progress in terms of pension reform. For instance, in 2006 the EU Commission reported limited progress in the implementation of Greece’s National Reform Programme and included pension reform as a high priority in the reform agenda (European Commission 2006b: 44-45).

Literature often stresses the weakness of the Greek state to deliver reform. According to Spanou, despite its extreme centralisation, the Greek state in practice is a huge dysfunctional, ill-coordinated, socially penetrated, and ultimately weak entity (Spanou 1996). The reasons for that are its susceptibility to party interest penetration, its clientelistic practices, and the lack of control from civil society. Its bureaucracy has a



low reputation in terms of its efficiency, and limited capability to introduce major structural reforms. Despite the lack of resources, high quality technical personnel, and permanent senior positions, technocratic expertise and policy entrepreneurship occur. Their role as agents of reform is however severely constrained by the general inefficiency, weakness and lethargy of a complex, poorly coordinated, inefficient, legalistic, and excessively hierarchical administration that functions under party penetration and on the basis of clientelistic and non-meritocratic norms (Featherstone and Tinios 2006).

At the same time various authors (Mavrogordatos 1988; Lavdas 1997, Pagoulatos 2003; Zambarloukou 1996; 2006; Charalambis 1988; 1996) have also highlighted the particular nature of Greek corporatism and its obstructive effects on the policy change process. Mavrogordatos for instance stresses its close dependency on the state and the regular interference of the latter to the trade union movement. Others have pointed to the particularistic relations between trade unions and their patron political parties, which affect the policymaking process. Pagoulatos (2003: 162-163) used the term 'parentela pluralism' to refer to the 'particularistic attachment of certain (usually subsectoral) groups to government...or the politically dominant party'. Lavdas on the other hand defined Greek corporatism as a 'disjointed and distorted' form where 'a combination of a set of corporatist organisational features and a prevailing political modality that lacks diffuse reciprocity and remains incapable of brokering social pacts' (1997: 17).

According to Lavdas the disjointed and distorted nature of Greek corporatism affects the policy process in Greece in two significant ways. Firstly, it practically deprives trade unions of any active role in policymaking (disjointed nature), but allows sectoral interests to lobby the governments and their party patrons and compete for favours, subsidies, and, in general, resources coming from the state. Secondly, it allows skewed representation towards certain groups, overplaying their interests (distorted nature). In this context, groups that are more privileged in the labour market - in the sense that they have permanent jobs and generous pension arrangements - dominate the major trade unions, GSEE (General Confederation of Greek Labour) and ADEDY (Higher Level of Public Servant's Unions). These are mainly the trade unions of the broad public sector. Similarly, the employers' federation (SEV – League of Greek

Industries) is dominated by the larger unionised corporations (some ex-state monopolies) that have benefited from the prevailing market regulations, barriers to entry, and stable product demand. Moreover, the membership of Greek firms in the major employers' associations is limited. As a result, firms that are more open to competitive open markets are under-represented. In this context the employers associations tend to favour risk-averse, statist, and anticompetitive economic policies.

The effects of the distorted and disjointed nature of Greek corporatism are evident at the institutional fragmentation of the Greek pension system and the uneven distribution of benefits. Occupational groups with privileged access to the government and/or over-representation at the major trade unions have managed to attain preferential pension arrangements for their sectors. The result was a highly fragmented system characterised by inequalities and 'islands of privileges' (Romanias 2007). The institutional fragmentation combined with the uneven distribution of pension entitlements and the PAYG financing principle of the system has made Greek pension policy even 'stickier'. Governments need to deal with numerous occupational groups in order to reform the system; most of which will defend their preferential pension arrangements by use of both the disjointed and distorted aspects of Greek corporatism.

On top of that, resistance to change is also related to the nature of the policy itself and in particular its PAYG financing principle. Because PAYG pension systems rely on intergenerational solidarity, (one generation pays for the other) they create quasi property-rights that make them change resistant (Triantafillou 2004: 153). Current contributions are regarded as a deferred wage that will be paid back to the insured once they fulfil the retirement preconditions, on the basis of a certain calculation formula. Changes are seen as breaching the contract that was drawn between the government and the insured once they entered the labour market. In this context large constituencies are created who rely heavily on their pension schemes: those of employable age who want to receive their entitlements at the end of the working lives and those pensioners who want to maintain and ensure their living standards.

Finally, the combination of fragmentation, uneven distribution of benefits, the technical nature of the policy and its PAYG principle cultivate public attitudes and

perceptions that hinder policy adjustment. To start with, the individual capabilities to adjust to policy change gradually decreases as one gets closer to retirement and drops to zero once retired (Hinrichs 2006: 2). Additionally, knowledge about the system is really technical and hard to grasp for the majority of the population. As already seen in section one, Greek public opinion has little knowledge about the pension system (Walker 2002). Another study conducted by O' Donnell and Tinios (2003) on the attitudes of the Greek public towards pension reform, shows a strong opposition to policy change and in particular towards a three-pillar system. Accordingly, the Greek public has demonstrated a tendency to 'pass the buck' to future generations. According to their findings, although the majority of the Greek public is dissatisfied with public pensions (87% of their sample believes that pensions are generally too low); <sup>7</sup> this dissatisfaction and lack of confidence in the pension system does not reflect support for reform, as more than 60% of the sample did not expect to ever receive a pension due to the changes of the law (O' Donnell and Tinios 2003: 271). When asked about whether the merging of pension funds - a key step towards the establishment of a three-pillar system - will take place, 57% of the public believed that it would occur, whereas 30% were not sure that it would ever happen. When asked whether such merging would improve the pension system, only 35% gave a positive answer. However, when this 35% was asked to choose between the maintenance of the status quo and a reform with unknown consequences, they favoured the former (O' Donnell and Tinios 2003: 276).

## **5. Pressures to reform the Greek pension system.**

The pressures to reform pensions in Greece, as in any other European country, are associated with a number of external events, namely the 1970's oil crisis, globalisation, and the EMU, which set limits to the welfare state's capacity to provide social protection. In the 1990's in particular, the criteria of EMU membership and especially those referring to budget deficit (no more than 3% of the GDP), and public debt levels (less than 60% of the GDP) posed major challenges to the Greek economy. With public debt rising to 110.1% of the GDP in 1993 (Eurostat), and government

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<sup>7</sup> About 60% that they will not be satisfied by their monthly entitlement, more that 75% that their contributions are much higher than their entitlements, and 70% that they would get better pensions from a private scheme.

borrowing to 19% of the GDP 1990 (Eurostat), the Greek governments were facing major economic problems that could easily deprive the country of EMU membership. Pension spending increased the burden on the governments' budget. It is indicative that in 1999 pension expenditure accounted for 12.1% of the GDP and 51.9% of the whole social spending (10.5% and 28.3% in EU-15 respectively) (Eurostat). In this context pensions inevitably became one of the focal points of the public finance reform agenda, and were closely associated with the success of Greece's convergence with EMU (Featherstone 2003).

At the same time, the Greek pensions were already facing domestic pressures that challenged their long-term sustainability. The high level of pension spending made pensions the biggest anti-poverty policy and the spine of social protection in Greece (Matsaganis 2002; Börsch-Supan and Tinios 2001; Greek Ministry of Economy and Finance 2002). The side effect of this is the underdevelopment of other kinds of social policies, and the provision of services directed either to the elderly or to the society in general. The supply of such services has traditionally been left mainly to the family (nuclear or extended). However, the changing family patterns in Greece upset the provision of informal social care. This poses major questions to the social adequacy of Greek social policies in general, and challenges the pattern of social policy and its emphasis mainly on pensions rather than other social services.

Additionally, the ageing population affected the ratio between pensioners and the active working population, and consequently the ratio between pension expenditure and contribution receipts. Indeed, in 1998 the fertility rate was already 1.29%, with only Spain (1.15%) and Italy (1.19%) having a lower one (Eurostat). Estimations of the dependency ratio showed that by 2010 only Germany (31.9%) and Italy (33.5%) would be in a worse position than Greece (31.8%) (Eurostat). On the other hand, pensions were already failing to protect from poverty risk. In 1995 individuals over 65 were almost two and a half times more likely to fall below the poverty line than the rest of the population (Eurostat). Moreover, the already limited capacity of pensions to protect the elderly from poverty risk will deteriorate even more as pensioners will gradually have to rely on less numbers of younger family members for support and for the provision of care.

Finally, pressures to reform the Greek pension system are also linked with its institutional particularities that can be clustered along three parameters: its financial sustainability, its institutional structure, and the distribution of pension entitlements.

Financial sustainability:

There is agreement that the Greek pension system is financially unsustainable for reasons related to actuarial fairness as well as demographics and economic growth. (Mylonas and de la Messoneuve 1999: 22):

- high replacement rates and generous calculation formulas in particular at the public and utilities sectors
- low exit age and incentives for early retirement (less than actuarial pension reductions)
- association of lower pensions with minimum wages
- limited economic growth (Rombolis 1990: 38-40)
- low fertility (Rombolis 1990: 38-40)
- low employment rates (Rombolis 1990: 38-40)

Mismanagement and lack of planning have also been tormenting the system's finances. Certain governmental choices deprived the system of its surpluses and the potential capitalisation during its 'golden years'. For instance, from 1951 until 1983 Greek governments obliged pension funds to deposit their assets to the Bank of Greece with interest rates below the market rate. Moreover, the government used the pension funds surpluses in the 1950's in order to finance development policies by means of low-interest loans. More recently the pension system has been used as a substitute for welfare policies, as various groups were included in it without paying contributions (e.g. repatriated Greek migrants, members of National resistance and so forth).

The finances of the system are also disturbed by contribution evasion (both by the employees and the employers) and the system's irrational operational framework. The multiplicity of pension funds due to fragmentation has created a bureaucratic labyrinth

that is centralised, inefficient, wasteful, insufficiently staffed, and technically supported. The lack of a national insurance number and consequently the lack of statistical information on pensioners make the actuarial monitoring of the system impossible. The opaqueness and complexity of the budgets of each fund, and the constant subsidisation of specific funds complicate the situation even more eliminating any possibility for fiscal discipline. Policy planning and priority setting in this bureaucratic context is almost impossible, and waste of resources is inevitable.

Overall, the combination of demographic changes, low employment, actuarially irrational pension benefits and retirement preconditions, as well as inadequate management and operational structures, was expected to result in the worse pension scenario in the EU. It is indicative that pension expenditure was projected to be at 24.8% of the GDP in 2050 (EU 13.3%) despite the fact that contribution rates in the private sector were the second highest in OECD countries (European Commission/Council 2003, OECD 1997).

#### Institutional structure

Throughout the period of study the Greek pension system follows the Bismarkian design. As such, it is based on labour market participation and covers all the economically active population, whether it is Greek citizens, legal immigrants or refugees. It offers standard security (security principle) and aims at upholding the living standards of the pensioners. Pensions are offered mainly by the first pillar which includes the main, auxiliary and lump-sum pension schemes. The second and the third pillar throughout the period of study are underdeveloped, as both occupational and private pension schemes are voluntary. It is estimated that by the late 1990s, occupational pension schemes absorbed less than 0.3 per cent of the GDP, whereas until recently private pension schemes provided by insurance companies offered lump-sum benefits instead of annuities.

In terms of financing and pension entitlements, the system offers earnings-related defined benefits pensions on PAYG basis (except of lump sum pensions). Means-tested benefits are very limited and since 1999 are offered as lower pensions supplement (EKAS), whereas funded elements are also restricted. Benefits are calculated on the basis of the earnings, the length of working life, and the

contributions made. All pensions throughout the period of study were indexed to civil servants salaries. Main and auxiliary pensions are effectively guaranteed by the state. The system is financed by the contributions of employers and employees that in 1997 added up to the 66 per cent of the total receipts (Spraos Report 1997), and by state subsidies (34% in 1997). Until 2002 there was no formal process to set the level of the statutory contribution. Instead, additional subsidies have been offered on the basis of ad hoc criteria and without the involvement of the Parliament. The replacement rates vary across sector throughout the time of study, yet on average they stood at 80% for main pensions and 20% for the auxiliary ones.

The main characteristic of the institutional structure of the Greek system is fragmentation. Indeed, the first pillar of the Greek pension system is not uniform, and in fact is the most fragmented in the EU. Fragmentation occurs in the tier of protection (main, auxiliary, lump-sum pensions), cohort and occupational sector (Tinios 2005: 404; Börsch-Supan and Tinios 2001: 371; Matsaganis 2004; Triantafillidou 2005). In terms of the occupational sector, studies estimated that the total number of pension funds during the period of study were between 236 and 300 (O' Donnell and Tinios 2003; Mylonas and Mausonneve 1999; Katrougalos and Lazaridis 2003). Nevertheless, during 1999-2002 there were mainly four pension funds that provided 92% of all pensions (Matsaganis 2004: 2):

- IKA (Social Security Foundation), which insures private sector employees with the exemption of
  - employees in the banking and press sectors, and seamen that have their own pension funds
  - 'liberal professions', such as engineers, doctors and lawyers, that have their own funds
- OGA (Organismos Georgikon Asfaliseon), which insures farmers and other workers in rural areas,
- OAEE (Organismos Asfalisis Eleftheron Epagelmaton), which covers self-employed workers (except 'the liberal professions' of doctors, lawyers and engineers)
- the pension scheme for civil servants who receive state pensions

Finally, fragmentation is often observed between cohorts in terms of retirement preconditions and pension arrangements. It is indicative that during the period of study there were over 300 pathways to retirement for private sector employees only (Börsch-Supan and Tinios 2001: 366).

#### Distribution of pension entitlements

The fragmentation of the pension system results in widespread inequity of pension entitlements across and between sectors and generations. This is attributed to Greece's clientelistic tradition, whereby societal groups with privileged connections to the government managed to obtain and sustain better pension arrangements. Striking discrepancies are found in the eligibility preconditions, the level of benefits, access to social taxation, and the level of contributions for employers that can range, from 13.33% to 29.9% and for employees, from 6.67% to 20% (Ministry of Labour 2001: 347). Each pension fund has different retirement preconditions (contribution rates, minimum length of contributory period, reference earnings, retirement age, etc) to the extent that it is often better to speak of different systems rather than one (Matsaganis 2004: 4).

The uneven redistribution of social taxation contributes significantly to these discrepancies. These are taxes imposed on services or products produced by specific occupational groups (mostly the liberal professions) and paid by the consumers (Triantafillou 2004: 151). Due to social taxation these groups can afford to pay low contributions and receive high benefits. The viability of their pension funds is, to a great extent, guaranteed. Two points must be highlighted here (Triantafillou 2004: 152): firstly, that social taxation is channelled to pension funds that insure high-income occupational groups. Secondly, that compared to the pensions, IKA and other 'mass' pension funds that have to pay their non-contribution receipts (i.e. pensions to people with poor contributions record) are low (Triantafillou 2004: 152). For instance, in 1999 statutory contribution and social taxes amounted to 19.3% of the total IKA receipts, and to 44.54% of the total receipts of the public owned enterprise of ISAP . Additional discrepancies stem from the uneven distribution of the insured population and the demographic composition of each fund. Indeed, the majority of pensioners



belong to IKA (34.96%), and OGA (47.10%) (Ministry of Labour 2001: 347)<sup>8</sup>. Pension funds with less pensioners and better dependency ratios are less exposed to social security crisis and pension reduction than others.

Overall, the inequalities of pension arrangements during the period of study can be summarised by the following (Matsaganis 2002: 110-112; European Commission/Council 2003):

- the civil service, state-controlled enterprises and banking sector that have lower retirement age and higher replacement rates than the employees of the private sector. Replacement rates in particular often reach to 108% of the salary as opposed to 60% in the private sector.
- the liberal professions (lawyers, doctors, engineers) pay low contributions compared to their income. Also, the replacement rate for main pensions is disproportionately high compared to their contributions.
- the retirement age for the self-employed was at the same level as for the private sector employees but the replacement rate was lower, although with lower contributions (54% as opposed to 60% for the private sector)
- farmers paid minimal contributions and received extremely low pensions (replacement rate at 20%).
- the lower pension is not provided evenly across the retirees. For instance in 2001 the amount of the lower pension of private sector employees with 15 years of employment was in €364 plus an additional €82 means-tested supplement (EKAS). Farmers on the other hand are not eligible for EKAS and thus they receive a flat rate non-contributory pension of € 144
- the system does not alleviate poverty. In 1999 33% of the population aged over 65 was at the risk of poverty compared to the EU average of 17%.

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<sup>8</sup> For example, NAT, the pension fund of seamen is a facing sever financial crisis due to the decline of employment in this sector (0.6 contributors per pensioners). On the other hand, because of the sufficiency of contributors (4.8 per pensioners), the special schemes of 'liberal professions' continue to be prosperous. In general it is more or less the case that higher-income groups tend to be members of smaller funds facing more favourable demographic conditions (Matsaganis 2004: 3).

Unequal distribution of benefits is also observed across cohorts since the legislation introduced in 1990 (law 1902) and 1992 (law 2084) differentiated between pre- and post-1983 and 1993 cohorts. Moreover, there is variation of pension provisions between genders across and within sectors and cohorts, with women's retirement age being as young as 42 years old in some cases (for example Olympic Airways). Finally, a significant amount of people have no pension rights i.e. those with fragmented working life, or no working history.

## **6. The thesis methods.**

The thesis is using the single case study of Greece and pension reform to answer the question of 'how policy oriented discourse mediates the policy adjustment process' A single case study research can facilitate better the aim of the thesis, which is to cast light on the complexity of the policy process and the interplay of policy discourse with the institutional context throughout a twelve-year period. According to Yin case studies are a more appropriate research strategy either when the researcher poses the 'how' or the 'why' questions or 'when it has little control over events and when the focus is on a contemporary phenomenon within some real-life context' (2003: 1). Ragin on the other hand argues that because case studies are 'sensitive to complexity and historical specificity' they allow the investigator to gain an in-depth understanding of combined and diverse conditions that result in historic-specific outcomes (Ragin 1987: ix). Ragin takes his argument further by asserting that 'it is difficult to use [the statistical] method to address questions concerning the consequences of different combinations of conditions' (Ragin 1987: 15).

The thesis will apply within-case analysis. It will focus on the Greek attempts to reform old age pensions between 1990 and 2002. Within-case analysis will enable the thesis to assess the degree to which the policy adjustment mechanism hypothesised by its theory was present in all reform attempts. In this context, inferences can be made depending not only on the extent to which the same causal mechanism between policy discourse and policy adjustment to EU commitments is found in all reform attempts,

but also the extent to which the same mediating factors produced the policy outcome in each case (Munck 2004: 118).

Policy adjustment, the dependent variable of the thesis, is operationalised as domestic policy responds to EU policy decisions. The independent variable is EU pressures for policy change, and it is operationalised as EU policy commitments. Finally the intervening variable - policy discourse - is operationalised as the causal stories that the government and policy actors build.

The unit of analysis is governmental policy proposals and pension legislation, that aimed to either pave the way, or introduce a multi-pillar system between 1990 and 2002. In terms of legislation, the following laws were voted by the Greek Parliament throughout the period of study: 1902/1990, 1976/1991, 2084/1992, 2434/1996, 2458/97, 2556/1997, 2676/1999, 2688/1999, 2703/1999, 2972/2001, 3029/2002. Of these laws, however, only 1902/1990, 2084/1992, 3029/2002 actually aimed at either paving the way to or reforming the pension system as whole. The rest aimed to either correct/clarify some provisions of previous laws (1976/1991), or just amend/introduce new policy instruments (2434/1996 introduced the means-tested benefit EKAS); improve/rationalise some isolated aspects of the operation of the system (2556/1997 improved provisions about contribution evasion; 2972/2001 provided for the computerisation of IKA); or deal with some sectoral aspects of the system (2556/1997 established OGA as a separate pension fund; 2676/1999 provided for the integration of the funds for the self-employed, TAE, TEVE and TSA, and of civil servant's welfare funds; 2688/1999 clarified some marginal provisions for those employed at the port of Thessaloniki; 2703/1999 readjusted provisions about academics, NHS doctors, and diplomats). In terms of the governmental policy proposals the thesis looks at the ones preceding the legislation, as well as the one suggested by the Minister of Labour, Tasos Yannitsis, within the framework of the 2001 pension reform initiative.

In view of the above the thesis will focus on four reform attempts/episodes that were made by three consecutive governments, all of which aimed at paving the way or introducing a multi-pillar pension system:

- 1990 reform initiative under the Minister of National Economy, George Souflias
- 1992 reform initiative under the Minister of National Economy, Stefanos Manos
- 2001 reform initiative under the Minister of Labour, Tasos Yannitsis
- 2002 reform initiative under the Minister of Labour, Dimitris Reppas.

This selection controls for party politics, since the first two of the reform attempts were orchestrated by the centre to right political party of New Democracy (ND), whereas the two last ones were initiated by the centre to left Panhellenic Socialist Movement (PASOK). Moreover, they are linked to different EU stimuli for change as they combine aspects of ‘hard’ and ‘soft’ law. The intensity of EU pressures increases steadily during the first three reform attempts and drops during the last one. EU pressures during the first three reform episodes are linked chiefly to ‘hard’ law. In the first reform attempt they stem mainly from the single market objectives, whereas during the second and third ones they derive primarily from EMU membership and the Maastricht criteria. The intensity of the pressures during the third reform episode is even stronger. By 1997, when PASOK was in power, no significant progress was made towards the fulfilment of the euro-entry criteria, while the timeframe to do so in order to join EMU by 2002 was much shorter. Moreover, since the adoption of the Stability and Growth Pact in 1997 the country had to adhere more strictly to the budget deficit limit. Finally, the last two reform episodes are linked to the Lisbon programme priorities, about adapting the European social model and enhancing economic competitiveness, and its soft instruments of implementation.

The selected reform episodes also allow controlling for a potential link between the type of EU pressures and policy discourse. Different EU stimuli offer different ‘commitment devices’ (Dyson and Featherstone 1999) which key policy actors can integrate into their policy discourse in order to justify the necessity and the appropriateness of domestic policy adjustment. This was for instance the Italian case where the governmental discourse projected the EMU as a *vincolo esterno* (external tie) (Carli 1993) and managed to raise consensus and legitimacy about a number of far reaching economic and social policy reforms, including that of pensions. In the Greek

case this would be particularly relevant for the last three reform episodes. Especially, the last two reform attempts were part of PASOK's 'modernisation' agenda which effectively equalled Greece's Europeanization (Simitis' modernisation agenda and discourse is discussed in more details in chapter 5).

Finally, the selection of reform episodes, laws and policy proposals is also affirmed by other studies dealing with the attempts to reform the Greek pension system as well as official reports (Triantafyllou 2004; Matsaganis 2005, 2004, 2002; Tinios 2005, 2003; Featherstone and Papadimitriou 2008; Mylonas and de la Maisonneuve 1999; Rombolis et.al. 2003; Sakellariopoulos and Angelaki 2006; Ministry of Economy and Finance, and Ministry of Labour and Social Security 2002). Finally, the level of analysis is the policy coordination process that took place in the corporatist arena and not the parliamentary one. Party loyalty is the factor that determines how Greek MPs vote. Draft laws always get voted once the government brings them to the General Assembly, although often with amendments. Instead, it is the corporatist arena that the politics of policy formulation take place and major changes or even the withdrawal of the governmental policy proposals and draft laws can occur.

The thesis will use process-tracing. This method can provide a more suitable tool for the study of the role of policy discourse as a resource of consensus and legitimacy building, because it can bring forward the mechanism by which it interacts with the political institutions. Moreover, it can facilitate the 'bottom-up' appraisal of Europeanization as it can enable the thesis to track-down the system of interactions at the domestic level. It can offer evidence that 'a given stimulus caused a given response [by showing] the sequence and structure of events and/or in the testimony of actors why they acted as they did' (Van Evera 1997: 65). Hence, it brings evidence of the conditions that enabled or obstructed the government from bringing its policy plans forward and the ways they constrained or facilitated its discourse, and eventually the process of Europeanization. Because it allows a 'complete process trace of links' (Van Evera 1997: 66) process-tracing also enables testing of the causal impact of the rest of the mediating variables of the discursive institutionalist framework as well as their interrelationship within the policy process.

Additionally, process-tracing enables ‘within case control’ (Munck 2004: 117). This is a means that qualitative studies use to respond to quantitative criticism regarding descriptive inference and lack of control variables (King et.al. 1994: 56-61). Specifically, it will facilitate the close examination of the causal process/policy process and the distinction between outcomes that are systematic with respect to the thesis theory and outcomes that are random’ (Munck 2004: 117). In other words process-tracing will enable the thesis to disaggregate the dependent variable and remove variation caused by variables that are not part of its explanatory model. This is a way of achieving the ‘other things being equal’ criterion of quantitative research (Munck 2004: 117). Also locating and removing factors that are not part of the theory of the thesis permits better inference about the role of the mediating variable in the process of domestic policy adjustment in response to EU pressures (Munck 2004: 117)<sup>9</sup>. Finally, tracing the sequence of events offers an appropriate method to open the ‘black box’ of the policy process (George and Bennett 2004: 213-217), as it helps to ameliorate the problem of equifinality. By enabling the study to detect alternative causal paths of policy adjustment (George and Bennett 2004: 213-217), sequence tracing also permits the thesis to control for causal homogeneity and endogeneity (Munck 2004: 110-111) by detecting variables omitted from the research design which are part of the causal process of policy adjustment, it increases observations and thus reduces the problem of indeterminacy/degrees of freedom. Finally, it can assess idiosyncratic differences between the various reform attempts, as well as how possible policy outcomes were restricted or enabled by choices made at decision points during the policy process (Munck 2004: 110-111).

In terms of evidence of discourse, the thesis uses mainly primary archival data and in a supplementary way only a set of semi-structured interviews and secondary data (studies conducted by international organisation studies as well as domestic institutions, think-tanks and academics). The use of multiple sources of evidence is in fact a determinant of the quality of a case study investigation (Yin 2003: 83). According to Yin one of the strengths of documentation and archival records as a source, is that it can be reviewed repeatedly and can cover a long time frame (Yin

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<sup>9</sup> Munck (2004: 118) notes that unlike regression analysis, in qualitative analysis variance is not separated out automatically. Instead the researcher must carefully look for evidence about the nature of each process that is ‘random’ in order to remove associated with that process.

2003: 86-87). Moreover, documentation and archival material can ensure objectivity and the validity of the data, especially in studies that cover a long time span. Individuals forget. The archival and documentation data included official reports, documents, studies, speeches, statements, wide circulation newspaper and magazine articles, and online press. The daily press in particular was used for the reconstruction of the chronology of the policy process. The chronology of events helped the thesis trace the policy coordination process and to detect evidence of the effectiveness of discourse at the reactions of the key policy actors and the public, as well as the tempo of the negotiations and their results.

#### The archival and documentation data

The documentation included sources from the government ministries and bureaucratic bodies, major political parties, trade unions and employers associations, the Bank of Greece, IOVE, INE/GSEE, and the Economic and Social Committee (OKE). The archival records were sought at the library of the Greek Parliament, the library of the General Secretariat of Social Insurances, the library of the Bank of Greece, the library of the Konstantinos Mitsotakis Foundation, the offices of POPKOP, the website of the Greek Prime Minister, as well as Simitis' Prime Ministerial office, and the archives of GSEVEE, the archives of Greek daily press. They included Greek legislation, the minutes of the debates of the General Assembly of the Greek Parliament, as well as the Minutes of the Permanent Committee of Economic and Social Affairs where the draft laws are discussed prior to the debate at the General Assembly, the speeches of the Prime Ministers Konstantinos Mitsotakis and Kostas Simitis, reports of experts committees that were appointed by the government to study the policy problem, and newspaper reports.

Overall, over 1,000 Prime Ministerial speeches and 500 newspapers and online press articles were collected. The newspapers that were used for the chronology of events were *Eleftherotypia*, *To Vima*, *Ta Nea*, and the online press website *www.in.gr*. The selection of newspapers was based on their archival facilities and especially the quality of their online archives. Because of the length of the period I am studying and the volume of articles involved, the online search was absolutely essential in terms of

time efficiency and ultimately, in terms of feasibility. The newspapers that fulfilled these criteria had a centre - to the left political orientation. This, however, does not add bias to the analysis as the newspaper articles were only used to reconstruct chronologically the factual reality. The assessment/analysis of the policy process was based primarily on official archival material and documentation, and to a lesser extent the interviews and the secondary data. Moreover, wherever possible the rather politically neutral online press website [www.in.gr](http://www.in.gr) was used.

The fieldwork was conducted in Athens, Greece over three trips. The biggest volume of the archival material, documentation and the interviews were conducted during November 2006-January 2007. Additional archival material was collected in September 2007 and December 2007. The collection of archival data and documentation was a hard task given the lack of archival organisation in Greece. Nevertheless, it paid off as a number of official documents were collected that have not been accessed before, or were lost in the archives, or were out of print. The most significant of these were the Minutes of the Parliamentary Committee of Economic and Social Affairs that are not open to public access and I was the first individual to have obtained them for research purposes. In general the thesis uses official archival material that does not feature in any other study of the Greek pension reform during 1990-2002. This made the collection, organisation, and synthesis of the material a very long and demanding process.

### Interviews

Seven semi-structured interviews were conducted with representatives of the key policy actors involved. The interviews were supplementary to the core material of the thesis, namely documentation and archival data. The aim was to use different sources and to corroborate between them in order to produce some kind of ‘triangulation’ (Silverman 2005: 98-99). Specifically, the interviews would enable the study to confirm certain aspects of the policy coordination process (even anecdotal) and juxtapose this information with the chronology, and the archival material. The selection of the interviewees reflected the core research question and therefore it included individuals that were either involved in the policy coordination process - at least in some of the reform episodes - or had a very good knowledge of the subject



and its politics. These were policy experts on behalf of the government and OKE, as well as representatives of the key policy actors.

The interviews were all face-to-face and semi-structured. Such type of interviews would better facilitate the investigation of the thesis hypotheses and the response to its research questions. They are more appropriate for the tracing of the policy coordination process as they offer adequate subject guidance to the interviewee about their knowledge and role in each reform episode, while also allowing them to deviate towards issues that were considered of importance or of relevance to the conversation (Flick 1998: 76-97; Robson 2002: 270-271). According to Flick semi-structure interviews can be regarded as ‘expert interviews’, in the sense that the interviewees are not so much of interest as a whole person but rather on their capacity ‘of being an expert in a certain activity’ (1998: 91-92), or in my case to one or more episodes of the pension reform process. The role of the interviewer in semi-structured interviews is typically to mediate between the input of the interview guide and the interviewee’s contribution. This effectively means that one can and must decide the sequence of the questions during the interview (Flick 1998: 94). Although the schedule of the semi-structured interviews was flexible, each interview followed the following pattern (Robson 2002: 278):

- Introductory comment
- List of topic headings and key questions (adjusted to each interviewee)
- Set of associated prompts
- Closing comments

The questions asked, reflected the conceptual framework and the research puzzle, but they were also adjusted to the interviewees’ professional capacity and institutional affiliation, as well as their experience in terms of the specific research episodes. Indeed, according to Robson in semi-structured interviews ‘the question wording can be changed and explanations given; particular questions which seem inappropriate with a particular interviewee can be omitted, or additional ones included’ (Robson 2002: 270). My questions were divided into the following topic areas:

- a) Necessity of pension reform and causes of the policy problem
- b) Policy problem definition and appropriate solution

- c) The governmental reform strategy and the management of the process of pension reform
- d) The reaction of social actors to the reform initiatives, and the formation of social alliances for and against the reform
- e) The overall retrospective evaluation of the reform process and the legislation itself.

The interviews had a narrative character where the interviewee was first permitted to express their assessment of the policy coordination process and the policy issue before being prompted in a more detailed fashion, in order to allow for more profound information to emerge, such as, the interviewees' anecdotal experiences or the justification of their viewpoints. As Yin puts it, in semi-structured open-ended interviews the interviewees are 'informants' rather than 'respondents' due to the insightful nature of the conversation (Yin 2003: 90).

All interviews were digitally recorded and transcribed *verbatim* in order to ensure data accuracy (Robson 2002: 274). Each interview lasted approximately 90 minutes. Additionally field notes were taken after each interview in order to record spontaneous thoughts and impressions that in fact have been useful to the subsequent analysis (Robson 2002: 273-274). The material collected during the fieldwork is used primarily in the empirical chapters (chapters three, four, five and six), although limited references are also included in chapter one.

Finally, the interviews followed the University of Exeter Research Ethical Guidelines, and permission from the Research Ethics Committee was obtained in advance. I contacted all of my respondents by letter two months in advance, stating in detail my institutional affiliation and capacity, research topic, and a number of broadly-described topic areas that I wished to discuss with them. I also provided my contact details and expressed my intention to phone them within the following two weeks in order to arrange a convenient date, time and place for the interview. Most of my interviewees agreed and I met them at their usual place of work. The representatives of GSEVEE and ESEE refused to be interviewed following the letter and phone correspondence with their offices over the course of six months. Before and after the

interviews I emphasised my readiness to answer questions about my project at any time.

Moreover, permission to record the interviews, as well as the consent of the interviewees to be quoted was obtained. The academic purpose of the study as well as the permission to record was repeated once the recording of the interview began (Miller and Bell 2002: 64-65). Considering that the thesis is not conducted within the Greek system of Higher Education and that I have not been linked politically or professionally within any of the organisations that the interviewees were affiliated with, there was no real conflict of interests with my respondents that would compromise my integrity or independence as a researcher.

#### Limitations, constraints and solutions

The lack of organised archives is a factor that constrains the fieldwork of any study focusing on Greece. The limitation of sources for this thesis has to do with the limited archival material collected from GSEVEE and ESEE, as none of these organisations keeps an archive of their past documents, decisions, reports and so forth. Moreover, none of these institutions has an affiliated think-tank or conducts research in any way that could provide a source of their coordinative discourse. In fact on the day of my visit to the premises of GSEVEE the documents that were archived were about to be thrown away. Although, I managed to obtain all documents that seemed relevant to pension reform and to my study in the first instance, a more careful investigation showed that this material was not useful. Moreover, none of the representatives of GSEVEE and ESEE that I contacted consented to give me an interview.

In order to overcome this limitation the thesis used the minutes of the meetings of the Permanent Committee of Economic and Social Affairs of the Greek Parliament, where these organisations reiterated their policy proposals. Moreover, the thesis triangulated this evidence with other sources where the coordinative discourse of GSEVEE and ESEE featured, such as, the minutes of meetings of experts reports or conferences, studies and reports conducted by INE/GSEE that included references to the pension funds/scheme of the self-employed and newspapers. A similar method was followed regarding the coordinative discourse of SEV, as I was not allowed access to their archives. Yet in SEV's case I managed to obtain an interview, access

the studies and reports conducted by its think-tank IOVE, as well as material listed on their website.

The second limitation is related to the interviews and it has to do with the fact that they covered reform attempts that stretched across a long period of time. Interviewees often confused the timeline of events, i.e. they mixed up either the facts or the individuals involved in the policy process and / or forgot events that had been identified as significant by previous research. Another associated obstacle was the political identity and the political role of the interviewee. Some of them would often mix their institutional identity with their political one and give priority to their party politics. In other words in some cases the aim was to praise the initiatives taken by the political party with which they were affiliated.

Another problem related with party identity is that it hides the potential to obtain different answers by different official representatives from the same organisation. For instance the Confederation of the Greek Workers (GSEE) is politically consisted from at least four organisations, affiliated with different parliamentary political parties. In this context different representatives would give different answers depending on their political affiliation. Another related issue is that GSEE incorporates the trade unions of the broader public sector that have privileged pension schemes, as well as the trade unions of the private sector occupations that have less privileged pension arrangements . Also interviewing one or the other can result in a different set of answers and different interpretation of events.

This means that in order to base the thesis primarily on interviews, I would have to take at least four interviews from a representative sample of the trade unionists who are members of GSEE and ADEDY in order to be able to reach a conclusion. That number of interviews would be multiple in the cases that the representatives of the same trade union and of the same political affiliation were not involved in all of the policy process stages and all the periods I am studying. This would be very time consuming and in the end it would not take me that far because I would still have to deal with the issue of time consistency - which would imply that I would need to speak to people who have the overview of the whole period. In order to overcome this problem I did not pursue additional interviews and instead relied primarily on archival

data and documents. The interviews conducted were used in a complementary way, only to re-affirm evidence stemming from the archival sources.

## **7. The thesis plan.**

The first chapter discussed the research puzzle, the question, the conceptual and empirical focus, and plan, and the methods of the thesis. The second chapter examines the degree to which Europeanization can be a useful way to frame the research question. It suggests that a bottom-up approach to Europeanization is a more appropriate way to study pension policy adjustment to EU policy commitments. The chapter then proceeds to present the theory. Chapters three, four, five and six focus on the analysis of the findings of the thesis. Finally, chapter seven discusses the findings of the thesis and present the conclusions of the thesis. It highlights the limitations of the discursive institutionalist model, the contribution of narrative analysis to the discursive institutionalist framework, and the limits of Europeanization in Greece.

## **Chapter 2 – The theory of the thesis.**

### **1. Introduction.**

This chapter aims to introduce the theory of the thesis. It brings together three different sets of literature that are relevant to its research question. Firstly, it considers how far Europeanization may be a helpful way of framing pension reform. Domestic adjustment to EU policy commitments has traditionally been the focal point of the Europeanization literature. Top-down approaches that examine the domestic impact of EU obligations have dominated this research field. The intensity of the adaptational pressures stemming from the EU and notion of the ‘goodness of fit’ are key to the explanation of why domestic policy changes and by how much. The chapter highlights the limitations of the ‘goodness of fit’ argument. Following Radaelli (2003) it claims that top-down approaches of Europeanization are biased in that looking for the domestic impact of the EU presumes that such an impact exists. The chapter suggests that the ‘bottom-up’ research strategy proposed by Radaelli (2003) is more appropriate for the study of policy adjustment in response to EU policy commitments.

Secondly, the chapter introduces the concept of discourse and looks at various conceptual frameworks of discourse analysis developed within the area of public policy. This includes a number of post-structural theories of policy oriented discourse. Such approaches are linked to a post-positivist epistemology and seek to unveil representations of meaning. The thesis on the other hand is seeking to understand the policy adjustment process and in this quest it employs discourse as a deliberative/reflexive process, by which certain ideas are produced and adopted in order to generate specific policy outcomes. In this context the chapter juxtaposes discursive institutionalist to post-structural discourse analytic approaches and clarifies that the thesis adopts an empirical socio-scientific epistemology. On the other hand it also suggests that the combination of the positivist preference for prediction with the post-positivist for understanding can be fruitful and can help us overcome limitations of the discursive institutionalism that are related with the mechanisms of discourse. .

Thirdly, the chapter looks at discursive institutionalism within the wider context of new institutionalist theories. It looks into the role of structure and agency in determining the policy outcome. It builds on the criticism that new institutionalist explanations are better in explaining stability rather than change and demonstrates why discursive institutionalism is a more appropriate framework for the study of policy adjustment. Consecutively, it presents the discursive institutionalist argument as developed by Vivien Schmidt as well as Schmidt and Claudio Radaelli, highlights its limitations, and suggests that the combination of the neo-positive Narrative Policy Framework can help us overcome them. Finally, the questions, hypotheses, and the argument of the thesis are synthesised.

## **2. The ‘goodness of fit’ argument and its limitations: a ‘bottom-up’ approach to Europeanization.**

There is wide agreement that EU membership has been playing an increasingly important economic and political role in the life of its member states (Anderson 2002; Kohler-Koch 1998, Kohler-Koch and Eising 1999; Cowles et.al. 2001; Heritier et. al. 2001). In Greece in particular EU membership is of great significance given its constant need for economic support by the EU and the existing strong endorsement of EU integration. Yet as shown at the previous chapter, Greece has had a bad score in abiding with EU policy commitments. This observation is linked with questions that lie at the heart of the thesis, such as how member states adjust to EU policy commitments, how the domestic factors limit the policy adjustment process, and which factors can help overcome the domestic limitations. Such questions have preoccupied the Europeanization literature (for reviews see Knill and Lehmkuhl 2002; Olsen 2002; Radaelli 2003; Howell 2004; Bache and Jordan 2006; Schimmelfennig 2009). This section will consider how far Europeanization may be a helpful way of framing the research question.

The process of Europeanization is a complex phenomenon that can either have a top-down direction (setting regulations at the EU level and creating obligations for member states) or ‘bottom-up’/interactive one (agenda setting). The multifaceted ontology of Europeanization makes setting a simple definition a tricky enterprise. On one hand the definition for Europeanization should be a broad one (Featherstone and

Papadimitriou 2008: 24) so as to capture the complexity of its nature, but on the other it must also avoid conceptual overstretching (Radaelli 2003: 27). One of the first explicit definitions of Europeanization was devised by Ladrech (1994). He suggested that Europeanization is a ‘process reorienting the direction and shape of politics to the degree that EC political and economic dynamics become part of the organisational logic of national politics and policy making (Ladrech 1994: 69). This definition however has been criticised for being too limited and for not providing an adequate tool of analysis in the sense that it is difficult to operationalise and measure its effects (Featherstone and Papadimitriou 2008: 24).

More recently, Dyson and Goetz introduced the following definition:

*‘Europeanization denotes a complex interactive ‘top-down’ and ‘bottom-up’ process in which domestic polities, politics, and public policies, are shaped by European integration and in which domestic actors use European integration to shape the domestic arena. It may produce either continuity or change and potentially variable and contingent outcomes’* (Dyson and Goetz 2003: 20).

Similarly, Radaelli (2003: 30) synthesised the subsequent definition:

*‘A process of (a) construction, (b) diffusion, and (c) institutionalisation of formal and informal rules, procedures, policy paradigms, styles, ‘ways of doing things’, and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures, and public policies’* (Radaelli 2003: 30).

Both definitions devised by Dyson and Goetz, and Radaelli appear all-encompassing, yet the definition of Radaelli depicts more explicitly the various faces the process of Europeanization and in particular of discourse. Hence it can provide a better reference point for the thesis given its discursive institutionalist orientation. Some authors attributed Radaelli’s definition a top-down direction (Burch and Jordan 2006: 21; Featherstone and Papadimitriou 2008: 24). A closer reading of it however reveals that this is not the case. The process of construction, diffusion and institutionalisation of rules, procedures and so forth can have a ‘bottom-up’ perspective. Also the ways countries incorporate rules and procedures domestically affects, if not, defines the content of Europeanization.



Europeanization studies dealing with domestic adjustment to EU policy commitments essentially focus on the top-down<sup>10</sup> dimension of Europeanisation as they are concerned with the domestic impact of EU regulations, obligations and structures (Boerzel 1999; Heritier 2002; Heritier et.al. 1996, 2001; Knill 1998; Knill and Lenschow 1998; Risse et. al. 2001: 12). The central notion in these studies is the ‘goodness of fit’ (Boerzel 1999; Cowles et. al. 2001: 6-7; Heritier 2001; Boerzel and Risse 2003; Duina 1999). Their argument is that when EU commitments and domestic structures fit the adaptational pressures are low, and there is no need for policy adjustment or the implementation of EU rules is not delayed (Knill 1998; Knill and Lenschow 1998). In contrast when they do not ‘fit’, the adaptational pressures are high, policy adjustment to EU commitments is necessary, and the adjustment to EU commitments is less probable to be successful since EU requirements challenge basic structures and functions of domestic institutions. Overall, Europeanization is likely to result in policy adjustment only if it is incompatible with domestic politics, institutional processes, and politics (Borzel and Risse 2003: 60; Borzel 2003). The impact of Europeanization will be more prominent in the cases of moderate ‘goodness of fit’ (Boerzel and Risse 2003; Cowles et al. 2003).

The degree of ‘misfit’ and the intensity of the adaptational pressures also depends on the type of EU policy (Featherstone and Papadimitriou 2008: 29; Heritier and Knill 2001: 288). EU policies can be general or specific, direct or indirect. Dyson and Featherstone (1999) pointed to the fact that different EU obligations offer different types of stimuli that may offer governments a ‘commitment device’ to aid domestic policy change. Featherstone and Papadimitriou (2008: 29) contrast the strong adaptational pressure of EMU to the OMC and the Lisbon 2000 agenda in order to make this point. They note that the adaptational pressures stemming from the EMU are stronger as it was established with a strict timetable; linked with convergence criteria; fortified by a technocratic asymmetry of information and expertise shared between a closed policy community; and reinforced by the pressure of credibility and

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<sup>10</sup> The origins of the top-down dimension and in fact of Europeanization itself can be traced back to the seminal article of Peter Gourevitch (1978) the so-called ‘*second image reversed*’ that provided a framework that is structurally similar to the one adopted later on by European studies scholars. The innovative element of this article is that it reversed the analytical role of international actors, policies and institutions from dependent to independent variable.

reputation to comply (Featherstone and Papadimitriou 2008: 29). In contrast the adaptational pressures of Lisbon 2000 agenda and the OMC are weak as they contain policy objectives with conflicting interpretations, a non-binding timetable, open policy communities, open diffusion of expertise, and low cost of non-compliance (Featherstone and Papadimitriou 2008: 29).

In this context, literature distinguishes between different mechanisms of policy adjustment depending either on the EU stimuli (positive, negative and framing integration) (Knill and Lehmkuhl 1999), or the link of the EU with the domestic level (mechanisms of coexistence, co-evolution and contestation) (Dyson and Goetz 2003), or the combination of the mode of EU governance at the EU level with policy types (vertical, horizontal adjustment) (Bulmer and Radaelli 2004: 7). Boerzel (1999) and Cowles et. al. (2001) note that the degree of 'fit' does not determine policy adjustment, but only the strength of the adaptive pressures. What actually shape domestic change are the mediating domestic factors. Literature based on the 'goodness of fit argument' identified initially five mediating domestic factors: multiple veto-points in the domestic institutional structure, other facilitating institutions, domestic organisational and policy making cultures, the differential empowerment of domestic actors, and policy oriented learning (Cowles et. al. 2001: 2). Since then there have been efforts to identify and understand the range of the likely mediating variables (Radaelli 2003; Jordan and Liefferink 2004; Boerzel 2005).

The interplay of the 'goodness of fit' with the domestic institutions can result in five different degrees of domestic policy adjustment (Bache and Jordan 2006: 28), namely absorption when the 'misfit' is low and EU policies are absorbed without adjusting significantly the domestic policies; accommodation when the 'misfit' is still low and there is policy adjustment of domestic policies without modifying the core of their features; transformation when the 'misfit' is high and the domestic policies are fundamentally changed; inertia when the member states block EU policies by either resting them or partially complying with them; or retrenchment when the member states block the implementation of EU policies and on the top of that produce a new national policy that deviates from the EU requirements.

Top-down approaches of Europeanization have provided insightful explanations of policies adjusted in response to EU stimuli. For instance Heritier and Knill (2001) showed how domestic transportation policies in various member states adjusted in response to the European haulage and railways policies. Similarly, Knill and Lehmkuhl (2002) highlighted the variable domestic impact of EU environmental policies. Despite this the ‘misfit’ argument has been criticised for answering the question of how member states adjust to EU policies only when the EU offers a clear policy template or model (Bulmer and Radaelli 2004: 9; Bache and Jordan 2006: 23). According to Bulmer and Radaelli (2004: 10) the ‘goodness of fit’ interpretation of Europeanization assumes a vertical chain-of-command, whereby policies descend from the EU into the member states. It can therefore offer a good account of patterns of positive integration, but it cannot facilitate the analysis of domestic policy adjustment in policy areas in which the EU’s competence is weaker, such as the social and, in particular, pension policy areas (Bulmer and Radaelli 2004: 9; Bache and Jordan 2006: 23).

Another limitation of the ‘goodness of fit’ explanations is that they fail to explain how domestic factors limit policy adjustment. According to Bulmer and Radaelli (2004: 9) they treat domestic institutions as rigid posts and hence they over-simplify the input of domestic processes, such as the role of political contestation, discursive interpretation, and pressure group politics (Mair 2004; Radaelli 2004; Haverland 2003, 2000). As Bache and Jordan put it they ‘simplify too much what goes on in the “black box” of the state’ (Bache and Jordan 2006: 23). In this context the metaphor of ‘goodness of fit’ has been questioned precisely because it ignores the role of domestic factors in the process of domestic policy adjustment. (Radaelli 2003: 44-46). According to Radaelli (2003: 46) adaptational pressures are not a necessary precondition to policy adjustment. Countries may not change their policies even when the adaptational pressures are low or contrarily may proceed to significant policy adjustment despite the “misfit” (Thatcher 2002, 2004; Hertier and Knill 2001; Haverland 2000).

To start with, the presence or absence of institutional veto-points can play a determinant role in the policy adjustment process (Haverland 2003). Policy adjustment may be difficult even in cases of low “misfit” if those opposing policy change have access to veto-points. Moreover, domestic actors may use EU policies as

an opportunity to promote their reform agenda, even when domestic policies are compatible with EU policies. Radaelli and Franchino (2004: 951) point out that the mechanisms of Europeanization are not so much an issue of adaptational pressures but instead of 'domestic usages of Europe'. Specifically, Radaelli and Franchino argue that "pressure" may be discursively created or broadened by domestic coalitions and entrepreneurs, rather than being an objective distance between EU-level templates and domestic structures' (2004: 951).

Finally, Radaelli (2003: 51) claims that studies following the 'goodness of fit' argument take domestic responses to EU pressures for granted, in the sense that looking for the effects of Europeanization presumes that a certain degree of policy change takes place. Secondly, top-down approaches to Europeanization predetermine the significance of EU policy commitments. According to Goetz (2002: 223) they put too much emphasis on the explanatory power of European integration as a major driving force of domestic change and fail to compare it systematically with the impact of other complementary or rival stimuli for change. Similarly, Bache and Jordan point to the fact that these approaches fail to disentangle the domestic impact of EU policy commitments from other external sources of domestic policy adjustment such as globalisation or other important domestic developments (Bache and Jordan 2006: 29). In this context, Radaelli stresses the necessity of less rigid research designs of Europeanization, that will look at what goes on inside the process instead of merely correlating the input of EU independent variables to the output of the domestic impact (Radaelli 2003: 49-52, 2004: 5). Similarly Goetz claims that unless rival explanations are taken into consideration, Europeanization risks being 'a cause in search of effects' (2001: 211) and suggests that research should focus on the relative impact of Europeanization compared to other stimuli of domestic adjustment (Goetz 2000: 221-222).

In response Claudio Radaelli (2003: 51; 2004: 4; also Radaelli and Franchino 2004: 948) suggested the 'bottom-up' research design as an alternative way to study Europeanization, whereby EU policy commitments are placed within the wider analysis of the domestic actors and institutions. In this case the study of domestic policy adjustment does not start from EU policy commitments as an independent variable looking for 'the consequences for domestic actors, policies and politics, [but

instead] it starts and finishes at the level of domestic actors' (Radaelli 2004: 4). Analysis then focuses on the domestic problems, discourses, resources, and styles. Furthermore, by chasing the temporal sequence of events, it assesses if, when, and how EU policy commitments stimulate changes 'in any of the components of the system of interaction' (Radaelli 2004: 4). In this way it can also explain exactly how domestic factors limit policy adjustment, identify the factors that can help overcome the limitations and the ways they do so.

In view of the limitations and criticism of the 'goodness of fit' arguments as well as of the merit of the 'bottom-up' research design in addressing the questions that lay at the heart of this study, the dissertation adopts the 'bottom-up' approach to the study of Europeanization and places it within the conceptual framework of discursive institutionalism. By doing so, the thesis will not focus on the mechanisms of the process of Europeanization. Instead, based on the thesis theory it will look at the way the interplay of domestic institutions, policy actors and discourse can facilitate pension policy adjustment to EU policy commitments. It is in the context of the thesis theory and the empirical evidence that the role of Europeanization in pension policy adjustment in Greece will be assessed.

The remainder of the chapter will focus on the theory of the thesis. The following section deals briefly with the concept of discourse. The chapter will then proceed to discuss the discourse analytic frameworks and their limitations. After that it will look at discursive institutionalist within the broader context of the new institutionalist tradition. Then it will examine the discursive institutionalist argument, its limitations and the possible ways forward it will be presented. On the basis of this discussion the thesis hypotheses will be formulated. Finally the chapter will present the argument, questions and the timetable of the thesis.

### **3. Discourse: concepts and definitions.**

As Frank Fischer notes (2003a: 73), discourse is not easy to define. The term has been used in various ways mostly by authors situated within the post-structural tradition (Fischer 2003a: 73). In all cases however, discourse is regarded as something more than just the words people utter. Discourse is what matters analytically and it includes

both linguistic and non-linguistic materials. Howarth (2002: 9) refers to 'historically specific systems of meaning which form the identities of subjects and objects'. The context within which it is developed determines the meaning it conveys (Fischer 2003a: 73). Hajer (1995: 44) treats discourse as an *episteme* that delineates the range of subjects and objects that constitute reality and determines what can be regarded as knowledge and its agents. He defines discourse as 'a specific ensemble of ideas, concepts, and categorisations that are produced, reproduced, and transformed to give meaning to physical and social relations' (1995: 44). Fairclough (1992: 4) distinguishes between a discursive event as a text, practice, and social practice. The textual dimension appeals to the linguists and it refers to the language analysis of texts. The discursive practice refers to the production and interpretation of text, and its analysis focuses on the examination of the discourses adopted or privileged in a specific context as opposed to those excluded. Finally, social practice refers to the organisational and institutional conditions of discourse and the ways they define the nature of the discursive practice (Fairclough 1992: 4). Similarly Fisher (2003a: 73) notes that at the interactive level discourse represents 'systems of power and the social practices that produces and reproduces them'. Post-structuralists are preoccupied with power structures that are hidden behind the representations of meaning.

Schmidt and Radaelli (2004: 194-196) on the other hand situate their understanding of discourse at the heart of the structure and agency interplay. Another important distinctive feature of their approach is the focus on explanation, precisely the explanation of policy change by dint of replicable and falsifiable empirical evidence. Unlike the post-structuralists their preoccupation is not with the representations of ideas and meaning per se. Rather they seek to capture the nature of discourse as the deliberative/reflexive process by which certain ideas are produced and adopted in a specific institutional environment, in order to generate specific policy outcomes (Schmidt 2008: 309). Along with Hay and Rosamond (2002) they distinguished between two different dimensions of discourse; the ideational and the interactive. The ideational dimension (reflexive) refers to the content of discourse (Schmidt and Radaelli 2004: 195) and it includes 'a new set of ideas, often in the form of implicit and sediment assumptions, upon which actors might draw in formulating strategy, and indeed, in legitimating strategy pursued for quite distinct ends' (Hay and Rosamond 2002: 151). In terms of its usage (deliberative), discourse refers to the role of the

agency in the creation of policy ideas that may gradually develop into policy paradigms (Schmidt and Radaelli 2004: 195). Hence, policy discourse as a process includes 'whatever policy actors say to one another and to the public in their efforts to generate and legitimize a policy programme'. As such, discourse encompasses both a set of ideas and values and an interactive process of policy construction and communication' (Schmidt 2002: 210).

In that sense, discursive institutionalism is also close to ideational theories of public policies such as those developed by Peter Hall (1989a&b, 1993), Blyth (2002; 1997), or Parsons (2000). Discourse in discursive institutionalist terms is also a process of deliberation during which the policy ideas produced at the reflexive level are negotiated between policy actors and the public. Hence, Schmidt (2008: 310; 2002: 233) argues that discursive institutionalism also relates to theories of that analyse and the role of actors that originate ideas (Haas 1992; Sabatier and Jenkins-Smith 1993; DiMaggio 1986; Flingsteing and Mara-Drita 1996; Schimmelfennig 2001), as well as theories of electoral politics and mass opinion (Mutz et.al. 1996), and macro-theories of democratic deliberation and governance (Habermas 1996; March and Olsen 1995).

The thesis will follow the Schmidt and Radaelli (2004) approach to discourse as a policy process rather than as representation due to its methodological foundations. These foundations, indeed, enable us to appraise hypotheses drawn from discursive institutionalism via empirical analysis that is explicit, replicable, founded in causal analysis, and open to falsification; this will become clear in the remainder of the dissertation. Indeed, Schmidt and Radaelli (2004) are trying to contribute towards a positivist type of discursive approach that can be falsified and can be conducted on the basis of clear and solid scientific standards. Their aim is to contribute to a causal analysis that evaluates empirically the reasons of success or failure of policy discourse to promote certain policy ideas and to contribute to certain policy outcomes (Schmidt 2008: 309). Under their scope, policy discourse may or may not matter, that is, sometimes it may convey meaning and others it may just be 'rhetorical smoke' (Schmidt and Radaelli 2004: 193).

Moreover, Schmidt and Radaelli (2004) challenge the post-structuralist claim that reality is entirely malleable via social representations and instead, situate discourse

within the broader institutional context that produces it (Schmidt and Radaelli 2004: 193). Interests also matter as drivers for policy change, but whether they will serve this cause also depends on their ability to be persuasive about the imperative for change (Schmidt and Radaelli 2004: 193). Policy discourse in other words is not the only variable to be analysed but instead it operates in conjunction with other elements; namely institutions and interests. However, what makes discourse a unique variable is its transformative power. It is rarely a direct cause of policy change, but it can transform problem definition, interests, and the social perception of actors and their resources.

Finally, in terms of a definition of discourse Schmidt does not develop one herself. Instead, she embraces Connolly's (1983: 1; Schmidt 2008: 309) definition of discourse as 'institutionalised structures of meaning that channel political thought and action in certain directions'. This conceptualisation of discourse takes into account the interplay of institutions with discourse. Moreover, it is integrated to the discursive institutionalist approach of Schmidt and Radaelli, which as already stressed, has the advantage of being compatible with falsification, and has transparent, objective, empirical research standards. The thesis will therefore use this definition as its basic understanding of policy discourse. This section dealt with the various conceptualisations of discourse as representation of ideas and meaning and as a deliberative/reflexive process and with their methodological implications. The following section will look at the various frameworks of discourse analysis developed within the area of public policy.

The focus on discourse also brings discursive institutionalism close to other discursive approaches developed within the public policy research area. The following section will look into the post-structural theories of policy oriented discourse. It will then clarify the epistemological orientation of the thesis and suggest that the neo-positivist Narrative Analysis Framework can help overcome certain limitations of the discursive institutionalism.



#### **4. Post-structural theories of policy oriented discourse.**

There are several approaches to discourse. Some authors call it discourse analysis (Hajer 2003), or frame analysis (Rein and Schön 1991; Schön and Rein 1994), or argumentative turn (Fischer 2003a), or narrative analysis (Stone 1998, 2002; Roe 1994). These frameworks deal primarily with the substantive content of discourse and the specific form it takes, (Fischer 2003a; Bacchi 2000; 2004) be it policy narratives (Radaelli 1999a&b, 1998; Stone 1989, 2002; Roe 1994; Fischer 2003a; Kaplan 1986, 1993; Herman 2003), policy frameworks (Jobert 1989; Schön and Rein, 1994; Schön 1979; Rein and Schön 1991, 1993, 1996), discursive coalitions (Hajer 1993) storylines (Hajer 1995), policy stories (Yanow 1995) or interpretive communities (Yanow 2003).

Although authors like Radaelli and to some extent Roe have produced analyses of discourse compatible with contemporary positivism, it is fair to say that the majority of these studies fall in the categories of post-structuralism and critical/interpretative policy analysis. Their main assertion in this field is that reality is socially constructed (Fischer 2003a: 12-14; Hajer 1995: 51; Roe 1994: 9-10; Stone 2002: 378). Their object is representations or else the social act of attaching meaning to processes and objects (Jones and McBeth: 2010: 333). More specifically they look at how policy discourse frames arguments which can provide the frameworks within which policy problems and solutions can be constructed (Parsons 2003). The language policy actors use to talk about policy problems is not neutral. The struggle for power in the policy process is the struggle to form the discourse within which the policy problems will be framed (Parsons 2003).

Most of these theories draw attention to the policymaking process that takes place in legislative or policy debates (Bacchi 2000: 46). Their assumption is that policy change is difficult, not just because key policy actors oppose it, but mainly because the way policy issues are represented has a number of effects that constrain the potential to reform (Bacchi 2000: 46&47). Policy issues are represented in ways that conceal power relations and the structures that create unequal outcomes which are ultimately reduced to the failure of the individuals. In fact representations of policy issues often

create the individuals responsible for their failure (Bacchi 2000: 46). Analytically, they focus on the representations of policy issues and discourse ‘as the conceptual framework available to describe social processes’ (Bacchi 2000: 46). Specifically, these authors are concerned with the way policy problems are created in discourse. The assumption here is that policy problems are not objective but they are instead often created in accordance with the policy solutions that are offered as their remedy.

Although the boundaries between discourse, framing, and narrative analysis in public policy are more often than not fuzzy, it is accepted that discourse analysis from a post-structural perspective usually searches for linguistic systems in the policy process. That is, it looks for ‘vocabularies’ or ‘repertoires’ which determine the way policy actors perceive and judge concrete situations (Hajer and Laws 2006: 261). These linguistic systems offer stability and organisational orientation (Hajer and Laws 2006: 261). In her work on the constitution of race and ethnicity in America, Yanow (2003) refers to ‘interpretive communities’ constituted by actors that collaborate on the basis of a certain vocabulary or a way of talking. Hajer (1995, 1993) on the other hand refers to ‘discourse coalitions’ as a group of actors that engage with a specific discourse (1993: 45).

Frame analysis is predominantly defined by the work of Schön and Rein as well as of Snow and Benford (1992). Its focus is on policy controversies based on conflicting problem definitions and its aim is to show how these controversies can be overcome (Daviter 2010: 657). In order to do so Schön and Rein produce a normative theory of policy deliberation, that focuses on the social processes through which policy actors with conflicting frames and interests can reach consensus over policy issues (Daviter 2010: 657). In this context policy frames are ordering devices (Entman 1993) or interpretive schemata that signify and condense “the world out there” by selectively punctuating and encoding objects, situations, events, experiences, and sequences of actions within one’s present or past environment’ (Snow and Benford 1992: 137). According to Schön and Rein a frame is ‘a perspective from which an amorphous, ill-defined problematic situation can be made sense of and acted upon’ (Rein and Schön 1991: 263). Frames also give ‘cognitive shape’ to actors’ interests, which themselves stem from ‘social roles, positions memberships and histories’ (Rein and Schön 1991: 282).

According to Snow and Benford, policy actors play an active role in shaping the process, yet their action is guided by values and meaning (1992: 138). Their signifying work is conceptualised as framing that is as ‘a way of selecting, organizing, interpreting, and making sense of a complex reality so as to provide guideposts for knowing, analysing and acting’ (Rein and Schön 1991: 236). In other words, policy frames enable actors to attach meaning to a policy problem, ‘give coherence to [its] analysis’ (Schön and Rein 1996: 89), and ultimately guide action (Schön and Rein 1996: 89). Although policy actors strategically engage with frames in order to dominate the policy process, their dominance depends on doubts, nature, or habit (Peirce 1992).

Empirically, the policy analyst has been regarded either as an external critical agent that opens up dominant frames (Hajeer and Laws 2006: 259), or as integral to the framing process (Rein and Schön 1977: 239). ‘Frames are not “out there”; they are the sense we make by identifying some features as “symptomatic”, relegating others to the background, and binding together the salient features...into a pattern that is coherent and graspable’. Hence, the frame policy analyst must be critically self-reflective (Schön and Rein 1991: 285) in the sense that they need to work against habit and stable beliefs (Hajeer and Laws 2006: 259). Hajeer and Laws (2006: 259) pointed out that framing analysis is characterised by an internal controversy, in the sense that conflict between frames for dominance may insulate the conflicting frames from reflection and thus from change.

Another approach to policy oriented discourse is narrative policy analysis, initially developed by Kaplan (1986) and refined by Emery Roe (1994), Deborah Stone (1989, 2002), Frank Fischer (2003a; also Fischer and Forrester 1993), and Maarten Hajer (1993, 1995). Emery Roe defines policy narratives as ‘stories with a beginning, middle, and end (or premises and conclusions, if cast as an argument) [that] revolve[s] around a sequence of events or positions in which something is said to happen or from which something is said to follow’ (1994: 36). Causality (Stone 1989: 282) and sequentiality (Roe 1994: 36, Radaelli 1999a&b; Garvin and Eyles 1997: 66-67) are fundamental characteristics of policy narratives. According to Stone, narratives are causal stories with both an empirical and a moral dimension that ‘move situations

intellectually from the realm of fate to the realm of human agency' (Stone 1989: 282 & 283). At the empirical dimension they demonstrate the mechanism by which one set of actors causes harm to another. At the moral level they blame one set of people for causing suffering to the other.

Their function is to frame a situation (Benerjee 1998: 196), and to certify and stabilise the necessary assumptions for decision making, in conditions of uncertainty and complexity (Roe 1994: 51; Radaelli 1994: 4). Narratives are less hortatory and normative than ideologies and more programmatic than myths (Roe 1994: 36-37). As such they do not indicate what *should* happen but what *will* happen in the future if the events or positions are done as described by their narrators (Roe 1994: 36-37). Narratives are action oriented (Benerjee 1998: 197). Their objective is to get their audience 'to assume or to do something (Roe 1994: 37). Even though they can be obviously inaccurate, they can still be effective (Roe 1994: 51). The tension that covers them creates the momentum for action in the future (Radaelli 1999b: 664).

According to Benerjee:

*'if the present situation is the penultimate episode in a narrative, then it is fraught with the dramatic tension that occurs before the end of a story or a movie. The action to be committed is implicitly constrained in the narrative construction of a situation in the same way that the content of a happy ending of a movie is recognizable near its end'* Benerjee (1998: 197).

The literature of narratives also brings forward the power relations and power asymmetries in the policy process. According to Stone (1989: 283) policy narratives are neither right, or wrong, or mutually exclusive. They are ideas about causation that different policy actors try to depict as 'true'. At the same time policy actors have to fight in order to make sure that their causal idea will guide the policy. This fight is not a matter of establishing the correct sequence of events, but instead it is a conflict about the 'possibility of control and assignment of responsibility' (Stone 1989: 283). According to Radaelli (1998: 2) 'asymmetric narratives (for example a narrative which is considered more acceptable than another) are *ipso facto* asymmetric relations of power'. Similarly Roe pointed out that:

*'it is only by watching who ends up "telling the better story" or "making the better case" – that is, who ends up on the side of the scenario that actually underwrites and stabilizes the decision making in the face of controversy – that we come to any kind of understanding as to who has more or less power in getting people to "change their stories," when changing them matters for decision making. In such circumstances,*

*asymmetrical narratives do not reflect or mediate power relations; rather they instantiate them. It is not so much that what is “behind” narratives are the power relations that form them as much as what is “in front of” us is power in the form of winning and losing narratives. When all else remains uncertain in a controversy, our knowledge of asymmetrical narratives is our knowledge of power’ (Roe 1994: 73).*

Analytically, narrative policy analysis focuses on how causal stories emerge in process of social interaction (Hajer and Laws 2006: 260). Hajer for instance suggests that the policy process is structured by ‘storylines’ that enable policy actors to relate without necessarily understanding each other (Hajer 1995; Hajer and Laws 2006: 261). Storylines are discourse clusters that combine elements of ‘various discourses...into a more or less coherent hole...’ (Hajer 1993: 47). Policy actors play a key role in defining the policy problem and setting the agenda (Fisher 1993: 7). According to Stone (2002: 138) policy actors fulfil this role by using policy narratives. They strategically build causal stories but whether they will affect the policy process and outcome depends on the causal stories other actors will build in response and on the degree to which they resonate with established values.

Hajer (1995) added that actors form discourse coalitions that use storylines to impose their view of reality on others in order to follow their goals. While Fischer and Stone show the importance of narratives in the policy process, Roe (1994) is looking at how policy narratives and their interconnections create reality (Jones and McBeth: 2010: 334). Roe (1994: 155) develops the notion of metanarrative that refers to the causal story that results from the comparison of two sets of narratives: the dominant and the one developed in response to it. The metanarrative recasts the policy problem, ‘makes the assumptions of decision-making more stable’ and ultimately enables opponents to act on a policy matter despite their disagreements (Roe 1994: 156). Finally, Yanow (1995) takes these propositions one step further and suggests that even physical spaces tell policy stories: ‘...indeed, often new policies call for new spaces to be created or built to house new programmes or implementing agencies – and these settings also communicate policy meanings...in this sense [agency] buildings may be seen as telling policy stories’ (Yanow 1995: 407-408).

Although post-structural approaches offer an insight to the specific forms of policy discourse and the mechanism by which they are developed and eventually affect the

policy process, the role of policy actors and institutions in their explanations remains vague. Béland notes that institutions and actors remain central to the policy process (2009: 701). He claims that it is the interaction of institutions with repertoires and policy actors that determines the policy process and ultimately the policy outcomes (Béland 2009: 701). Campbell (2004: 80) stresses that institutional and ideational legacies constitute a cultural repertoire, which policy actors use as a basis for their discourses. For example, the American government reframed the Bismarkian social insurance system to a policy that matches American values, such as, hard work and self-reliance before introducing the policy to the country in 1935 (Leff 1983). Thus, an approach that enables researchers to study policy discourse in relation to institutions and policy actors, such as discursive institutionalism provides a better framework of analysis. Indeed, Schmidt argues that institutions determine the type of repertoires/discourses policy actors engage with, and that specific policy actors are related with specific discursive functions (2002: 230-246).

As mentioned, most of this literature is situated within the post-positivist/interpretivist methodological tradition. Since the 1990's there has been a vigorous debate over the merits and flaws of the positivist and post-positivist epistemologies in public policy studies (for instance look at de Leon 1998a&b; Fischer 1998; Weimer 1998; Chih Lin 1998; Sabatier 2000; Radaelli 2000; Parsons 2000; Dudley 2000). Positivists criticise post-positivist approaches for not being 'clear enough to be wrong' (Sabatier 2000: 137), in the sense that they fail to base their analyses on explicit propositions, clear hypotheses, and falsification (Sabatier 2000: 137-138). Interpretive/post-structuralist scholars on the other hand criticise positivist research for failing to fulfil its promise for a predictive science of society (Fischer 1998: 129; de Leon 1998b: 151), stressing that the facts that positivist methods are based upon are more often than not, social constructions (Jones and McBeth: 2010: 332-333).

The arguments for and against positivist/empirical and discursive/interpretative methods have different philosophical and epistemological roots, the full discussion of which goes beyond the intentions of this thesis. It is however important to state clearly that the thesis adopts an empirical socio-scientific, causal epistemology. This is compatible to (indeed fully appropriate with) the emphasis of discursive institutionalism on clearly observable implications of the theory – implications that

can be tested. Despite the differences of these epistemological traditions there are authors (Chih Lin 1998; Fischer 1998; Weimer 1998; de Leon 1998a&b; Jones and McBeth 2010) who have argued that a combination of the positivist preference for prediction with the post-positivist for understanding can be fruitful. More recently Jones and McBeth (2010) introduced a 'neo-positivist Narrative Analysis Framework' that defines the narrative structure and content, and its interaction with policy actors. Jones and McBeth also developed a number of research hypotheses that can be empirically tested. In the light of the above the following two sections will discuss the discursive institutionalist framework. They will highlight its limitations and it will show the way narrative analysis can help overcome them on the basis of Jones' and McBeth's (2010) methodological suggestions.

#### **5. Discursive institutionalism in the context of new institutionalist analysis.**

The theory of the thesis is based on a relatively new variant of the New Institutionalist conceptual frameworks, namely discursive institutionalism as developed by Vivien Schmidt (2008, 2006, 2002a&b), as well as Vivien Schmidt and Claudio Radaelli (2004). It will focus on the core component of the model that determines its new institutionalist identity, namely the role of the political institutional context in shaping the policy oriented discourse. The basic component of the argument is the analytical distinction between simple and compound polities. The main hypothesis is that different types of polities instigate different types of policy oriented discourse.

Vivien Schmidt argues, that the merit of discursive institutionalism is that it suggests ways to overcome the limitations of earlier new institutionalist explanations of pension policy adjustment. It integrates the role of ideas and policy discourse into the analysis of the policy process and outcomes, in an effort to overcome the criticism that new institutionalist approaches can explain policy stability but not change (Thelen 1999: 369). Hence, her argument goes on, unlike the historical institutional approach the discursive one does not look at external factors as the stimulus of change, but instead it endogenises agency (Schmidt 2008: 1). In other words it does not merely describe what changes occurred, but instead it tries to explain why they took place. Similarly, Schmidt argues that, unlike rational choice institutionalism, it does not regard the preferences of actors as fixed, but instead it integrates the role of

policy ideas and of the discourse through which they are expressed into the preference formation process (Schmidt 2008: 1-2). A final proposition put forward by Schmidt is that, unlike sociological institutionalism, it does not explain preference formation on the basis of stable macro-structural norms and frames, but instead it looks into policy ideas expressed at the micro-meso political level.

Overall, discursive institutionalism has the potential to offer a better understanding of policy adjustment, because it focuses on the dynamics of the policy process, although it is certainly not the only way to focus on the policy process. It provides explanations about when, how, and why political actors may '(re)shape their macro-historical institutions, (re)conceptualise their strategic interests, and (re)frame their cultural norms' (Schmidt 2008: 2). Sentient agents are at the centre of the explanation. Methodologically, the analysis can focus on either the substantial cognitive and normative content of their ideas, in order to see what they are doing and why, or on the discursive interactions of key policy actors and look at how policy discourse is used as a resource that facilitates consensus and legitimacy building. The institutional context shapes both the content of policy ideas, as well as the discursive interactions (Schmidt 2008:3).

Nevertheless, discursive institutionalism is a newly developed conceptual framework. Its properties and theoretical claims need to be further juxtaposed to empirical evidence, in order to evaluate its power to explain the policy adjustment process. The thesis aspires to collect such evidence in order to facilitate this evaluation. The thesis is informed by discourse institutionalism. However, it seeks not to pre-judge this approach. Rather, the aim is to appraise specific discursive institutionalist hypotheses that have observable implications. The focus of the thesis is on the discursive interactions of key policy actors and on their use of policy discourse as a consensus and legitimacy building recourse. One limitation of this approach in that respect is that it does not clarify the mechanism by which institutions affect discourse and their impact on policy outcomes. This limitation is closely associated with the fact that the model is also unclear about the empirical study of discourse. In fact Radaelli himself noted that the 'empirical determination of discourse based on the press and the official speeches of key politicians remains too superficial and elusive' (2003: 49). The contribution of the thesis will be to overcome these limitations.



The following section will present the discursive institutionalist argument, its limitations and suggest ways to overcome them.

## **6. The discursive institutionalist argument and its limitations.**

Vivien Schmidt (2002, 2006, 2008, 2010; Schmidt and Radaelli 2004) developed discursive institutionalism as an elaborate new institutionalist model that reconciles the role of institutions, actors and policy discourse into the explanation of process of policy adjustment. Their focus is on the mechanism by which public policies adjust in response to the changes in the wider socio-economic context or to crises. Schmidt and Radaellis' argument (see also Schmidt 2002) is that there are five factors that interact with each other and can mediate policy adjustment either by promoting policy change or inertia. These are:

- policy problems
- policy legacies
- policy preferences
- political institutional capacity
- policy discourse, which in turn can have transformative effects on the above-mentioned variables, and therefore, has a special place in the framework

The presence of a pressing policy problem combined with high political institutional capacity can result in policy change. The political institutional capacity to introduce policy change refers to the degree of power concentration/dispersion within a certain political system. The higher the concentration of power is, the higher the political institutional capacity to adjust policies. The political institutional capacity is high in simple polities, that is polities with majoritarian representation systems, statist policymaking processes, and unitary states. In contrast, the political institutional capacity is low in compound polities, that is polities with proportional representation systems, corporatist policymaking processes, and regional or federalised states.

Yet, even simple polities find policy adjustment extremely difficult to apply if the new policy plan does not fit with the national policy legacies and the preferences of the domestic key policy actors. Indeed, past policies create 'lock-in' effects that

increase significantly the cost of adjusting to alternative policies, restrict the policy options of the governments and often create inertia (Pierson 1994: 42, 2000, 1996a&b, 2001b). The 'lock-in' effects are especially evident when the new policy plan challenges domestic policy goals, regulatory standards, policy instruments and the problem-solving mechanisms (Boerzel and Risse 2000: 5). Similarly, key policy actors will oppose policy adjustment if the new policy programme does not fit with their preferences, that is, if it challenges their vested interests and their beliefs about the appropriateness of the extant policy.

In such cases, domestic governments use policy discourse as a resource in order to lever their political institutional capacity. More specifically, they use policy discourse in two distinct ways: a) to build consensus/agreement amongst the key policy actors about the new policy programme at the policy formulation level and b) to legitimate the new policy programme in the eyes of the general public. The governments use the coordinative function of discourse to build consensus over the new policy programme. With this type of discourse they aim to establish a framework that will focus deliberations on specific aspects of the policy and serve as a basis for the discussions with the key policy actors. This framework is supported primarily by cognitive policy ideas that favour the new policy programme and justify its *necessity* in terms of its problem-solving potential. It includes policy ideas about what the policy problem is, and what must be done about it, the necessary solutions, as well as its instruments, objectives and logic. The frame can facilitate consensus, in that it offers a common language through which key policy actors can debate about the new policy, refine it and come to an agreement about its content.

The governments can use coordinative discourse to build consensus despite big differences in terms of core ideals. Instead agreement can be reached and policy adjustment can be pursued on the basis of certain policy objectives, policy instruments, or the cognitive or normative justification of the new policy. Moreover, key policy actors may agree on setting up institutional arrangements that arbitrate their interests in the long-run (Schmidt 2002: 234; Jobert 2001). Although the coordinative discourse is based primarily on cognitive arguments, it also entails normative justification. Specifically, governments will justify the *appropriateness* of the new policy in terms of national values and a common vision about the future on

the basis of which policy actors can iron out their differences (Schmidt 2002: 233). Ultimately, the coordinative discourse facilitates governments to adjust policies when an agreement is actually reached with the key policy actors about the instruments, and/or the objectives and/or the logic of the new policy.

Governments also use the communicative function of discourse in order to legitimate the new policy programme in the eyes of the general public. With the communicative discourse, the governments will try to persuade the public about the merits of the new policy. Also, they will try to establish a new frame of reference through which the public can interpret future events (Schmidt 2002: 235). For this reason, the political leader of the government presents an argument with the central ideas and the underlying values of the new policy programme in a manner that is accessible to the general public and that responds to its need for a sense of orientation regarding the country's present and future (Schmidt 2002: 235). The clarity of the policy outline and the coherence of discourse are crucial to legitimacy. The presentation of a single image of the events is also significant. The more coherent the communicative discourse and the clearer the picture it offers to the public, the more likely the public will adopt the government's view points (Zaller 1992: 8-9 in Schmidt 2002: 235). Ultimately, the communicative discourse facilitates government ability to adjust policies when public responses to the new policy plans are not excessive, that is, when they do not involve protests or other extreme reactions.

Whether governments will focus on building consensus or on increasing legitimacy depends on the type of polity in which they operate. In simple polities the governments will focus on legitimacy and thus, they will mostly utilise the communicative discourse rather than the coordinative one. This is because in such polities, interest representation is limited, politics are polarised and thus, decisions are not the result of deliberations with other policy actors, organisations, or political agents, but instead they are taken behind doors by small policy elites. In compound polities on the other hand the governments will focus on consensus building and thus they will mostly utilise the coordinative discourse rather than the coordinative one. This is because policy programmes are the result of wide interest consultation and consensus-seeking deliberations. The complementarity between the type of polity and the discourse function is more likely to promote reform success (Schmidt 2004: 23).

The argument of Schmidt and Radaelli shows how different types of policy discourse will be used in different institutional contexts. Indeed, in simple polities governmental actors will mostly utilise normative ideas in order to convince the general public about the appropriateness of the new policy programme. Instead, in compound polities the governments will mostly utilise cognitive ideas in order to substantiate the necessity of the new policy. Yet this argument puts too much emphasis on the governmental policy discourse and thus, fails to capture the complexity of the process. Bolleyer and Radaelli (2009) raise their concerns on this matter. Firstly, it ignores the input of the rest of the policy actors. How do governmental actors manage to convince others about the appropriateness and necessity of their policy programme over those of their opponents and vice versa? How does the institutional setting affects this process? How do policy actors come to an agreement with the government even when their core ideals are different? In other words what is exactly the mechanism behind the interactive function of discourse? How and why do policy actors accept/reshape the new policy frame that the government is setting? How do policy actors affect/reshape the governmental policy ideas? How does the institutional context facilitate and shape the discursive interactions favouring certain ideas and policy outcomes over others? How do the distribution of power and resources, or even long held values and norms, affect the discursive interaction and the policy ideas it expresses? Why and how do certain policy ideas about the necessity and the appropriateness of the policy become more acceptable than others?

The argument of the thesis is that in order to answer these questions, referring to the clarity and the coherence of policy discourse or its cognitive and normative justification is not enough. We need to look deeper into the mechanism of policy discourse. This takes us back to the methodologies developed within the post-structuralist tradition, their focus on the discursive form and the discursive interactions that affect agenda-setting and the policy problem definitions. It also takes us back to policy narratives, as they provide a framework that reserves a clear role for policy actors in the policy process. The immediate implication of integrating policy narratives to the discursive institutionalist framework is that our focus is not anymore on the cognitive and normative ideas as such, but on causality, that is on how normative and cognitive policy ideas are causally connected to a policy problem, a

policy solution, and to one another. To put it in different words the focus is not on the fact that the new policy programme is normatively and cognitively justified, but instead on how the necessity and appropriateness is causally justified by policy actors.

Additionally, the focus is not anymore on the coherence of discourse but instead on the discursive politics, that is on the mechanisms by which policy actors conflict about assigning responsibility about the policy problem and eventually controlling the policy process. Deborah Stone (2002; 1989) developed a typology of the causal stories which can be used in politics and can help us grasp the mechanism of the discursive interactions. She identified four categories of causal stories with fuzzy boundaries and no clear dichotomies (Stone 1989: 284-286):

- the accidental narratives that justify policy adjustment on the basis of policy problems caused by natural disasters
- the intentional narratives that relate policy problems with meaningful actions taken by humans in order to result in the consequences that have actually happened
- the inadvertent causal stories that justify policy adjustment on the basis of policy problems occurring from the unintended consequences of human actions - these stories are more common in social policy area
- the mechanical causal stories that justify policy adjustment on the basis of policy problems produced by things which do not have their own will but are instead designed, programmed or trained by humans to produce certain consequences.

This section presented the discursive institutionalist argument, discussed its limitations, and suggested that the neo-positivist Narrative Analysis Framework can help us overcome them. The following section will wrap up the discussion of discursive institutionalism and narratives by introducing three hypotheses that will be appraised by the thesis.

## **7. The hypotheses for the thesis.**

The first hypothesis of the thesis builds on the analytical distinction between simple and compound polities and their relationship with policy oriented discourse. The aim

is to evaluate the core component of the discursive institutionalist framework that determines its new institutionalist identity; namely the role of the institutional setting in shaping policy oriented discourse. Its basis is that different types of polities instigate different types of policy discourse.

*H1. The type of institutional system defines the function of the policy discourse governments will mostly utilise at the policy process. If a polity is simple then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

The second hypothesis of the thesis is drawn from Jones and McBeth (2010: 344) and focuses on the specific form that policy discourse takes. Its aim is to investigate the interactive dimension of policy discourse and the input of the opposing policy actors. It builds on the literature of policy narratives and it focuses on the mechanism of discursive interactions and their implications on consensus and legitimacy building. The core of the argument is that the government and the key policy actors that oppose the governmental policy plan will develop a policy discourse that will aim at convincing about the appropriateness and the necessity of their policy preferences. This discourse will take the form of policy narratives or else causal stories that attribute cause, blame, and responsibility.

Yet the government and the policy actors will pursue this through different strategies. Stone (1989), as well as McBeth et. al. (2007), differentiates between those who believe to be victimised by the policy adjustment (losers) and those who inflict the harm (winners). The two competing interest groups will use narratives that either contain or expand the policy issue (Jones and McBeth 2010: 344-345). The losers are more likely to utilise narratives in support of the status quo. These are stories that diffuse the benefits of the status quo to the society and concentrate its costs to a few and justify policy preferences on the basis of mechanical, intentional, or inadvertent causation of the policy problem, that imply purposeful policy choices and intended consequences on behalf of the government. By this they aim at casting the political responsibility of the policy problem on the government and increasing the political cost of adjustment as well as its bargaining power. In contrast, the government (winner) will develop a narrative in support of policy change that pushes the cause of

the problem away from the human intention. Hence, it will build a narrative that diffuses the cost of the status quo and concentrates the benefits on the basis of accidental or inadvertent causality of the problem. In the light of the above and drawing on Jones and McBeth (2010: 344) the second hypothesis of the thesis will be:

*H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

The third hypothesis of the thesis also builds on narratives. Its aim is to evaluate when a narrative is more likely to contribute to an effective discourse. Literature has recognised the significance of trustworthiness or the credibility of the source of the narrative or else the narrator (Hajer 1993: 63) in the effectiveness of the narrative. Jones and McBeth (2010: 346) cite a number of works from the area of political psychology and public opinion studies that stress the influence of accuracy and objectivity (Iyengar and Kinder 1985), expert status (Page et. al. 1987), ideology (Zaller 1992), likeability (Sniderman et. al. 1991), and trust (Hovland and Weiss 1951; Olson 2003) on the recipients readiness to be convinced by the narrative. Trust and trustworthiness are relevant to both the coordinative and the communicative discourse. Stone (1989: 294) stressed that a policy narrative is more effective when it is compatible with long-held and deep cultural values. Hence, drawing on Jones and McBeth (2010: 346) the third hypothesis will be:

*H3. A policy narrative will produce an effective policy discourse if the key policy actors, the public, or both, trust the narrator.*

This section introduced the hypothesis of the thesis. The following section will present the argument of the dissertation and the questions it will attempt to answer.

## **8. The argument and the questions of the thesis.**

The thesis examines the role of policy discourse as a factor that intervenes policy adjustment. The core questions of the thesis are:

- how does policy discourse intervene in the process of policy adjustment?
- what is the mechanism of the interactive process of discourse?
- how do the government and the key policy actors pursue their preferences through policy discourse?
- what factors affect the discursive interactions and the effectiveness of discourse?

The thesis suggests that the discursive institutionalist argument of how policy discourse facilitates policy adjustment puts too much emphasis on policy discourse and hence, it ignores the complexity of the process. The thesis argues that in order to grasp the complexity of the policy process, we need to look deeper into the mechanisms of policy discourse, and it proposes the integration of certain elements of the neo-positivist Narrative Analysis Framework with the discursive institutionalist one. In particular the thesis suggests that policy discourse must be studied in the form it takes, that is, policy narratives and that the focus of the analysis must be on how the appropriateness and necessity of policy adjustment is causally justified by policy actors.

Following Schmidt and Radaelli (2004) the argument of the thesis is that policy discourse intervenes the policy process and facilitates adjustment to EU policy commitments. Specifically, it claims that the governments will utilise policy discourse in order to build consensus amongst policy actors and to raise legitimacy with the public over the new policy plan. The key policy actors who oppose the governmental policy plans will also develop a discourse in support of their policy preference. Both the governmental and the key policy actors' discourse will take the form of narratives that attribute cause, blame, and responsibility of the policy problem and aim at gaining control of the policy process. Yet, the government and the policy actors will pursue this through different narrative strategies. The key policy actors who are losing out because of the policy adjustment will use narratives that contain the policy problem, cast the political responsibility of the policy issue on the government and increase the political cost of adjustment as well as their bargaining power. Instead, the government will develop a narrative that diffuses the policy issue and the political responsibility. The institutional context will determine the level at which the



discursive interaction will take place. In simple polities, policy discourse will be thicker at the communicative level and thinner at the coordinative. In compound polities, the communicative discourse will be thin whereas the coordinative, thick. The effectiveness of discourse is determined by the level of trust between the government, the key policy actors, and the public.

## **9. Conclusions.**

The hypotheses developed in this chapter will structure the empirical case study. The empirical analysis will lead to conclusions as to the relevance of policy discourse in pension policy adjustment in a difficult setting like Greece - a strong test of the discursive institutionalist approach.

The discursive institutionalist framework is used to highlight a distinct mediating variable - policy discourse – as an explanation of pension policy adjustment, (dependent variable) in response to pressures stemming from EU policy commitments and felt at the domestic level (independent variable). The task is to clarify the process by which the government and the key policy actors convince one another and/or the public about the necessity and the appropriateness of their policy plans, and eventually increase their capacity to affect the policy results. The hypotheses developed above will help clarify exactly how policy discourse mediates the policy process. They will also help us assess the role of EU policy commitments in stimulating pension policy change.

## **Chapter 3 – Paving the way to pension reform: Law 1902/1990.**

### **1. Introduction.**

This chapter looks at the first attempt to reform the Greek pension system that resulted in law 1902/1990. The initiative took place in the aftermath of a political crisis and within the context of a severe economic crisis. Also, the initiative was part of the shift to supply-side economic policies that was linked to the country's integration to the EU's single market. Although the chapter focuses on the initiative orchestrated by the New Democracy (ND) government, its second section frames the exact historical context within which the ND attempt took place; both in terms of the political and socio-economic dynamic, as well as the policy ideas and paradigms that dominated the policy process throughout the period under investigation (1990-2002).

Compared to the subsequent reform episodes, the first one involved a high number of policy actors. Indeed, the government invited representatives from various sectors to the discussion on pensions, including actors such as the farmers associations and the liberal professionals. The effort was to map their policy preferences and to explore the potential scope and depth of the reform. Most of the key policy actors were taken by surprise at the prospect of pension policy change along the lines of a new policy paradigm. With the exception of the League of Greek Industries (SEV) no one sensed that there was a pension policy problem. In this context, the trade unions and the General Confederation of Greek Workers (GSEE) included in its coordinative discourse, proposals, such as, the limited revision of the list of heavy and unhealthy occupations, which did not feature in the discourse of subsequent reform episodes.

The policy narratives and strategies were developed at the communicative level rather than the coordinative one. Table 1 shows the characteristics of the policy narratives and the discursive strategies developed in this reform episode. Specifically, the government expressed the 'pension policy crisis' narrative, and the trade unions the 'neo-liberal threat' one. Both of them justified different sets of preferences. The first one reflected the preferences of the government and SEV, and was in favour of a supply-side model of economic growth, a two-pillar pension system, the elimination

of fragmentation, actuarial fairness, the separation of the welfare elements from the security ones, and the partial privatisation of the system. The ‘neo-liberal threat’ narrative reflected the preferences of the rest of the key policy actors and favoured a populist redistribution, the extant Bismarkian pension system with its public and social character, fragmentation, and preferential pension arrangements. In the end the ‘neo-liberal threat’ narrative was more effective due to lack of trust in the government and its intentions.

The main characteristic of the narrative strategies was that they were conflictual, as both stories blamed their opponent about the policy problem. In fact the ‘neo-liberal threat’ narrative accused the government for intending to privatise the social security system. Both narratives justified the necessity of pension reform on the fragile viability of the system. Also, both of them were based on inadvertent causation and linked the policy problem to endogenous and exogenous causes. The governmental ‘pension policy crisis’ narrative expanded the policy issue to the whole of the society. In contrast the ‘neo-liberal threat’ narrative contained the policy problem to the insured population.

**Table 1 - The characteristics of policy narratives and narrative strategies: Law 1902/1990.**

	Pension policy crisis narrative	Neo-liberal threat narrative
Policy actors	Government, SEV	The rest of key policy actors
Policy preferences	<ul style="list-style-type: none"> <li>• Supply-side economic paradigm</li> <li>• Two-pillar pension system</li> <li>• Actuarial fairness</li> <li>• Elimination of fragmentation</li> <li>• Separation of welfare from social security elements</li> <li>• Partial privatisation</li> </ul>	<ul style="list-style-type: none"> <li>• Populist redistribution</li> <li>• Bismarkian pension system</li> <li>• Public and social character of the system</li> <li>• Maintenance of fragmentation and preferential pension arrangements</li> </ul>
Justification of necessity	Fragile viability of the system	Fragile viability of the system
Justification of	• RestoratioTable 1 - The	• Protection of the social and

appropriateness	characteristics of policy narratives and narrative strategies: Law 1902/1990. Table 1n of financial viability <ul style="list-style-type: none"> <li>• Social justice</li> </ul>	public character of the system <ul style="list-style-type: none"> <li>• Income replacement</li> <li>• Promotion of viability, solidarity and protection</li> <li>• Protection of vested rights</li> </ul>
Narrative strategies	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused by endogenous and exogenous to the policy factors</li> <li>• Expanded the policy problem to the society</li> </ul>	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame and intention</li> <li>• Inadvertent causation</li> <li>• Problem caused by endogenous and exogenous to the policy factors</li> <li>• Contained the policy problem to the insured population</li> </ul>
Effectiveness	Ineffective due to mistrust	Effective due to trust

The chapter tests all three hypotheses of the thesis: the relationship of the political institutional framework with discourse; the form of discursive strategies developed by key policy actors; and the role of trust in determining discursive effectiveness. The findings confirm all three hypotheses. They also show the limitations of policy discourse as a consensus building device and, ultimately, the limitations of Europeanization in Greece.

## **2. The 1980's economic crisis and the emergence of pension reform agenda.**

The pension policy problem entered the political agenda for the first time in 1985 when the Minister of National Economy Kostas Simitis introduced a three-year stability plan (1985-1988) in response to economic pressures. The stability plan distinguished between structural and income measures, but focused on incomes policy mainly by restricting rapidly rising wages/salaries. Pensions were excluded from the income policies because the government did not wish to burden enterprises. Pensions

were nevertheless assigned a macro-economic role and were identified as part of the necessary structural changes for the reconstruction of the Greek economy.

In this context, Simitis initiated the formulation of a pension reform programme that would define how pensions would be created and accrued, as well as the operational rules of the system. Although, in the end, the plan failed to promote a multi-pillar funded system, it did apply the systemic framing of the policy problem. It thus focused on the implications of fragmentation, such as, the inequalities created by the system and in particular on the excessively high pensions for some occupational groups, the phenomenon of individuals receiving two pensions and the early retirement provisions (in particular the early retirement of women). It included, among others, provisions that promoted actuarial fairness, such as the increase of retirement age; the elimination of retirement age differences between men and women; and the abolishment of the favourable provisions for mothers of dependent children.

In the end, the programme did not become part of the official governmental coordinative discourse, since no consensus could be reached. Although it was discussed at KYSYM<sup>11</sup> (the Governing Council - Κεντρικό Υπουργικό Συμβούλιο) it did not result in a policy proposal. At that stage the Minister of Welfare and Social Insurance Giannis Gennimatas leaked the programme to the centre-left tabloid Avriani and publicly denied its existence the day after (Tinios Interview 12 December 2006). This negatively affected the governmental plans for pension policy change and its new coordinative discourse. It also discredited the governmental communicative discourse, since the government had earlier announced that the measures for the restoration of the economy would not affect pensions (Tinios Interview 12 December 2006).

In reaction to Gennimatas, but not in an effort to impose a new coordinative discourse on the policy issue, the PM, Andreas Papandreou, ordered the constitution of a committee for the study of pensions and the promotion of a new policy programme.

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<sup>11</sup> The first meeting of KYSYM takes place between a working group that processes and defines the agenda for the second meeting.

He asked Panagiotis Tsoukatos, the ex governor of IKA (1963-1964) and an ex member of the ILO, to be the president of this committee. Tsoukatos initially accepted but resigned after realising that there was no political will to deal with the issue (Tinios Interview 12-12-2006). George Kremelis, a professor at Panteion University, replaced Tsoukatos as the head of the Committee which in the end did not result in anything, as the whole issue was gradually buried.

Eventually, in 1987 Simitis resigned from office and the three-year stability plan was dropped in favour of yet another populist redistribution that was sealed when the PM, Andreas Papandreou, ordered the new Minister of National Economy Dimitris Tsovolas to ‘give away everything’ (Τσοβόλα δώστα όλα). Although the initial idea was to first give everything and then gradually take it all back (Tinios Interview 12-12-2006), in reality it proved harder to manipulate and the economy plunged into deeper crisis. It is indicative that pension expenditure was expanded as lower pensions during that period were actually increased<sup>12</sup>.

In this dire economic setting the need to restore the economy on a supply-side basis and within the framework of EU policy commitments was brought forward when the PM of the caretaking government and ex-director of the Bank of Greece, Prof. Xenophon Zolotas ordered the establishment of the Aggelopoulos Committee<sup>13</sup> (Decree Y929/22.12.1989). The committee’s aim was to compose a medium-term programme for the restoration and the growth of the Greek economy (Aggelopoulos Committee: 7) that would enable Greece to converge with the EU:

*‘The...integration of the Single European Market in 1992 and...the wider goal of the economic and monetary union will lead to a significant increase of the competition pressures...In this framework, a programme of economic stability and restructuring must aim at the immediate correction of today’s imbalances, restructuring and technological advancement, and ultimately at the recalibration of the Greek economy to a stable growing course, in order to converge the quickest possible with the*

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<sup>12</sup> The calculation basis of the lower pension was improved to sixteen wages of the unskilled worker instead of fifteen.

<sup>13</sup> The members of the Aggelopoulos committee were: Prof. Aggelos Aggelopoulos (president), Prof. Konstantinos Drakatos (member), Prof. Maria Konstantopoulou (member), Prof. Stavros Thomadakis (member), Prof. Loukas Papademos (member), Prof. Anastasios Giannitsis (member), Prof. Georgios Provopoulos (member), Prof. Evaggelos Voloudakis (member).

*economic and social developments that occur in other countries of the EU'* (Aggelopoulos Committee: 19)

Four months later (6 April 1990) the committee submitted its report to the PM, which looked at both the micro and the macro-economic deficiencies of the Greek economy and suggested a wide range of measures that aimed at economic stabilisation, restoration and growth<sup>14</sup>. Indeed, the report shifted the focus from the demand to the supply-side; it addressed the problem in the balance of payments as well as the burden of inflationary pressures, public spending, and the impact of the rigid labour market on economic growth:

*'The sharp problem the Greek economy is facing is due to a series of adverse developments the most significant of which are:*

- a) the excessive expansion of domestic demand and the slow pace of increase of productivity,*
- b) the imbalance of payments, and especially the public dept;*
- c) the rigid economic structures especially regarding the modernisation of the productivity conditions and institutions, the operational terms of product markets and of productivity factors, the efficiency of public administration and of the system of social protection, and the economic behaviour of those participating to economic production'* (Aggelopoulos Committee 1990: 13).

The report also addressed the macro-economic implications of pensions. Although it did not clearly propose a three-pillar system, it advocated a new operational 'philosophy' that envisioned two separate pillars and favoured actuarial fairness. According to the report the welfare elements of the policy had to be separated from the operation of pension funds and actuarial fairness had to be established:

*'It is therefore imposed that the philosophy of the extant system is clarified, and specifically, the separation of social welfare that will be exercised by the state, from the operation of the social security organisations where the contributions-benefits correlation will be on cost-benefit basis'* (Aggelopoulos Committee 1990: 39).

Moreover, the report suggested two sets of measures. Partially linked to actuarial fairness, the first set included short-term measures that would increase cash flow (Aggelopoulos Committee 1990: 39-41)<sup>15</sup>. The second set of measures focused on

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<sup>14</sup> The committee was to continue working in cooperation with the Programming Centre and Economic Research (Κέντρο Προγραμματισμού και Οικονομικών Ερευνών – ΚΠΟΕ). The second phase would focus on special issues such as the problems of National Education and Health, as well as on processing and proposing specific measures (Aggelopoulos Committee 1990:10).

<sup>15</sup> These measures included:

limiting fragmentation and the institutional rationalisation of the system. Nevertheless, the report did not go so far as to suggest the integration of pension funds. Instead it was keen on the grouping of similar funds, hence using sectoral particularities as the basis upon which the funds would be clustered.

The Aggelopoulos report was never translated into applied policy as four days after its announcement (10 April 1990) New Democracy was elected with a very narrow majority (two seats), on the basis of its neo-liberal economic agenda. The election of the new government started a long period of laborious and unsuccessful attempts to reform the Greek pension system, due to its endogenous problems and macro-economic implications. The vision for a multi-pillar, financially viable pension system and the systemic framing of the policy problem had entered the governmental coordinative discourse.

### **3. EU pressures and the governmental policy preferences for pension policy change.**

On 4 April 1990 New Democracy came to power after almost ten years in opposition. The government immediately found the Greek economy in such a dramatic economic situation that it feared there would not be the revenue to pay the pensions and the salaries of the civil servants. By that stage, pension payments alone accounted for 15% of the GDP whereas the general government borrowing requirements reached 19% of the GDP (Bank of Greece 1990: 145 & 162). EU pressures for pension policy adjustment at that point were the product of hard law which nevertheless had no hard constraint on pension policies. Specifically, they stemmed from the single market objectives of labour mobility, the deregulation of product markets and the legislation affecting accounting procedures, and the creation of an integrated financial market. Also they are linked to the anti-state aid Competition Policy.

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- increase of the contributions by 2% for all sectors
  - balanced ratio between contributions and benefits
  - harmonisation of retirement rules across sectors
  - measures against contribution evasion (computerisation and change of the contribution collection mechanism)
  - liquidation of the delayed contributions



The performance of the country in all of these priorities was poor. In 1990 the total pension expenditure exceeded contributions by 7.5% of the GDP, whereas general budget transfers, in order to cover this expenditure reached 4% of the GDP (Mylonas and De la Maisonneuve 1999: 24). Since there was no formal process of determining state subsidies, their level was expected to increase in parallel with the increase of pension expenditure. In this context, the government assumed in 1990 the debts of large pension funds that accounted to 7.5% of the GDP (Mylonas and De la Maisonneuve 1999: 24). At the same time, private pension schemes either in the form of occupational or enterprise pensions or individual retirement savings accounts were rare. It is indicative that in 1990 the second pillar of pension provision absorbed 0.3% of the GDP (Börsch-Supan and Tinios 2001: 374).

On the top of that, social security in Greece created product market distortions in two distinct ways. Firstly, through taxes tied to the products of the funds. For example, a certain percentage on ship tickets was dedicated to the seamen's fund. Secondly, through the existence of enterprise specific pensions funds, mainly at the public utilities sector. Employers' contributions into these funds were much higher than in other sectors and shortfalls in revenue were usually covered by the employers. The cost of the shortfalls was nevertheless transferred in the end to the consumer, since oligopolies prevailed. The opening of the product markets and the intensification competition would change significantly this landscape as the additional cost of pension shortfalls would burden the competitiveness of these enterprises. The liberalisation of product markets also meant that these companies would have to adhere to the International Accounting Standards if they were to raise funds from the international markets. This practically implied that the company liabilities, including the pension ones would have to be evaluated and that the accumulated pension expenditure would have to be added to, and indeed inflate significantly the personnel costs. Finally, the fragmentation of pension provision and in particular the existence of generous pension arrangements was an obstacle to labour mobility. Although in principle pension entitlements could be transferred from one fund to another, individuals working in a sector with generous pension arrangements were reluctant to move.

In this context the EU had already expressed apprehension over the impact of Greek economic failure on the fulfilment of the common European objectives of the single market and the unification process in general (Featherstone 2003: 925). The President of the European Commission Jacques Delors sent a letter to the PM of the 'caretaking' government, Xenophon Zolotas, which stressed that Greece's deteriorating economic situation was 'a serious concern to all of us' (Featherstone 2003: 925). Moreover, Greece had not honoured its 1985 EU loan, while the Greek Drachma was not in the exchange rate mechanism EMS (Featherstone 2003: 925).

Immediately after the elections the government elevated EU convergence as its top priority:

*'Greece is behind at the European race towards 1992.... It is necessary to immediately implement a four year economic policy that will guarantee the reconstruction, the structural adjustment, the economic and social development, [and] the convergence with our European partners...There is no other alternative for our country. Either we will follow the rest of the European people, or we will be marginalised...The fate of our country is identical to the fate of Europe... Greek is our country, Europe is our future'* (Minutes of the General Assembly of the Greek Parliament 1990a: 15 & 18).

The governmental neo-liberal reform agenda aspired to facilitate the country's adaptation to single market requirements. The governmental coordinative discourse promoted 'stabilisation and growth' through 'the transfer of resources from consumption to investments' and the introduction of a multi-pillar pension system (Minutes of the General Assembly of the Greek Parliament 1990a: 18 & 19). The economic policy plans included the reduction of the deficit, the improvement of competitiveness with an emphasis investments, education, research and technology, the liberalisation of markets, and institutional modernisation (Minutes of the General Assembly of the Greek Parliament 1990a: 18). In particular, the government hoped to stabilise state subsidies, privatise public enterprises, deregulate economic activities, incorporate the Greek Drachma to the EMS, tackle the rigidity of the labour market, and rationalise the pension system (Minutes of the General Assembly of the Greek Parliament 1990a: 18-19).

In this context pension reform was high on the governmental agenda<sup>16</sup>. It had a short and a long-term objective. In the short-run it made the reduction of pension funds deficits a fundamental precondition for both the successful application of the budget for the coming economic year (1991) and the overall effort to reduce public spending and state subsidies by 1992<sup>17</sup>(Minutes of the General Assembly of the Greek Parliament 1990a: 21, 1990b: 1116). Whereas in the long-term it was part of the wider programme for economic stabilisation and growth (Minutes of the General Assembly of the Greek Parliament 1990a: 18).

The governmental coordinative discourse on pensions was to a great extent similar to the Aggelopoulos report's policy analysis and recommendations. Nevertheless, the government did not use the report to formulate its policy plans, which included:

- a multi-pillar system, where social security (second/third pillar) would be separated from social protection (first pillar) and the general budget would only bear the cost for the latter
- the elimination of fragmentation through pension fund integration
- actuarial unfairness

The following extract from Mitsotakis' opening of Parliament is indicative of the governmental pension policy preferences:

*'Our goal is of course – and I hope that we will all agree on this –to guarantee a minimum flat rate pension to all Greek citizens that do not have other income or pension. From then onwards social security pensions must be based on the cost-benefit principle. There is no other way...The general budget will only bear the cost of the social policy of the State'* (Minutes of the General Assembly of the Greek Parliament 1990a: 18 & 21).

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<sup>16</sup> In fact it was the third bill that the government brought in the parliament. The first one was on the reduction of automatic wage indexation (ATA), and the second on properties.

<sup>17</sup> On 10 April 1990 the government announced a medium term programme for the restoration of public finance. Its goals were (Ta Nea 10 April 1990):

- to reduce the public borrowing to at least 10% of the GDP
- to gradually reduce subsidies, of interest rates in agriculture and public transport
- to reduce all subsidies and endowments by 1992 to 10.7% of the general expenses of the budget
- to reduce the expenses of the civil sector as a percentage of the GDP
- to stabilise the public debt to 75% of the GDP until 1991 and to 71.5% by 1992

During its first parliamentary announcement the government showed such determination to reform pensions that it did not hesitate to refer to unpopular policy measures (also included in the Aggelopoulos report), which included the need to harmonise retirement preconditions and arrangements across sectors with those of IKA (Minutes of the General Assembly of the Greek Parliament 1990a: 21). Yet this enthusiasm would be gradually curbed and official governmental announcements of its policy plans would be scarce during the course of the policy coordination process.

This section focused on the governmental coordinative discourse and its pension reform policy plan. The following section will analyse the policy narratives that framed the policy process.

#### **4. The discursive mechanisms: policy actors and their narrative strategies.**

Although discursive interactions took place both at the coordinative and the communicative level during this reform episode, the key policy actors developed their policy narratives and strategies at the communicative one. In other words the communicative discourse was thicker than the coordinative. Conflict defined the discursive interactions. Indeed, both narratives attributed blame, whereas the social partners accused the government for intentionally contributing to the policy crisis.

Overall, the narratives justified two different sets of preferences. The first one aspired to introduce, in the long-run, a two-pillar pension policy that would eliminate fragmentation, apply actuarial fairness, separate welfare elements from security and partially privatise the system. Favoured by both the government and SEV, it applied a systemic understanding of the pension problem in that it did not deal with specific sectors but with the whole system. The second set of preferences favoured the extant Bismarckian pension system with its public and social character, as well as the fragmented and preferential pension arrangements. It was favoured by the rest of the key policy actors (trade unions, a majority of employers associations, liberal professions and farmers). The elements of these sets of preferences were also consistent with the economic policy paradigm each side advocated, which in the case of the government was the policy of 'economic liberalisation' (Minutes of the General Assembly of the Greek Parliament 1990a: 14-22) and in the case of the trade unions, a

populist redistribution. Thus, although both acknowledged the existence of a policy problem and the urgent need for reform, the analysis/identification of the problem, its causes, and the appropriate and necessary solutions were fundamentally different.

The first set of preferences was expressed through the ‘pension policy crisis’ narrative, articulated by the government, whereas the second set of preferences was expressed by the ‘neo-liberal threat’ narrative adopted by trade unions and GSEE in particular. By the time the governmental narrative was solidified, the government had also made clear that the new legislation would concern only the civil and private sector employees, as well as those working in the banking and public utilities sectors. Both stories justified the necessity of pension reform on the basis of its financial viability. Specifically, they stressed the economic dead-end the pension system was in and the necessity of immediate policy change:

*‘The IKA deficit increased from 2 billion drachmas in 1980 to 366 billions today...The budget cannot afford...the deficit of the funds’* (Mitsotakis, Ta Nea 31 July & 7 September 1990).

*‘The social security system is in a dead-end. In order to get out of it radical solutions must be applied ...The huge financial problems of the pension funds... [make evident the] urgent need to take decisive measures’* (GSEE, Ta Nea 24 July 1990).

Both of the narratives were based primarily on inadvertent causation that highlighted the unintended and the harmful consequences of the Greek pension policy. The causes of the policy problem were both exogenous and endogenous. According to the governmental story, the exogenous factors included the economic crisis as well as population ageing:

*‘...the sharp economic problem, the demographic parameters, and the multiple internal weaknesses impose the immediate implementation of measures...’* (General Preamble Report: 1).

On the other hand, according to the ‘neo-liberal threat’ scenario, the exogenous causes were related to the consequences of economic and income policies, such as unemployment and income reduction, that had spilled-over to pensions (Ta Nea 3 August 1990).

In terms of the endogenous factors, the stories focused on different aspects of pension policy. The governmental narrative stressed elements that affected actuarial fairness. Specifically, according to the governmental ‘pension policy crisis’ story,

fragmentation, the multiplicity of regulations, and distortions, that both encouraged early retirement and increased spending to a socially insignificant target, were all endogenous to the policy.

*'...The cause of the increase [of pension expenses] must be sought in internal inefficiencies of the social security system that lead to the inflation of the number of pensions of relatively young age as well as to the expansion of spending to directions of small social significance...'* (General Preamble Report 1990: 1)

*'...Responsible for this [problem] are the structures of the pension funds...the connecting link of all the malfunctions...is the uneven distribution of the resources available for pensions, and social injustice, that stem from the multiplicity of regulations and fragmentation'* (General Preamble Report 1990: 1).

Systemic distortions included the exploitation of the disability pensions; the variation of retirement age limits, and their low level in some sectors; the presence of motives for early retirement; the expansion of the list of heavy and unhealthy occupations; and the identification of the employer with the employee in some monopolistic sectors that resulted in the increase of provisions and reduction of contributions (General Preamble Report: 1).

On the other hand according to the 'neo-liberal threat' narrative, issues endogenous to the policy were mainly related to bad governmental choices. Intrinsic problems included contribution exemption policies; inadequate mechanisms to curb contribution evasion; the use of the deposits of pension funds in order to finance developmental policies and political clientele; the imposition of high rates to the loans of IKA; the anachronistic operational and managerial framework of pension funds, and the denial of the government to participate in the financing of the system (Ta Nea 31 July, 4 August & 7 September 1990).

An additional element of the 'neo-liberal threat' narrative was that of intentionality. Indeed, a supplementary cause of the social security crisis was the government's intention to retrench and privatise pensions in order to promote a neo-liberal socio-economic model:

*'Based on the previous propaganda about the need for austerity measures, the government introduces a neo-liberal model for the economy and the society...[and] an effort to retrench and abolish the social character of security in favour of the private sector... the governmental measures open the way to surrendering social security to the profiteering of the private insurance companies...the government tries to divert people to private insurance'* (Ta Nea 10 & 24 July, 4 August, 7 September 1990).

According to the ‘neo-liberal threat’ narrative the insured population would bear the costs of policy reform:

*‘The substance of the governmental measures is the complete back-fall of the social security system...the social security of a whole generation is being jeopardised...the employees must not accept accomplished facts’* (Ta Nea 7 September 1990).

In contrast, the governmental narrative expanded the policy issue to the whole of the society. The following extract from the General Preamble Report is indicative of the justification:

*‘the support of the institution of security...is of fundamental importance for social cohesion and prosperity’* (General Preamble Report: 1).

Also the following extract from Mitsotakis’ statement is indicative of the effort of the government to expand the policy issue:

*‘It is necessary to take decisions and think of the unprivileged Greeks that do not have any protection and support. Because in the end we are in danger in this country to be divided between the privileged ones that are part of the guilds (συντεχνίες) that have syndicate and political power and the rest of the Greeks that do not have such protection’* (Mitsotakis, Ta Nea 2 August 1990).

In fact Mitsotakis named the Greek Federation of Banking Unions (OTOE, bank sector trade union) and the General Federation of Employees at the Electricity Sector (GENOP-DEI, electricity utility trade union) as two of the privileged sectors. Later when the troublesome third phase of the social dialogue begun in September 1990, and the continuous strikes, massive walkouts and strong opposition on behalf of the rest of political parties took place, he amended the story by attributing blame to OTOE and GENOP-DEI, placing them at the core of the policy problem next to the financial deficits. The following extract from his statement to the newspaper Ta Nea is indicative:

*‘The strikers of OTOE and GENOP DEI are the privileged ones who use their power to protect their privileges without respecting the rules of Democracy. A small group of a few thousand privileged Greeks do not have the right to determine policies in Greece. If you start from this [point] then the concept of Democracy is lifted’* (Ta Nea 10 September 1990),

Equally indicative is the extract of Souflias’ statement that stressed the division between patricians and plebeians:

*'The dramatic situation of our social security system and the existence of patricians and plebeians lead to the need for an immediate corrective intervention with speed and seriousness'* (Souflias, Ta Nea 7 September 1990).

In addition to blaming specific trade unions, the government also insinuated that individuals who exploited provisions for disability pensions were also partially responsible for the problem:

*'The contravention of the disability pensions...has lead to a percentage of disabled pensioners (30%) that is triple of the one acceptable by the international standards (General Preamble Report 1990: 1).*

In contrast 'the neo-liberal threat' narrative attributed blame to previous governments and to the present administration for reproducing the pathologies of the system through its neo-liberal policy choices and inefficiency:

*'The policy that was followed by previous governments was not part of a national planning characterised by transparency, the substantial participation of the employees and the pensioners, efficiency and effectiveness'.*

*'In a provocative way the government presents its clearly class oriented choices and its social harshness as political daring, attempting this way to cover for its the lack of will and its timidity to attack those economic circles that are prosperous from contribution evasion and black economy'* (Ta Nea 24 July & 7 September 1990).

According to the governmental narrative, normatively, pension reform would aim to restore financial viability and social justice. Cognitively this would include both short and long term solutions. In the short-term, the new measures would promote actuarial fairness by reducing expenditure and increasing cash inflows through capitalisation and combating contribution evasion (General Preamble Report 1990: 1). The long-term solutions would take the system out of its financial dead-end and promote a two-pillar pension system:

*'the aim of the government is to give a solution to the financial dead-end...and to set the basis for the transition to a just and financially viable system, that at the final phase will provide all Greeks with one unitary pension which will be complemented by a proportional one, distributed on the basis of the cost-benefit principle'* (General Preamble Report 1990: 1).

In contrast, according to the 'neo-liberal threat' narrative the normative aim of the solutions would be to protect the social and public character of the system and the vested rights, replace income in all different sectors, and promote viable social solidarity and protection, (Minutes of the Permanent Committee of Economic Affairs,



1990: 12, 29, 39; Ta Nea 20 June 1990; Ta Nea 4 August & 9 September 1990). Cognitively this would include differentiation across sectors ‘depending on the particularities of each pension...and whether they have deficits’ (Ta Nea 7 September 1990). Yet the following measures were to be included in all sectoral pension arrangements:

- tripartite financing
- capitalisation through the exploitation of pension funds assets
- combat of contribution evasion
- that the government bears the extra costs caused to the pension system each time it uses pension policy in order to fulfil other social needs than security
- conduction of independent actuarial studies before any changes are applied
- operational and managerial independency of pension funds from the state.

This section analysed the policy narratives that dominated the policy process. The following one will look at the governmental effort to coordinate the social dialogue process and at how these narratives framed the policy coordination process and eventually the content of the new legislation.

### **5. Coordinating the social dialogue.**

The preparation of the pension reform process started shortly after the elections. In pursuit of budgetary discipline Mitsotakis ordered the Minister of National Economy, Giorgos Souflias, to prepare a draft law that would deal with the most pressing problems of the pension system (Ta Nea 14 April 1990). The government had already decided that policy adjustment must take place in two stages. The first stage would have two aims: to introduce measures that would deal with the deficits of the pension funds in order to save the system from bankruptcy and to pave the way for the second stage that would convert the Greek pension system to a two-pillar one (Ta Nea 20 June 1990). The policy results of both stages would be the product of a national social dialogue (Ta Nea 28 June 1990). The new law would affect only the new-comers and its application would be gradual throughout a transitional period.

Despite the initial determination to promote pension reform the government delayed the announcement of the social dialogue process. Meanwhile, coverage of its policy plans appeared in the press, which affected the consistency of its coordinative discourse and compromised its credibility. For instance, the Minister of Welfare and Social Security, Marietta Koutsikou-Giannakou, stated that government was considering hiring contribution collectors in order to increase revenue in the short term, and prioritising the computerisation of pension funds as a means to combat contribution evasion (Ta Nea 9 July 1990). On the other hand there were also rumours about the Ministry of Commerce pressing for the introduction of private occupational schemes, while on the same day the press office of the government stated that the pension issue would be put 'on ice' (Ta Nea 9 July 1990). Moreover, the government announced that it would constitute a draft law to be submitted to the parliament in September, in parallel with the social dialogue process (Ta Nea September 10 July 1990). This already raised questions about the sincerity of the government regarding the dialogue, as it practically annulled the third round of the deliberations. Additionally, despite early statements that the new policy plans would not surprise anyone (Ta Nea 2 June 1990), a day before the social dialogue started, Mitsotakis himself stated that 'the new law will inevitably affect vested rights' (Ta Nea 30 July 1990). He added that the only way to tackle the pension problem was to fully apply actuarial fairness (Ta Nea 7 September 1990).

Insecurity, suspicion and mistrust, already present before the policy coordination process began, were thus cultivated further. Piecemeal information about the governmental intentions was emerging in the press, paving the way to conflict and increasing fears amongst the insured about the future of the system as well as of their pension arrangements. In this context the first disputes emerged. The president of GSEE Lambros Kanellopoulos, for instance, accused the government of leaking piecemeal information about pension changes in order to prepare the ground for a general attack on the social right to security (Ta Nea 20 June 1990). By June 1990 the number of early retirement applications was three times higher to those made in 1989 (throughout 1989 only ten applications were submitted to IKA, whereas by the end of June 1990 they had already reached 46) (Ta Nea 2 July 1990). By June and July the situation had worsened to the point where 10,000 early retirement applications were submitted (Ta Nea 24 July 1990), deteriorating further the finances of the system. In

an effort to control this phenomenon the government prolonged the necessary time for the processing of early retirement applications from three to six months. The government eventually blocked applications, a move which completely reinforced fear, panic, and mistrust.

Dissatisfaction with the way the social dialogue was planned was also expressed by ND MPs during an informative meeting of the ND parliamentary group responsible for controls in the health sector. Specifically ND parliamentarians raised objections about the wisdom of leaking information to the press, instead of officially announcing the basic axioms of its plan. These objections however were not strong enough to obstruct the policy process. On 25 July 1990 Souflias finally opened the social dialogue which would take place on the basis of bilateral discussions between the government and the social partners and would be completed in three phases. The first would last two days only and would aim at the initial exchange of ideas between the government and the social partners. The interlocutors at this stage would include employees, pensioners, employers, the self-employed and the managers of the pension funds. The second round would include bilateral meetings with the bigger employees and would only focus on the proposals of the social partners. By the end of this phase the content of the new policy would be finalised. Consensus on the basis of governmental proposals would be sought in the third phase of dialogue.

Souflias sent the social partners a letter inviting them to submit written proposals that would form the basis for the second phase of the social dialogue. The letter raised six points in total: two of which concerned actuarial fairness, two, financial management, and two, improvement of the operational framework of the system. Specifically the points for discussion concerned (Ta Nea 25 July 1990):

- the possibilities for a more efficient organisation of pension funds
- measures against contribution evasion and of exploitation of pension benefits
- contributions and the composition of premiums
- preconditions for pension benefit acquisition
- exploitation of the assets of pension funds and of possible surpluses
- methods to reduce administrative expenses and improve productivity.

Finally, the letter clarified that after the restoration of the pension funds the system must be converted to a two-pillar one whereby a unitary pension scheme would be introduced, complemented by an auxiliary one that would be relative to contributions paid (defined contributions) (Ta Nea 27 July 1990).

## **6. Social dialogue starts: phase one – exchanging ideas about the policy coordination framework.**

The first phase of social dialogue started on the 31st of July and ended one day later on 1 August<sup>18</sup>. The aim of these meetings was to exchange some ideas on the policy issue in order to map the intentions and general preferences of the majority of the social partners. The sectoral approach to the policy problem was prominent at the discussions. The basic claim the majority of the key policy actors made about the forthcoming policy changes was that they should only concern the sectors/funds with deficits (Ta Nea 25 July 1990). Nevertheless, the focal point of the meetings was the social dialogue process itself. Specifically, GSEE, OTOE, ADEDY, and GSEVEE were objecting to the format and the length of the government-promoted social dialogue process (Minutes of the Permanent Committee of Economic Affairs, 1990: 27; Ta Nea 31 & 1 August 1990). Instead they were in favour of a longer and more

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<sup>18</sup> Specifically, the first day George Souflias, Marietta Koutsikou-Giannakou, Aristides Kalatzakos (Minister of Labour) met with the:

- Federation of IKA pensioners (Social Insurance Institute),
- GSEE (General Confederation of Greek Workers),
- GSEVEE (Hellenic Confederation of Professionals, Craftsmen and Merchants) and SEV (Hellenic Federation of Enterprises).

The second day the government met with:

- ADEDY (Supreme Administration of Greek Civil Servants Trade Unions),
- OTOE, the banking sector trade union, PNO (Pan-Hellenic Seamen's Federation),
- GENOP-DEI (General Staff Federation-DEI/Public Electricity Enterprise),
- DSA (Athens Bar Association),
- TEE (Technical Chamber of Greece),
- POSDY (Pan-Hellenic Federation of Civil Servant Pensioners),
- ESEE (Association of Commerce Unions of Greece),
- GESASE (Greek Confederation of Greek Agrarian Association),
- SYDASE (Confederation of Democratic Agrarian Unions of Greece).

formal multilateral process of deliberations through a specially formed committee, constituted by experts, governmental and social partners' representatives (Ta Nea 1 August 1990). OTOE and GSEE had more specific proposals on the matter. OTOE, for instance, proposed that the dialogue should take place within the framework of the Aggelopoulos Committee (Minutes of the Permanent Committee of Economic Affairs, 1990: 14), whereas GSEE favoured the constitution of a committee, which would include representatives of the government; employers and the employees; the current governor of IKA, Giannis Vartholomaïos; and one of the previous governors of IKA. The GSEE proposal would be coordinated by Giannis Koukiadis, Professor of Labour Law at the University of Thessaloniki (Ta Nea 31 August 1990).

Criticism of the social dialogue framework also emanated from the opposition. For instance, the PASOK Shadow Minister of Welfare, Eleftherios Veryvakis, called the social dialogue 'a trap...for those eligible for social security' (Ta Nea 3 August 1990) and rejected its sincerity and goals. 'It is a common secret that the government called the dialogue in order to have an alibi of calling a dialogue...thus [its] negative outcome...does not surprise anyone' (Ta Nea 3 August 1990). Five days later PASOK's press office accused Mitsotakis of following 'the tactics of hiding the governmental decisions in the name of dialogue' (Ta Nea 7 August 1990).

At the same time, the government kept on giving contradictory messages, cultivating fear and mistrust about its intentions. For instance, Souflias rejected SEV's proposition to merge pension funds<sup>19</sup>, although this was the ultimate policy goal of the government (Ta Nea 31 July 1990). The government was instead keener to introduce unitary rules of retirement at this stage. Inconsistency was evident in other governmental statements. Although Souflias stressed that vested rights would not be affected, during his meeting with the president of Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE), Dionyssi Korfiatis, he confirmed that some of the higher pensions would necessarily be cut down (Ta Nea 1 August 1990). Moreover, while he underlined his intention to put all the issues on the table, he also ensured that there would be no contributions for civil servants, no reductions of pensions for those already retired and that only housekeeping measures would be introduced for the farmers fund OGA (Ta Nea 1 August 1990). While stressing that the new law would only concern funds with deficits, thereby leaving

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<sup>19</sup> Due to variation in retirement preconditions and arrangements between the pension funds.

sectors with viable pension funds unaffected, he also stressed that there would be some general provisions on some general issues that would affect some of the viable funds (Ta Nea 25 July 1990). Finally, although the government announced that it would not reintroduce contributions for civil servants, Mitsotakis later contradicted this by making the opposite announcement (Ta Nea 4 August 1990).

Despite the objections to the social dialogue process, three things were made clear. Firstly, it was re-affirmed that the government was planning to reform pensions in two stages. At the first stage, immediate solutions would be introduced so as to save the pension funds from bankruptcy, whereas the system would be restructured in the second stage. The second result of the discussions was that the social dialogue would not last longer than already planned and that it would not take a more formal and multilateral shape. Finally, the first stage of the coordinative process resulted in a broad consensus between social partners and the government, at least in certain sectors, concerning the presence and the intensity of the policy problem and a commitment on behalf of the social partners to submit their proposals on the matter.

### **7. The second phase of social dialogue: The social partner's coordinative discourse.**

By the end of August 1990 the social partners had submitted their proposals. Despite the differences, a set of shared policy preferences emerged. Specifically, the majority of the social partners were in favour of:

- tripartite financing
- capitalisation through the exploitation of pension funds assets
- combat of contribution evasion.

Moreover, all social partners were adamant about the governmental responsibility to bear the extra costs caused to the pension system each time it used pension policy in order to fulfil social needs other than security. In this context GSEE petitioned the government to settle IKA's debt. Also, they favoured the operational and managerial independency of pension funds from the state, and to various degrees, active ageing<sup>20</sup>.

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<sup>20</sup> SEV favoured restrictions to early retirement, whereas the rest of the social partners put forward the vague suggestion to introduce incentives that would result to prolonging employment.

Finally, they all supported the introduction of independent actuarial studies before any changes were applied.

In addition to that, the discursive interactions during the second phase of the social dialogue process were framed by two general sets of proposals expressed by the 'pension policy crisis' and the 'neo-liberal threat' narratives. Each of these sets favoured a different pension system in terms of its normative basis, policy design and content. The first came from SEV (Association of Greek industrialists), the biggest employers association. The other came from the rest of the social partners, including the rest of the employers associations. SEV was in favour of the two-pillar policy design. In contrast, the rest of the social partners were in favour of the existing Bismarkian policy system.

SEV's coordinative discourse echoed a study conducted in 1987 by Georgios Provopoulos, a Professor of Economics, for IOVE, a research institute/think-tank supported by SEV and other employers associations (Provopoulos 1987: 221-234). They also echoed some of Mitsotakis' early references to the Aggelopoulos report and the April 1990 parliamentary pension system. SEV advocated a multi-pillar pension system and more specifically (Ta Nea 31 July 1990):

- the merging of funds, particularly auxiliary funds, to four-five funds
- the merging of unitary retirement rules and pension arrangements across sectors
- the introduction of occupational pension schemes and encouragement of private schemes
- actuarial fairness
- indexation to prices
- capitalisation
- the abolishment of taxes in favour of third parties (social funds)

In particular SEV linked the advancement of actuarial fairness with three measures:

- changes in the calculation formula (exclude the Christmas and Easter additional salaries)

- changes in retirement preconditions - particularly those advocating early retirement and lower pensions - so that a more rational relationship could be established between contributions and benefits
- gradual reduction of the replacement rate to 80% of salary received during the last year of employment

In contrast, the rest of the policy actors supported the differentiation of pension schemes across sectors. Hence, different sets of proposals, concerning different occupational sectors, were presented. These varied according to openness to policy change. Nevertheless, there were some elements, specifically the public and social character of the system, that they considered non-negotiable (Minutes of the Permanent Committee of Economic Affairs, 1990: 12, 29, 39). Indeed after his meeting with Souflias the President of GSEVEE, Dionyssi Korfiatis, stated that ‘GSEVEE will not accept the downgrading of the social character of pension funds’ (Ta Nea 1 August 1990). The following statements by the presidents of GSEE, Lambros Kanellopoulos, ADEDY, Spyros Giatras, and OTOE, Christos Protopappas, are also indicative:

*‘We are ready to discuss everything. [On the basis of the] acceptance by all though, that the social character of security will be secured [as well as] the statutory financing of the system and the adjustment of debts. This is a precondition and then we will discuss the retirement limits, the level of pensions, the lower limits and the heavy and unhealthy occupations...I am here to defend the character, the content and the basis of social security in Greece’* (Lambros Kanellopoulos, President of GSEE, Minutes of the Permanent Committee of Economic Affairs, 1990: 39),

*‘Regarding the basic principles that surround the social character of security and the statutory contribution, we are already covered by the speech of the president of GSEE’* (Christos Protopappas, President of OTOE, Minutes of the Permanent Committee of Economic Affairs, 1990: 12).

*‘We said to the Minister of National Economy that we will discuss everything on the basis of two preconditions. That the government commits to secure the public and social character of security, and to [provide] the statutory contribution to the costs of social security, like it happens in all other latitudes across the globe’* (Spyros Giatras, President of ADEDY, Minutes of the Permanent Committee of Economic Affairs, 1990: 41)

Moreover, the trade unions were not open to negotiate the following (Minutes of the Permanent Committee of Economic Affairs 1990: 1-42):



- pension arrangements of those already in the system (the unions promoted a transitional period)
- retirement age
- calculation formula
- disability arrangements
- lower pension limits<sup>21</sup>.

In fact, the president of GSEVEE Dionyssis Korfiatis stated that the manufacturers would not ‘accept the national pension if this means the reduction of the income of pensioners that receive low pensions’ (Ta Nea 1 August 1990).

Finally, the associations of the liberal professions (TEE – Technical Chamber of Greece, AMA – Athens Medical Association, and DSA - Athens Bar Association) and the trade union of the public electricity utilities, GENOP-DEI, were against any changes to their pension arrangements and funds (Ta Nea 1 August 1990). In fact GENOP-DEI sent, in place of concrete proposals, a letter requesting the exemption of the sector from the new law (Ta Nea 6 & 22 August 1990).

In addition to that, and in fear of a complete systemic restructuring, the trade unions as well as GSEVEE and ESEE were ready to consider some concessions. In terms of fragmentation, the employers associations (GSEVEE, ESEE<sup>22</sup>) and the trade unions (GSEE, ADEDY<sup>23</sup>, OTOE) supported the grouping of similar funds on the basis of

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<sup>21</sup> Additional preconditions were put forward that were relevant to the specific sectors. For instance, GSEE’s proposals about IKA were also based on the precondition that the lower pensions would continue to be indexed to the wages of unskilled workers (Ta Nea 3 August 1990).

ADEDY on the other hand set the precondition that the level of early retirement pensions would not be reduced (maintenance of the 35 interims as the calculation basis) (Minutes of the Permanent Committee of Economic Affairs 1990: 7).

Finally OTOE was considering non-negotiable:

- the calculation formula for both the primary and the lump-sum pensions
- the ratio of the contributions paid by the employees vs. those paid by the employers (Ta Nea 22 August 1990).

<sup>22</sup> GSEVEE and ESEE were also in favour of the grouping their sectoral pension funds (TEVE and TAE respectively) with TSA.

<sup>23</sup> ADEDY referred to the auxiliary and welfare pension funds of the civil servants and not to the primary pension scheme.

social dialogue (Minutes of the Permanent Committee of Economic Affairs, 1990: 1-42; Ta Nea 1 August 1990). This measure was in line with the policy suggestions of the Aggelopoulos report. It would essentially result in the elimination of fragmentation within sectors through the harmonisation of provisions, but it would not have any impact on preferential pension arrangements and differences across sectors<sup>24</sup>.

Other concessions were related with the issue of actuarial fairness. For instance, GSEE, ADEDY, and OTOE were open to the reassessment of the early retirement preconditions (but not the level of pensions), as well as the revision of the necessary length of employment, in order to establish the right to retire. (Minutes of the Permanent Committee of Economic Affairs, 1990: 1-42). Moreover, GSEE was also ready to consent to the reduction of the upper limit of pensions and the revision of the list of heavy and unhealthy occupations (Minutes of the Permanent Committee of Economic Affairs, 1990: 39-40). Finally, GSEVEE, ESEE, and the trade unions were considering the increase of contributions (Ta Nea 1 August 1990; Minutes of the Permanent Committee of Economic Affairs, 1990: 1-42).

Additionally, alternative sources of revenue were suggested. These included the collection of contribution debts from enterprises both at the private and public sector (GSEE); tax reform and the increase of progressive taxation or special taxes on unhealthy products such as cigarettes and tobacco (GSEE, AMA); employment/unemployment policies; economic growth promotion policies; and family policies (ADEDY) (Minutes of the Permanent Committee of Economic Affairs, 1990: 3 & 24; Ta Nea 3 & 6 August 1990). Finally OTOE suggested the introduction of contributions for capitations associated with productivity for bank sector pension funds.

By the end of August all of the social partners had submitted their proposals and on the 27th of the same month, Souflias announced the timetable of the final stage of

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<sup>24</sup> In fact ADEDY and OTOE suggested the gradual harmonisation of retirement rules, yet this was only a nominal proposal as it was made on the precondition that IKA will be first rationalised and it was placed in a very distant timeframe. Indicative of that is also the fact that this suggestion did not re-emerge in the future.

social dialogue, where the synthesis of the proposals of the social partners would take place and the governmental measures would be finalised. These measures would be discussed on 3 September between the government and the big trade unions and employers associations (ADEDY, GSEE, SEV, GSEVEE, ESEE). After that the final law would be drafted and submitted to parliament by 15 September. Yet early in September the first strikes took place. The fear that pension funds would not be subsidised after the inauguration of the European Common Market on 1 January 1993 increased suspicions about the harshness of the new law. At the same time more critique about the quality of the social dialogue came from the opposition. This time Eleftherios Veryvakis (Shadow Minister of Welfare) questioned the quality of the dialogue, ‘the government insists on a ‘lame’ dialogue (κουτσοδιάλογο)’ (Ta Nea 20 August 1990), and accused the government for terrorising ‘the social partners...[in order] to slaughter their legal rights’ (Ta Nea 20 August 1990). The troublesome third phase of the social dialogue was about to start.

#### **8. The third phase of social dialogue: in search of consensus.**

On 6 September the government finally presented its proposals, prompting the trade unions to go on strike. Consistent with the governmental goals, the proposals aimed at increasing the cash-flow and paving the way to a two-pillar system. The new measures promoted actuarial fairness and distinguished between two big cohorts, those who entered the system before and after 1983. The measures would mostly affect the post 1983 cohorts. Eventually, the proposed provisions concerned only IKA (private sector employees pension fund), the civil sector, the utilities and the banking sector. It excluded the funds of farmers, seamen and liberal professions. Although they provided for the settlement of IKA’s debt they did not include tripartite financing, nor did they suggest the operational and managerial independence of the pension funds from the state.

As a means to facilitate pension fund integration in the near future the government suggested the compulsory insurance of the newcomers at the banks and the utilities sectors to IKA, and the merging of the insurance classes of TSA (professional drivers pension fund), TEVE (manufacturers pension fund) and TAE (tradesmen pension

fund). In terms of actuarial fairness the measures included (Ta Nea 6 September 1990):

- changes to the retirement preconditions (increase of time of employment and age limits)
- the readjustment of contributions and their relationship with pension benefits (increase of contributions and reduction of benefits)
- the gradual harmonisation contributions at special funds and banks with the contributions applying to IKA (increase of contributions for special funds)

Other measures related to controlling expenditure and increasing cash-flow included:

- the combat of contribution evasion
- capitalisation through the exploitation of pension funds assets
- the reassessment of the disability criteria as well as of the list of the unhealthy and arduous occupations
- active ageing

The reactions to the measures were fierce and came from all parts of the society. Strikes and massive walkouts were took place throughout September and until the law was voted by the parliament. Even Dimitris Papahatzis member of DAKE's executive committee asked DAKE trade unionists to stand up against the governmental proposals (Ta Nea 13 September 1990). Only the administrations of the pension funds TAE, TEVE and TSA were positive about the merging of their insurance classes (Ta Nea 7 September 1990). As already seen in the previous section with the exemption of SEV, the rest of the key policy actors rejected the multi-pillar pension system. They instead preferred the extant Bismarckian, public, social and fragmented pension system with its preferential treatment of certain sectors. In this context, the majority of the key policy actors, with the support of the opposition and the policy experts, rejected both the normative and the cognitive aspects of the governmental coordinative discourse. Their criticism was framed and facilitated by the 'neo-liberal threat' narrative.

### Disagreement on the normative aspects of the governmental coordinative discourse

On the normative level their criticism was focused on the implications of the governmental neo-liberal orthodoxy on the public, and the social character of the system (Ta Nea 20 June 1990). The public character referred to the fact that pensions were offered by the state or by publicly managed entities only and that the system was a defined benefits one<sup>25</sup>. The social character, on the other hand, referred to the obligation of the state to guarantee the finances of the system, as well as to the redistributive elements of the policy. The fears about the potential privatisation of the system were growing and the first indicators of conflict emerged. Already, by 20 June the president of GSEE Kanellopoulos stated that the social security arrangements, the retirement preconditions, and the social welfare regime could not be a 'definitive parameter for profit and competitiveness', and warned the government that it 'should not attack the public and social character of the system' (Ta Nea 20 June 1990). On 3 July, eight federations of employees in the health and social insurance sectors, in reaction to the lack of information and dialogue, made public their complete rejection of actuarial fairness completely (Ta Nea 3 July 1990). Finally, the reaction of the president of the Panhellenic Confederation of IKA Employees Chrysafis Sykakis is also indicative:

*'Lets understand that when the government talks about the cost-benefit [logic] of the [social] security system of the country it has in mind the privatisation of [social] security, whereas we refer to a system of distribution and income replacement' (Ta Nea 2 June 1990).*

The opposition intensified the fear and the mistrust of the normative implications of the governmental policy plans. The president of PASOK Andreas Papapndreou for instance, blamed the government for 'promoting the interests of the upper classes...[at the expense] of the pensions of the simple employed people...The aim of Mitsotakis and the government is to undermine and retrench social security' (Ta Nea 12 & 13 September 1990). Likewise Giannis Gennimatas, previously Minister of Welfare,

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<sup>25</sup> Indeed according to the IMF the privatisation of a public pension scheme usually entails its replacement in whole or partially by private defined contributions schemes (Macenzie et. al. 2001: 3). In such systems payroll taxes are being replaced partially or fully by individual savings, while at the same time private sector annuities and other instruments accumulated by the fund into the individual accounts partially or fully replace public pensions (Macenzie et. al. 2001: 3).

accused the government of guiding 'social security to privatisation, something that is denounced internationally' (Ta Nea 2 August 1990).

Similarly the Communist Party of Greece (KKE) characterised the measures as being 'violent...[and] an arbitrary subtraction of the rights of the employees' (Ta Nea 12 September 1990). The president of (Synaspismos) SYN Charilaos Florakis on the other hand, warned that the living standards of the employees were 'under predatory attack' (Ta Nea 12 September 1990). Earlier SYN had also criticised the governmental proposals for attacking the income of workers, without really solving the problem (Ta Nea 5 September 1990). Finally, criticism also came from the expert's side, when in early August the professor of labour law of the Law School of Athens Alexis Mitropoulos criticised the intention to attack vested rights and expressed fears that from 1992 onwards the social state would be completely destroyed:

*'...The attack to vested rights will lead to the complete deconstruction of the social state. Whatever was built after the Second World War through the struggles of the working class will be deconstructed, abolished and annulled. This is precisely where the New Democracy policy will take us. New Democracy is a government that...does not introduce friendly? to the society and the workers legislation'* (Ta Nea 1 August 1990).

In general the reactions to the governmental coordinative discourse were in line with the economic policy preferences of the trade unions as well as of GSEVEE and ESEE -which at the time were closer to the populist redistributive model applied throughout the 1980's by PASOK and were diffidently in favour of demand-side economic growth. The following interview extract is indicative of the unions' preferences in terms of economic policy:

*'Mitsotakis' government came after eight years of PASOK governance during which PASOK made generous liberalities...the labour movement lived at that time the euphoria of liberalities'* (Kollias Interview, 22 December 2006).

#### Disagreement on the cognitive aspects of the governmental discourse

On the cognitive level, the majority of the key policy actors shared their criticism with the bank sector experts, economists, and pension fund governors about several components of the social dialogue process, namely the proposed measures; the quality of data (or even the lack of it) that supported the governmental coordinative discourse; the method of tackling fragmentation; and the context of discursive interactions. From

the employers' side, GSEVEE criticised the logic and harshness of the revenue collection measures and chastised the government for following a different direction than the one proposed by the social partners. Similarly, the Manufacturing Chamber of Athens expressed its concern about the increase of contributions and its impact on labour costs and product competitiveness. Alternatively Aris Sissouras, Professor at the University of Patras, an expert in Health Care economics and ex-Governor of IKA, criticised the draft law for indexing pensions to civil servant's salaries (reduction of lower pensions) (Ta Nea 27 September 1990).

In general, the majority of the key policy actors rejected the general systemic approach of the government, whereby the new measures concerned a cluster of sectors rather than individual pension funds. OTOE, and the trade unions from the utilities sector in particular, opposed the compulsory insurance of the newly employed in these sectors to IKA, as this would mean the gradual but certain elimination of their generous pension regimes. On this front, and based on Aggelopoulos report, OTOE had already proposed a pension fund for the bank sector only. OTOE was in that respect supported by the bank employees and experts. Xenophon Zolotas (currently president of the committee for the stabilisation of the economy) and Aggelos Aggelopoulos himself (the president of the Aggelopoulos Committee), criticised the governmental measures taking particular umbrage at those concerning the banking sector (Ta Nea 15 September 1990). Moreover, Aggelopoulos openly expressed his support for OTOE's proposal for a single sectoral pension fund, which the government persistently rejected<sup>26</sup>, and advised the government to avoid any action contrary to the report proposals of his Committee (Ta Nea 15 September 1990). Later the Governor of the National Bank of Greece, Dimitris Germidis, also proposed the establishment of such a fund solely for the employees of the National Bank of Greece (Ta Nea 19 September 1990).

The trade unions and the policy experts also challenged the scientific/factual backing of the governmental proposals. For instance, ADEDY, along with Aggelos Aggelopoulos, criticised the lack of actuarial studies from independent foreign

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<sup>26</sup> It must be stressed that the establishment of a single fund for bank employees was rejected both by the employees of the Bank of Greece who had better pension arrangements, and IKA which would lose resources given that it insured 23,000 bank employees (Petmesidou 2000: 319).

specialists (Minutes of the Permanent Committee of Economic Affairs, 1990: 32; Ta Nea 1 August & 14 September 1990). Similarly, ADEDY, along with Manolis Drettakis, PASOK MP, (Vice-President of the Parliament and Professor at the Athens University of Economics and Business) questioned the calculations of the system's deficit (Minutes of the Permanent Committee of Economic Affairs, 1990: 30; Ta Nea 1 August & 12 September 1990). Likewise, the ex-governor of IKA Grigoris Solomos stated that:

*'The deficit does not concern all the pension funds but only IKA, NAT and TSA. The way the deficit is calculated is wrong because OGA [is not a fund] and civil servants [do not have a fund either], since they do not pay contributions, hence they cannot have deficits. The government promotes social inequalities and injustice in a system for which the right wing is responsible in the first place'* (Ta Nea 13 September 1990).

On the top of that, the framework within which the discursive interactions took place, that is, the social dialogue process, was also rejected. GSEVEE accused the government for ignoring basic proposals made by the social partners, and for dismissing the positive steps that were made during social dialogue (Ta Nea 7 September 1990). On the other hand, the trade unions resumed their initial preference for discussions within the framework of an experts' committee immediately after the announcement of the governmental measures. Specifically, they demanded that the draft law was withdrawn and that a new fifteen-day long social dialogue process was initiated within the framework of a committee constituted by experts, social partners, and the government. Even DAKE demanded a new and sincere social dialogue that would lead to results more favourable to the employees (Ta Nea 12 September 1990). Both the opposition parties and the policy experts supported the unions' proposal (Ta Nea 13 September 1990). In fact Aggelopoulos suggested establishing a committee constituted by representatives of the banking and the utilities sectors, which would be headed by the previous PM Xenofontas Zolotas (Ta Nea 25 September 1990). This committee would discuss and agree upon the measures concerning these two sectors.

Finally the trade unions' reaction was not only due to the negative effect of the measures on the pension arrangements and retirement preconditions. They also felt that the distinction between two cohorts would threaten their political and policymaking role in the future. The following extract from the contribution of the President of ADEDY Spyros Yatras to the discussion of the law draft at the



Permanent Committee of Economic Affairs of the Hellenic Parliament is indicative of these fears:

*'Secondly, with regards to our evaluation of the distinction between [those insured] before '83 and after '83, we believe that [it is] an effort to split the labour movement and to disorient civil servants, in the sense that '[the law] "affects" me' or 'it "does not affect me so much', 'why should I care about what will happen with the newcomers'...[The separation will also create] huge problems to the operation of the services...because...in ten years we will have civil servants with [different retirement arrangements] working in the same office...you can imagine the kind of conflicts and the disagreements that [would take place] then' (Minutes of the Permanent Committee of Economic Affairs, 21 September 1990: 30-31)..*

The implications of the distinction between pre- and post-1983 cohorts on the future of Greek corporatism and of the policymaking role of the trade unions were also stressed by the President of the Pan-Hellenic Federation of Personnel of Social Policy Organisations (POPOKP), Giorgos Koutroumanis, who noted that:

*'the distinction between different cohorts within the same occupational group was a threat to the unity of the labour movement as it created diverse interests with regards the policy within occupational groups. This would affect the effectiveness of the movement's social fights in the future' (Koutroumanis Interview 15 December 2006).*

Finally the President of OTOE (the bank sector trade union), Christos Protopappas, had warned the trade unions earlier in the policy process about the implications of the governmental neo-liberal policies on the future role of the labour movement (Ta Nea 10 July 1990):

*'...the one-sided austerity, the clearance of the strategic sectors of economy, the contestation of institutions, the privatisation of DEKO [public utilities], the adverse changes in labour relations...the labour movement today must react taking in mind the socio-economic conjuncture and the extant dangers, knowing that the attempt to implement the neo-liberal model will be accompanied by its incitation to apical clash and defeat, and by the governmental attempt to change the democratic institutional framework, and to fragment it'.*

By mid-September both the normative and the cognitive aspects of the governmental coordinative discourse were challenged by the social partners, the parties in opposition, and the policy experts. They also contested the rationale of the 'neo-liberal threat' narrative that had dominated the policy process. The government initially tried to gain the support of the opposition parties. Mitsotakis called on the opposition to mitigate the social crisis and convince the trade unions to relax their resistance (Ta Nea 10 & 13 September 1990). Although the meeting did not result in

an agreement, Souflias afterwards announced that the government was willing to amend its proposals, in order to facilitate certain demands of the unions. Specifically, the government would amend the intermediate retirement age limits proposed initially, and consider the indexation of lower pensions to the total civil servants salary (including Christmas, Easter and summer holiday bonuses), but not the wages of the unskilled worker, as GSEE demanded. A few days later the government regressed even more as it dropped the measure that diverted the newly employed at the banks and the utilities to IKA. With this decision, the government essentially predetermined that the second stage of pension reform would be significantly compromised and that the transition to a two-pillar system would not be facilitated by this reform initiative.

By that stage it was obvious that the third phase of the social dialogue had collapsed. Strikes were the norm in Greek everyday life and economy. Their economic cost was becoming constantly heavier (OTOE strikes in particular sealed the economic dead-end). In this context and with growing fears that the state would not be able to afford civil servants salaries and pensions, the government considered recruiting strike-breakers (Ta Nea 12 September 1990)<sup>27</sup>, reaffirming the fears about its intention to break the unity of the labour movement and undermining its future political role.

Finally, the draft law was submitted to parliament as an 'urgent' piece of legislation on 18 September 1990, with some additional amendments regarding the transitional provisions, the intermediate retirement age and lower pensions. After its submission to parliament, the process of deliberation and coordination got a bit peculiar as the framework of the coordinative interactions split in two. With the parliamentary committee locked in discussions, the government continued to meet with trade unions, re-adjusting its coordinative discourse outside the parliamentary arena and often introducing some preferential amendments to the draft law. Souflias, for instance, met with GENOP-DEI on 24 September, and accepted some improvements to the provisions that concerned their sector (Ta Nea 24 September 1990).

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<sup>27</sup> The law that enabled the government to do that NP 17/1974 had been regarded as anti-constitutional and criticised by the ILO that asked the country to abolish it.

Finally, law 1902 was voted on 28 September 1990 with some extra changes that reproduced fragmentation, favouritism, and inequalities. For example, one was the exemption of the doctors working for the National Health Care System from the provision that established the calculation of pensions on 50<sup>th</sup> instead of 35<sup>th</sup>. Another amendment stipulated the constitution of a committee that would discuss the social security problem in the banking sector within a month after the activation of the law. Overall, the law content was a mixture of preferences. On one hand it promoted actuarial fairness, a measure linked with the two-pillar pension policy design and the ‘pension policy crisis’ narrative. Whereas on the other hand, the law re-produced the extant policy design and policy preferences expressed by the ‘neo-liberal threat’ narrative. These included the public and social character of the system, fragmentation and the preferential pension arrangements in certain sectors.

This section dealt with the discursive interactions during the final phase of the social dialogue process and the way they were framed by the ‘pension policy crisis’ and ‘neo-liberal threat’ narratives. The following will focus on the effectiveness of these narratives as reflected at the content of the new legislation.

### **9. The effectiveness and the results of the discursive interactions: The content of law 1902/1990.**

The content of law 1902/1990 reflects the dynamic of the discursive interactions, the efficiency of the narrative strategies, and in particular the limitation of the governmental discourse to raise consensus over its policy plans. The law was the first legislation to focus on a set of sectors rather than on isolated pension funds. In that sense it sowed the seed of the systemic approach to the policy problem advocated by the ‘pension policy crisis’ narrative and it opened a new path for subsequent legislation to follow. Despite this, the law failed both to pave the way to a two-pillar system and to challenge the public and social character of the system. In that sense it was closer to the ‘neo-liberal threat’ narrative. Already, by the beginning of the third phase of social dialogue process, the government had excluded certain sectors from its coordinative discourse (for example liberal professions, seamen, the press and other occupational categories related to the mercantile navy). Instead, the government’s policy plans, and eventually law 1902/1990, concerned only those employed in the

private and civil sectors (Government Gazette 1990: chapters A & Z), the banks, and the public utilities (Government Gazette 1990: chapter B).

Moreover, the law did not reduce fragmentation within and across the sectors. On top of that it distinguished between two major cohorts: those insured before and after 1983. Most of its provisions affected the post-1983 cohort. Effectively however, it established three major cohorts. It distinguished between:

- those that entered the system before and after 1983
- within the pre-1983 group it distinguished between those retiring before and after 1997
- single parents, women with under-aged or disabled children, mothers with three or more children, and the rest of the female employees

In this context, the variation of retirement preconditions and pension arrangements across and within sectors remained intact. In fact, one could claim that the distinction between various cohorts within the same occupational group and across sectors in terms of the date of their employment, the date of their retirement, and their gender, further enhanced fragmentation. In particular, the different retirement age limits between IKA on one hand, and special funds and the civil sector on the other, as well as differences in the required time of employment, merely reproduced inequalities between and within sectors. For example, while the retirement age at IKA was 60 for women and 65 for men, for the civil sector and the special funds it was 50 for women and 60 for men. Also, for specific occupational groups retirement age remained as low as 45 years old (mothers employed by Olympic airlines).

Additionally, the law did not offer a framework for the integration of pension funds. Instead, it only provided for the harmonisation of contribution rates across the sectors it concerned, as well as a general but not well designed framework for the integration of the welfare pension funds of the civil servants. Indeed, there were no provisions about exactly how the integration would take place and what the operational, organisational and administrative aspects of the new framework would be. Instead, the application of this provision was left to political decisions (to be regulated by presidential decrees) and eventually it failed to materialise. Overall, fragmentation,

and the multiplicity of regulations, remained the dominant characteristics of the Greek pension system.

In terms of actuarial fairness and the short-term aim of the governmental coordinative discourse, namely the increase of cash-flow, the law did make a difference. Its provisions were in sharp contrast to the coordinative discourse of the majority of the social partners that objected to any changes to the vested pension arrangements. Specifically it (Gazette of the Government of the Hellenic Republic 1990):

- increased retirement age (IKA: 60 for women and 65 for men; civil servants and special funds: 58 for women and 60 for men)
- association of retirement age with the length of employment in order to establish the right to retire (for IKA and the civil servants this was 35 years of employment, whereas for the special funds it varied)
- increased contribution rates by 3% (from 27% to 30%) and harmonised them across sectors on the basis of IKA
- introduced contributions for the employees in sectors that were not previously obliged to pay (banks and utilities)
- changed early retirement provisions for women/mothers
- changed the calculation formula in a way that early retirement would result in significantly reduced lower pensions (incentives to prolong employment life)
- indexation to the salaries of the civil servants
- introduction of a loose framework for the exploitation of pension fund assets

Moreover the law indexed pensions (bank and utilities sectors, and lower pensions of IKA) to the salaries of the civil servants, in this way reducing real pensions.

Overall, the governmental discourse was not effective in raising consensus and legitimacy over an adequate, financially sustainable, and modern multi-pillar pension system. The law did, however, improve the system's finances (Mylonas and de la Maisonneuve 1999: 27) through actuarial fairness. The increase of contributions and the indexation of the pensions of the bank, utilities and the lower pensions to the salaries of the civil servants in particular had important macroeconomic effects. Firstly, the increase of contributions was equal to increase of taxation. Secondly, this type of indexation offered disincentives against early retirement and voluntary

contribution evasion (Tinios 2001: 116) and it reduced real pensions (Provopoulos and Tinios 1993: 338). This type of indexation eliminated the possibility of changing special fund pension arrangements through Social Pacts. The fact that the law had an immediate effect enhanced the macroeconomic impact of these measures. Despite these measures, the burden of pension expenditure to the budget, as well as the financial sustainability of the system remained on the horizon, which made further legislation necessary. At the same time the reduction of lower pensions due to the change of indexation and the calculation formula deepened the polarisation of social security provision (Petmesidou 2000: 310). Indeed, the deterioration of the level of minimum monthly pensions was the immediate effect of this law (Petmesidou 2000: 310). Finally, the preferential treatment of women, the exclusion of various sectors as well as of flexible forms of employment remained intact.

## **10. Conclusions.**

This chapter looked at the first attempt of the Greek governments to change the pension system towards the direction of a two-pillar policy design. The initiative took place in the aftermath of a political crisis and within the context of an economic failure. Also, the initiative was part of the shift to supply-side economic policies that was linked to the adaptation to the EU's single market requirements. The chapter tested all three hypotheses of the thesis, regarding the relationship of the political institutional framework with discourse, the form of discourse and the discursive strategies the key policy actors developed, and the role of trust in determining discursive effectiveness.

The first observation is that evidence of this reform episode confirms the first hypothesis of the thesis:

*H1. The type of institutional system defines the function of the policy discourse governments will mostly utilise at the policy process. If a polity is simple then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

Indeed, although discursive interactions took place at the coordinative and the communicative level, policy actors developed their policy narratives and strategies at

the communicative one. In other words the communicative discourse was thicker than the coordinative. This does not mean that there were no discursive interactions at the coordinative level. Undeniably, the government coordinated the social dialogue process that took place in three distinct phases. The first one was two days long and aimed at exchanging ideas and mapping the policy preferences of the majority of the social partners. Moreover, the characteristics and the format of the social dialogue were discussed. Despite the disagreements process, the majority of the social partners submitted their proposals and expressed their coordinative discourse during the second stage of the dialogue process. SEV's discourse expressed a systemic approach to the policy problem, in the sense that it looked at the pathologies of the system as a whole, rather than the specific sectors and advocated a two-pillar pension system. The trade unions and the rest of the social partners expressed a sectoral approach to the policy problem claiming that any changes should only concern the sectors/funds with deficits and that the pension system must remain Bismarkian. Finally, the government presented its proposals at the last phase of the social dialogue process. The governmental coordinative discourse also reflected the systemic approach to the policy problem, in that it justified measures that would pave the way to a two-pillar system. Yet shortly after the announcement of the governmental plans, the deliberations collapsed and the discursive interactions at the coordinative level were effectively dropped.

Overall, the narrative strategies were developed at the communicative level. It is indicative that the governmental coordinative discourse was officially presented at the final stage of the social dialogue process. The government attempted to legitimise its policy choices and to gain public support by discrediting the trade unions and in particular those of the utilities and bank sectors, shortly after the social dialogue started (early August). On the other hand, the trade unions also tried to build popular support for the extant system, by contrasting its public and social character to the interests of the private insurance companies and in general by exposing the social implications of the governmental neo-liberal philosophy. In fact the GSEE's attempt to discredit the governmental plans on the basis of their neo-liberal orientation was orchestrated even before the social dialogue started. When the government finally announced its policy plans the discursive interactions at the communicative level intensified. The government this time spoke about partisans and plebeians in the

social security system, whereas the trade unions warned the Greek people about the complete back-fall of social security in case the government materialised its plans. The massive walkouts and the strikes that took place, as well as the various amendments, indicate that the governmental policy plans eventually lacked legitimacy both in its normative and cognitive aspects.

The evidence of this chapter also confirms the second hypothesis of the thesis that focuses on the narrative strategies of the government and the rest of the policy actors: *H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

There were two narratives during this reform episode. On one hand the government developed the ‘pension policy crisis’ scenario, whereas the policy actors opposing the governmental plans developed the ‘neo-liberal threat’ narrative. The narratives justified two different sets of preferences. On one hand the ‘pension policy crisis’ narrative reflected a preference for a supply-side economic policy paradigm, a two-pillar pension system, the elimination of fragmentation, actuarial fairness, the separation of the welfare from the security elements of the policy, and partial privatisation of the system. The ‘neo-liberal threat’ narrative on the other hand, reflected the preference for a populist redistribution, a Bismarkian pension system with a public and social character, fragmentation, and preferential pension arrangements.

Both narratives justified the necessity of the reform on the basis of its financial viability. Moreover, both of them were based on inadvertent causation that associated the causes of the problem primarily to the unintended consequences of the policy. Also, they located the causes of the policy problem to exogenous and endogenous factors. According to the governmental narrative, the exogenous causes of the problem included the economic crisis the country was in, as well as the demographic changes. In contrast, according to the ‘neo-liberal threat’ scenario the exogenous causes were linked to the spill-over effects of economic and income policies to pensions.



In terms of the endogenous factors, the narratives focused on different aspects of the pension policy. The governmental story stressed elements that had a negative impact on actuarial fairness, such as fragmentation, the multiplicity of regulations and distortions that encouraged early retirement and increased spending in a socially inefficient way. It also highlighted systemic distortions that included the exploitation of disability pensions, the variation of retirement age limits, the strong incentives for early retirement and the long list of heavy and unhealthy occupations. Finally, the ‘neo-liberal threat’ narrative linked the endogenous causes of the policy problem to bad governmental choices. These included contribution exemption policies, inadequate mechanisms to curb contribution evasion, the use of the deposits of the pension funds to finance developmental policies and political clientele, the imposition of high rates to the loans of IKA, the anachronistic operational and managerial framework of pension funds, and the denial of the government finance the system.

The main characteristic of the narrative strategies was that they were conflictual. Indeed, both stories blamed the policy problem on their opponents. In fact the social partners’ narrative also accused the government of intentionally contributing to the policy crisis. Indeed, the government talked about the privileged guilds that do not respect the democratic rules and try to protect their power and privileges at the expense of the unprotected Greeks. In fact, the governmental narrative blamed the utilities and banks sector unions for the policy problem., Whereas the trade unions accused the government of neo-liberalism and of retrenching social security in favour of private insurance companies. Finally, the government expanded the policy issue to the whole of Greek society, whereas the neo-liberal threat narrative contained the policy issue to the insured population only. The aim of the reform according to the ‘pension policy crisis’ narrative was to protect the unprivileged Greeks from the privileged guilds. In contrast, according to the ‘neo-liberal threat’ narrative, the policy problem concerned the insured population who would bear all of the cost of pension policy reform.

Lastly, the findings confirm that lack of trust in the government and its policy intentions was present throughout the policy episode. They also point to factors that possibly determined the effectiveness of the governmental discourse:

*H3. A policy narrative will produce an effective policy discourse if the key policy actors, the public, or both, trust the narrator.*

The evidence presented in this chapter shows that the governmental discourse was not effective in building legitimacy and consensus over the governmental policy plans. The ineffectiveness was evident both at the normative and the cognitive level. Normatively, the trade unions, the self-employed, the parties in opposition, and policy experts, rejected the governmental neo-liberal orthodoxy and its implications on the social and public character of the system. Cognitively, the majority of the key policy actors, bank sector experts, economists, and pension fund governors rejected the governmental coordinative discourse. To start with the trade unions along with GSEVEE and ESEE opposed the proposed measures. GSEVEE for instance, accused the government of ignoring basic proposals the social partners made, whereas the Manufacturing Chamber of Athens rejected the logic and harshness of the measures and expressed its concerns about their impact on labour costs and competitiveness.

Overall, the majority of the key policy actors, as well as experts, were against the systemic approach to the policy problem. OTOE and the trade unions from the utilities sector in particular, opposed the compulsory insurance of the newly employed in the sector to IKA. On this matter OTOE had the support of Zolotas and Aggelopoulos, as well as the bankers, who were also in favour of a sectoral pension fund, despite the fact that they also advocated the necessity of supply-side reforms. Even the ND parliamentarians expressed their support for the sectoral approach to the policy problem, which they pursued later by suggesting numerous preferential amendments to the draft law in parliament. Moreover, the trade unions along with experts questioned the scientific substantiation of the governmental discourse and plans. For instance, ADEDY along with Aggelopoulos criticised the government for not using the findings of his Committee or any other independent actuarial studies.. Other experts criticised the way the government calculated the system's deficit and for not choosing an appropriate method of indexation. Moreover, with the full support of the parties in opposition, the trade unions openly rejected the social dialogue process and resumed their preference for discussions within an experts committee. In this context also, DAKE demanded a new and sincere social dialogue, whereas Aggelopoulos himself suggested that the dialogue on the bank and utility sectors

pension regimes should take place within the framework of a scientific committee headed by Xenophon Zolotas.

The findings presented in this chapter also show that trust is linked to the effectiveness of policy discourse. Specifically, the chapter shows that mistrust and fear were constantly present throughout the policy process. According to section two, Papandreou's initiative in the mid-1980s was discredited and mistrust accumulated when the Minister of Welfare leaked the plans to the press exposing in this way the true intentions of the government. Similarly, during the ND reform initiative, piecemeal information was leaked to the press regarding the governmental policy plans, some of which were reinforcing the fears of privatisation. For example, while the Minister of Welfare and Social Security was making statements about politically insignificant aspects of the system and rumours were spread that the Ministry of Commerce was pressing for the introduction of private pension schemes, the press office of the government stated that the issue was put on ice. Likewise, Mitsotakis stated that full actuarial fairness was necessary and that the law would affect vested rights, despite earlier announcements that that the measures would not be surprising. Although the government initially announced that it would not introduce contributions for civil servants, Mitsotakis contradicted this by making the opposite statement. Similarly misleading, were the statements of the Minister of National Economy George Souflias, who stated for instance that the new measures would concern only sectors with deficits and shortly after he claimed the provisions would also affect the viable pension funds. Finally, several governmental members kept on making contradictory statements, and along with ND parliamentarians were critical about the social dialogue process as well as delays in the clarification of the governmental intentions.

While the government repeatedly delayed the announcement of its policy plans insecurity and mistrust built-up. As a result, the early retirement applications increased to such an extent that the government had to block the process, reinforcing public fear. Later in the policy process rumours that the government was considering hiring strike-breakers reproduced tension and suspicion. The governmental inconsistency fed-back the trade unions critique and insecurity about the forthcoming changes. It is indicative that in fear of a complete systemic restructuring the trade

unions as well as GSEVEE and ESEE were ready to consider some concessions, such as, the harmonisation of pension provisions within sectors, the reassessment of the early retirement provisions, the reduction of the upper limit of pensions, and the revision of the list of heavy and unhealthy occupations. The trade unions were also particularly uneasy about the broader implications of the governmental neo-liberal agenda. In fact they were not only afraid that the governmental policy plans would lead to the privatisation of pension policy, but also of the undermining of their political and policymaking role in the future. The draft law and, in particular, the distinction of cohorts between pre-and post-1983 reaffirmed these fears. Finally, the generous and populist redistribution of the 1980's made neo-liberal policies seem even more horrific.

The governmental inconsistent statements added strength to the 'neo-liberal threat' narrative and the conflictual narrative strategy that essentially aimed at cultivating fear and mistrust about the government's intentions and policy choices, the implications of its policy plans, and the neo-liberal economic agenda in general. The parties in opposition and even policy experts supported and encouraged this. Andreas Papandreou for instance, stated that the government is promoting the interests of the upper class, whereas the Communist party blamed the government for subtracting the rights of the employees. Similarly, Alexis Mitropoulos spread fears that the welfare state will disband from 1992 onwards. Finally, the criticism on the appropriateness and the substantiation of the governmental proposals that came simultaneously from various actors some of which had diverse preferences in terms of models of economic growth added to the climate of mistrust and discredited even more the government.

Overall, the evidence shows that the limited trust of the government and its plans reduced the effectiveness of its discourse to build consensus and legitimacy. The majority of the key policy actors, parties in opposition, and policy experts clustered around the policy proposals of the trade unions and the 'neo-liberal threat' narrative, whereas the massive walkouts reflect the full support of the general public. Moreover, they link the discursive effectiveness and mistrust to some additional factors. Firstly, they point at the limited governmental capacity to plan and coordinate its actions. As noticed above the government continually transmitted inconsistent messages that allowed its members as well as ND MPs and party members to express criticism.

Moreover, it failed to foresee the big wave of early retirement applications and naturally it did not have an effective emergency plan.

Also, the evidence shows that the effectiveness of the governmental discourse was linked to expert input in policy formulation. Indeed, Mitsotakis did not utilise the Aggelopoulos report, although its recommendations were very close to its policy orientation and priorities. In contrast, the trade unions used this report to formulate their proposals on the grouping of similar pension funds, even though they did not agree in general terms with its neo-liberal philosophy. Later on the government found the policy experts standing jointly with the trade unions against criticising the cognitive aspects of its discourse and policy plans.

Likewise, according to the findings of the chapter, the effectiveness of the governmental discourse was also linked to the contradicting pension policy preferences and broader economic paradigm. Indeed, in the end it was just SEV and the government who favoured the multi-pillar pension system that the governmental discourse justified and promoted. The rest of the key policy actors and the opposition were in support of a populist redistribution and a Bismarkian pension system with differentiated provisions across sectors. On the top of that, the policy experts were also in favour of sector specific solutions. For instance, Aggelopoulos himself, as well as other bankers, supported the coordinative discourse and the policy plans of OTOE. In fact, even the governmental support was not unanimous on this matter. Several of its members and ND parliamentarians were in favour of fragmentation and preferential pension arrangements which they actively supported in the Parliament.

On the whole, law 1092/1990 reflected the dynamics of the discursive interactions and the ineffectiveness of the governmental narrative to build consensus and legitimise an adequate, financially sustainable, and modern multi-pillar pension system. It also reflected the limits of Europeanization within the Greek context. The law it did not fulfil its first aim that was to pave the way to a two-pillar system and to challenge the public and social character of the system. In that sense its content was closer to the policy recommendations of the 'neo-liberal threat' narrative. Indeed, the law reproduced the sectoral approach, in that it did not concern all sectors, but instead the employees in the private and civil sectors, as well as in the banks and the public

utilities. In this context, fragmentation and its implications in labour movement remained in place, product tied taxes were not eliminated and there were no provisions about private pension schemes, or a framework for the integration of pension funds. Although the law referred to the integration of welfare pension funds it did not specify how this would occur.

At the same time, however, unlike previous legislation law 1902/1992 did not concern isolated pension funds. Instead, its provisions affected evenly the sectors it dealt with despite the fact that it did not eliminate the differences between them. Indeed, contributions were introduced in the banks and utilities sectors, whereas contribution rates were harmonised at the same level as IKA. This meant that burden on the prices of utilities would be somewhat relaxed. Moreover, the law fulfilled the short-term aims of the government, which was to increase cash-flow into the system and reduce expenditure. Actuarial fairness was promoted through changes at the retirement age, the association of retirement age with the length of employment in order to establish the right to retire, increases of contribution rates, introduction of contributions in sectors that did not have any, changes in early retirement provisions, calculation formula, and method of indexation, as well as the introduction of a loose framework for the investment of pension funds assets. Although these measures improved the financial sustainability in the short-term, the statutory subsidisation of pension funds deficits in the future was inevitable. Also, these changes had a negative impact on adequacy as lower pensions were reduced due to the changes in indexation. Finally, the law did not modernise the system as they did not deal with flexible forms of employment and gender inequalities.

## **Chapter 4 - The ND government and its second attempt to reform pensions: Law 2084/1992.**

### **1. Introduction.**

This chapter looks at the second attempt to rationalise the Greek pension system that resulted in law 2084/1992. This reform initiative commenced in 1991 shortly after law 1902/1990 was voted. It was also part of the governmental effort to put the programme of economic stability and restructuring back on track. This time the reform attempts were focused only on the pension regime of the private sector employees and the civil servants. As a result, during this reform episode, the key employee policy actors were ADEDY and GSEE. The employers associations included SEV, GSEVEE and ESEE. The chapter examines the coordinative and communicative discourses, developed both by the government and the social partners during the policy process.

The policy narratives and strategies were developed at the communicative level rather than the coordinative one. Table 2 shows the characteristics of the policy narratives and the discursive strategies developed in this reform episode. Specifically, government expressed the 'pension policy crisis' narrative, whereas the trade unions revised their narrative to the 'socio-economic disequilibrium' one. Both of them justified different sets of preferences. The first one reflected the preferences of the government SEV, and was in favour of a supply-side model of economic growth, a two-pillar pension system, the elimination of fragmentation, actuarial fairness, the separation of the welfare elements from the security ones, and the partial privatisation of the system. The 'socio-economic disequilibrium' narrative reflected the preferences of the rest of the key policy actors and at a later stage of the policy process, SEV also supported it implicitly. This time the trade unions' narrative replaced the populist thrust of the previous reform episode with the preference for demand-side redistributive policies. On the other hand it maintained the preference for the extant Bismarkian pension system with its public and social character, fragmentation and preferential pension arrangements. In the end, the 'socio-economic disequilibrium'

narrative was more effective due to lack of trust with the government and its intentions.

The main characteristic of the narrative strategies was that they were conflictual, as both stories blamed their opponent about the policy problem. This time however, the trade unions did not accuse the government of intentionally contributing to the policy crisis. The governmental narrative located the causes of the problem to its deficits and the distorted macro-economic role of pension policies that could contribute to the marginalisation of the country within the EU. On the other hand, the trade unions located the policy problem at the deficit in social security provision and the negative implications of the supply-side model of economic growth on pension policy. Also, both of them were based on inadvertent causation. The governmental narrative linked the policy problem to endogenous and exogenous causes and justified a systemic solution to the policy problem. In contrast, the trade unions causal story pointed to economic-financial and structural factors and justified a sectoral solution to the policy problem. Finally, the governmental ‘pension policy crisis’ narrative expanded the policy issue to the whole of the society. In contrast, the ‘socio-economic disequilibrium’ narrative contained the policy problem to the insured population.

**Table 2 - The characteristics of policy narratives and narrative strategies: Law 2084/1992.**

	Pension policy crisis narrative	Socio-economic disequilibrium narrative
Policy actors	Government, SEV (until August 1992)	The rest of key policy actors and SEV after August 1992
Policy preferences	<ul style="list-style-type: none"> <li>• Supply-side economic paradigm</li> <li>• Two-pillar pension system</li> <li>• Actuarial fairness</li> <li>• Elimination of fragmentation</li> <li>• Separation of welfare from social security elements</li> <li>• Partial privatisation</li> </ul>	<ul style="list-style-type: none"> <li>• Demand-side economic paradigm</li> <li>• Bismarkian pension system</li> <li>• Public and social character of the system</li> <li>• Maintenance of fragmentation and preferential pension arrangements</li> </ul>



Justification of necessity	Pension policy deficits that distorted the macro-economic role of pensions in a supply-side economy; Marginalisation in EU	The deficits of social security within the system exaggerated by the supply-side economic paradigm
Justification of appropriateness	<ul style="list-style-type: none"> <li>• Restoration of financial sustainability</li> <li>• Social justice</li> <li>• Actuarial fairness</li> <li>• Modernisation</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of the social, public, and compulsory character of the system</li> <li>• Redistribution and social solidarity</li> <li>• Rational management of spending</li> <li>• Expansion of provision</li> <li>• Convergence with EU</li> </ul>
Narrative strategies	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused by endogenous and exogenous to the policy factors</li> <li>• Expanded the policy problem to the society</li> </ul>	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused by economic-financial and structural factors</li> <li>• Contained the policy problem to the insured population</li> </ul>
Effectiveness	Ineffective due to mistrust	Effective due to trust

The chapter tests all three hypotheses of the thesis: the relationship of the political institutional framework with discourse, the discursive strategies the key policy actors developed, and the role of trust in determining discursive effectiveness. Similarly to Chapter Three, the findings of this chapter confirm all three hypotheses. They also show the limitations of policy discourse as a consensus building device and ultimately, the limitations of Europeanization in Greece.

## **2. EU pressures for economic discipline and the discursive ambiguity of the government.**

Shortly after adopting law 1902/1990, the government set in motion the process for the second stage of the reform. Despite the breathing space law 1902 gave to the finances of the pension system, the deficits of the pension funds remained a big concern for the government, as the burden of social security spending was disproportionate to the overall economy. EU pressures during this reform episode are linked to a hard constraint, namely the financial support Greece had asked from the EU. Specifically, in order to support the balance of payments the government asked the EU for a 2.2 billion ECU loan in January 1991. The loan was granted on the condition that the Stabilisation Programme drafted earlier in 1990 would be followed; that austerity measures would be introduced; and that structural reforms would be promoted. In this context, pension reform was still high on the agenda and it needed to be implemented before the EU experts evaluated the progress of the reform programme in October. For the time being, the Ministries of Health and Finance were in charge of the policy process, as Efthimios Christodoulou, the successor to George Souflias of the Ministry of National Economy, did not want to be associated with pension reform and have Souflias' fate.

As the time for EU inspection approached, the government tried to compensate for its very limited progress by submitting a strict social budget that dramatically reduced the public contributions to social policies. Yet this was not enough. The promised sweeping reforms had not been made and economic indicators for 1991 were falling short of the targets set by the Stabilisation Programme. Eventually, the EU refused to release the second of the three loan instalments. By 1992 however EU pressures for pension reform were also linked to the euro-entry criteria and in particular the deficit target of 3% of the GDP and debt of no more than 60% of the GDP. In this context, and under the pressure of general social uneasiness and the failure of the economy to catch its targets, Mitsotakis reshuffled the government. On Monday 17 February 1992 Stefanos Manos replaced Christodoulou as the new Minister of National Economy. With the ministerial change, the responsibility of pension reform was shifted back to the Ministry of National Economy. Mitsotakis at that stage was committed in that his government would introduce the necessary reforms so that the country could join the

EMU as soon as the choice could be made (Featherstone 2003: 928). This was a strong stimuli for policy change that implied a major effort on behalf of the government as the deficit in 1992 was 12.3% of the GDP (Eurostat), whereas the debt 89.4% GDP (Eurostat). Although there was no conditionality for pension reform stemming from the Maastricht criteria, the total revenue paid for social security in Greece was almost 12% of the GDP (Börsch-Supan and Tinios 2001: 368). In this context it is not surprising that its reform remained a top priority for the government.

A few months later, Manos again linked EU convergence with pension reform. Pension reform and the growth of the Greek economy were also associated within the EU membership framework. In May 1992 the minister of National Economy Stefanos Manos stressed that:

*'A five-year long, continuous, consistent, and extraordinary effort is necessary in order to achieve convergence with EU...we need collectedness, gravity and courage in order to hear all views...the public finances and the social security system are deeply sick and need to be cured'* (Ta Nea 22 May 1992).

Nevertheless, the governmental coordinative discourse was still fluid and unshaped.

At the time it remained unclear whether the government would try to put its original policy plan for a two-pillar pension system back on track. On 12 April 1992 Giannis Vartholomaios, the Secretary General of Health and Social Security stated:

*'Each one of us has for sure their own views. But these opinions do not express the governmental ones that have not been shaped yet'* (To Vima 12 April 1992).

In this context, rumours were already spreading that the new law would transfer social security to the private sector and that it would also include measures related to stricter actuarial fairness, such as, the increase of retirement age, the increase of contributions, and the reduction of the replacement rate. The ambiguity of the government's policy plans, as well as the vagueness of the social dialogue framework, accumulated tensions, conflicts, and mistrust between the trade unions, other social partners, and the government. Such issues remained present and, in fact, accumulated throughout the policy process. The bad memories of the previous reform attempt contributed to the climate of disbelief. So too did the governmental narrative strategies that framed the policy process, which reflected the distinction between the preference for a multi-pillar pension system in a supply-side, Europeanized economy; and the preference of Europeanization of social security provision through the

expansion of spending in a demand-side economy. The following section will deal with the narratives of the key policy actors.

### **3. Discursive Mechanisms: policy actors and their narrative strategies.**

The discursive mechanisms of this reform attempt were similar to those of the previous reform episode. Again, although the discursive interactions took place at the coordinative and communicative level, the policy actors developed their policy narratives and strategies at the communicative level. In other words the communicative discourse was thicker than the coordinative. Similar to the previous reform attempt, conflict characterised the discursive interactions. Indeed, both narratives attributed blame. This time, however, the social partners who opposed pension policy (trade unions, the self-employed, liberal professions, employees in the media, seamen, farmers) did not accuse the government of intentionally contributing to the policy crisis.

Discussions and public announcements on behalf of the government were framed again by the ‘the pension policy crisis’ scenario, whereas the trade unions, the self-employed, and the rest of the key policy actors, SEV notwithstanding, expressed the ‘socio-economic disequilibrium’ narrative, which, with minor adjustments, would also constitute their narrative in the future. In fact, this narrative was implicitly supported by SEV, as in August 1992 its President stated that he ‘does not buy the [governmental] arguments about the explosive nature of the [pension] problem and the need for immediate solutions’ (To Vima 9 August 1992). Indeed, the governmental story remained a doomsday scenario that stressed the economic dead-end the pension system was in and thus the imperative for immediate policy change:

*‘The pension funds are almost bankrupt. The system is about to collapse’.*

*‘Reform...is an utmost necessity because our social security system follows its natural course to collapse’* (Preamble Report 1992: 1; To Vima 18 August 1991).

Similarly, the Deputy Minister of Welfare and Social Insurances, Giorgos Sioufas, noted that:

*‘the social security system lacks every year more than 1000 billion drachmas and the deficits continuously increase...we have entered the vicious circle of poverty’* (Ta Nea 10 September 1992).

Instead, according to the ‘socio-economic disequilibrium’ narrative the crisis of the pension system was dual, relating both to the increase of the system’s financial deficits and the social deficit in covering security needs:

*‘The crisis of the social security in our country is expressed both through the disequilibrium in the balance of satisfying social security needs, and with the disequilibrium of the financial balance that is the result of the progressive inflation of the social security deficits’* (Petroulas et.al. 1992: 5).

Again, the narratives justified two different approaches to the policy problem, the systemic and the sectoral one. Also, their elements were still consistent with the economic policy paradigm each side advocated, which in the case of the government was the policy of economic liberalisation (Minutes of the General Assembly of the Greek Parliament 1990a: 14-22). On the other hand, the ‘socio-economic disequilibrium’ narrative replaced the populist thrust of the last reform episode, with the preference for demand-side redistributive policies (Petroulas et. al. 1992: 5). Hence, although both sides acknowledged the existence of a policy problem and the urgent need for reform, the analysis/identification of the problem, its causes, and the appropriate and necessary solutions were fundamentally different.

Both of the stories were based primarily on inadvertent causation, which highlighted the unintended and the harmful consequences of the Greek pension policy. Although cognitively they shared some common causes of the policy problem, they framed the necessity of pension reform differently. Hence, according to the ‘pension policy crisis’ scenario it was the pension policies’ deficits that distorted the macro-economic role of pensions in a supply-side economic paradigm, which, in turn, threatened the country with marginalisation within EU:

*‘The radical deterioration of the ratio between the insured and the pensioners, the horrific total deficit that is the biggest in Europe and represents one third of the total fiscal deficit, are sizes that do not allow any more laxity...The reform of the social security system that has been transformed to the number one structural problem of our national economy aims also to avert the marginalisation of the country within EU that will be inevitable if we [remain] idle’* (Preamble Report 1992: 3).

On the other hand according to the ‘socio-economic disequilibrium’ narrative it was the new economic policy paradigm that caused problems to pension policies:

*‘...the policy that is developed [having as an] axon the needs of accumulation, is the essence and the foundation of the gradual creation of the deficits within the system of*

*social security...the role and the position of the social security system in the developmental process...is reflected in its poverty' (Petroulas et.al. 5 & 6).*

The two narratives also framed differently the causes of the problem that were specific to the pension policy. According to the governmental 'pension policy crisis' scenario the causes of the policy problem were both exogenous and endogenous to the policy (Preamble Report 1992: 1), whereas according to the 'socio-economic disequilibrium' narrative adopted by the trade unions and the self-employed, the causes of the policy problem were economic-financial and structural (Petroulas et.al. 1992: 6).

The governmental narrative identified the following as the external causes of the policy problem: the demographic changes; economic stagnation during the 1980's, the delayed payments of contributions due to the economic crisis; contribution evasion; and the increased participation of women in the labour market. That, in combination with the favourable retirement preconditions for mothers, had significantly increased the number of pensioners (Preamble Report 1992: 2). Contrary to the narrative of the previous reform episode, this time the government was attributing blame to the governments of the past for some of the exogenous causes to the policy problem. According to the narrative, past governments have promoted the irrational increase of pension benefits in order to 'fulfil party and clientelistic goals' (Preamble Report 1992: 3). Former governments had used pension policies as welfare policies, for example, by offering pensions to people who had not paid contributions (national resistance pensions). Also, they had badly invested pension funds surpluses, which caused particular losses in the system by forcing pension funds to deposit surpluses in the Bank of Greece with lower interest than those offered by the market (Preamble Report 1992: 3).

The compulsory deposit of the pension funds surpluses in the Bank of Greece, along with demographic pressures, was a cognitive element shared by the governmental causal story and the 'socio-economic disequilibrium' narrative, which distinguished between economic-financial and structural causes of the pension policy. The 'socio-economic disequilibrium' narrative also attributed blame to the practices of the state and the governments regarding most of economic-financial problems of the system.

For instance, like the governmental story, it blamed the government for using pension policies to satisfy the needs of other policy areas. Yet, unlike the governmental story that stressed the use of pension policies as a substitute for social policy, the ‘socio-economic disequilibrium’ narrative focused on the use of pension funds surpluses to finance development policies (Petroulas et.al. 1992: 6). Moreover, blame was attributed to the current government, arguing law 1902/1990 worsened the conditions of the system:

*‘Fifteen months after the implementation of L. 1902/1990 it is evident that the policy of retrenchment worsened the financial situation of the pension funds’* (Petroulas et.al. 1992: 11).

Additional economic-financial causes of the policy problem, according to the ‘socio-economic disequilibrium’ narrative, were the control of surpluses and their investment by the state; the irrationally high interest rates attached to the loans pension funds received from the banks; the delayed expansion of the system, both in qualitative and quantitative terms, across the country and across occupations; the introduction of contribution exemptions as a motive of economic development; the adjustment of the delayed contribution payments both from the employers and the state, which as a result lead to the increase of pension funds debts (Petroulas et.al. 1992: 6).

On the other hand, according to the governmental ‘pension policy crisis scenario’, the endogenous causes of the crisis that necessitated policy change were the irrational financing of the system, which included the unjust redistribution of social funds and the imbalanced ratio between the employers’ and the employees’ contributions (Preamble Report 1992: 1). Other endogenous factors included the fragmentation of the system and the related multiplicity of regulations, lack of transparency, high administrative costs, fragmentation of monitoring of five different ministries, and the incapacity to apply uniform planning, the preconditions for early retirement in certain sectors, and the low retirement age or even the complete lack of a minimum retirement age in some cases (Preamble Report 1992: 1). Further endogenous causes of the crisis were the misapplication of the provisions for disability pensions; the irrational replacement rate resulting in pensions higher than the income they were supposed to replace; the violation of the cost-benefit principle; and contribution evasion due to the method with which lower pensions were attributed, and finally the

huge accumulative deficits of pension funds to loans taken in the past (Preamble Report: 1).

Finally, according to the ‘socio-economic disequilibrium’ scenario, the structural causes of the policy problem included the demographic changes; the increase of unemployment due to the economic crisis; the exclusion of occupational categories and new forms of employment from the system; the low level, and unequal distribution of benefits in particular, compared to real needs; fragmentation and multiplicity of regulations; the presence of motives to evade or be exempt from paying contributions; the lack of an efficient system to collect contributions; the fragmentation of monitoring of five different ministries; the bureaucratic and administrative organisation of pension funds and their operational and managerial control by the state, the lack of computerisation; and the low level of social capital (Petroulas et.al. 1992: 6-7).

In terms of the cost of the policy adjustment, the governmental ‘pension policy crisis’ narrative expanded the policy issue and the implications of a non-solution to the whole of Greek society:

*‘The long-term approach is the only realistic way to face a problem...that concerns all of the Greeks’* (Preamble Report 1992: 1).

In fact, the government differentiated between average citizens employed in the private sector and the privileged unionised workers of the public and utilities sectors. In late August 1992 Mitsotakis called the trade unions guilds and exclaimed that the ‘pavement will not govern the country’ (To Vima 28 August 1992). A few days earlier the spokesman of the government Andreas Andrianopoulos stated:

*‘The government gives the battle...of the average citizen against certain established guild interests of the public sector...there are two gears citizens [in Greece]: those who strike and the employees of the private sector that are punished by the strikes. The simple employees of the private sector not only they don’t strike but are also subjected to the continuous inconvenience from the lack of basic services (electricity, phone, transportation etc.). In parallel they are punished once more because through their taxes they are called to cover most of the deficits of the state monopolies and the maintenance of the strikes’* (Ta Nea 28 August 1992).

In contrast the ‘socio-economic disequilibrium’ narrative contained the policy issue to the insured/employed population:



*'...facing the crisis and achieving the goals of the social security system (effective management of the social wealth in the sphere of social security) is expressed through the dynamic satisfaction of the social security needs during the period of [employment] and retirement, abolishment of inequalities towards the improvement of the benefits and the financing of the system...'* (Petroulas et.al. 1992: 10-11).

Normatively the appropriateness of the governmental choices was based on financial sustainability and social justice:

*'The aim of this draft law is the reform of the social security system our country in order to secure its viability...[and] social justice...'* (Preamble Report 1992: 3).

In fact the governmental 'pension policy crisis' narrative showed how the mechanism of social injustice works through the unequal distribution of social security provisions and how the cost of the policy issue is expanded amongst the Greek population:

*'47.1% of the expenses for pensions are covered by the contributions...whereas 48.7% by the state, that is by the sum of the Greek people and the taxpayers. At the same time some receive plentiful pensions, while the majority is restricted to low ones...the system must change for social justice reasons. It is an unacceptable social injustice for the society to give generously to the employees that already get good salaries and much less generously to the more socially weak groups (farmers, private sector employees'* (Ta Nea 13 August 1992).

Ultimately, the new pension policy would be the result of the separation of security from the welfare elements and the establishment of a two-pillar system (Preamble 1992: 3). Actuarial fairness and modernisation would be at the core of the new provisions (Preamble 1992: 4):

In contrast, the normative basis of the 'socio-economic disequilibrium' narrative was the 'public, social, compulsory, universal, and ipso jure character of social security based on the principles of redistribution and social solidarity (Petroulas et.al. 1992: 12). In general, the provisions of the system would promote the 'expansion' and the 'rational management' of social security spending, so that the standards of social security in Greece converged with the rest of the EU countries (Petroulas et.al. 1992: 11). In fact SEV's President, Jason Stratos, agreed that the new social security provisions must approximate the average level of the rest of the EU member states (To Vima 9 July 1991). Finally, the new policy would be supported by demographic and unemployment policies, as well as by an Institute of Social Security that would conduct actuarial studies providing the basis of future policymaking (Petroulas et.al. 1990: 11).

This section examined the policy narratives that dominated the policy process. The following one will look into the policy coordination process, the policy solutions that were negotiated within it, and way the process was framed by these narratives.

#### **4. The first phase of the social dialogue process: The Fakiolas Committee and the deceptive search for consensus.**

The process of policymaking coordination of this reform episode took place in two distinct phases. Initially, discursive interactions took place within various experts committees, whereas from June 1992 onwards the social dialogue process was redirected to bilateral meetings between the Ministry of National Economy and the social partners. Strikingly, the government to consistently undermined the coordinative process and seemed determined to keep the trade unions away from the policymaking process. In the first instance, the government appeared to respond to the demands expressed by a majority of the key policy actors, as well as experts from the previous reform episode, for a more formal social dialogue process within the framework of an experts committee. Between June 1991 and June 1992 various committees (at least seven) were established for the study of either security, economic, or other technical aspects of the policy, whereas others looking into complementary policy issues also touched upon pension policies<sup>28</sup>.

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<sup>28</sup> Specifically, during the between June 1991 and June 1992 the following seven committees were dealing with the pension issue:

1. the scientific committee for the reformation of the system of social security
2. the committee for the study of the bank sector system (Giannis Vartholomaios, secretary general of the ministry of Health was its president)
3. the committee for the reassessment of the list of the unhealthy and arduous occupation (the committee submitted its report but no occupation was declassified. The report did not suggest any the preconditions/standards for establishment a new list of unhealthy occupations)
4. the committee for the study of the seamen pension regime (NAT)
5. the committee for the reassessment of disability criteria (was dissolved twice and re-established for the third time without bringing about any results)
6. the committee for the study of the establishment of the Institute of Social Security
7. the committee for the convergence to EMU (Pavlopoulos Committee. The Secretary General of the Ministry of Health is a member of it).

Nevertheless, the committee that seemed to offer the framework for consensus building between the government and the key policy actors was the Scientific Committee for the Reformation of the System of Social Security, commonly known by the name of its president Rovertos Fakiolas as the Fakiolas Committee. This committee was established in June 1991 (Ministerial Decisions 3117 & 3118/13-6-1991) on the basis that during its meetings, the government would refrain from further action on the social security issue (Robolis Interview 4 January 2007). It was comprised of a scientific committee and a scientific secretariat, its representatives coming from all major social partners' associations/unions<sup>29</sup>. It was supposed to produce its reports in three months (September 1991) but in the end, its life was extended by approximately eight months. Although with the Fakiolas Committee the social partners' request for social dialogue seemed to materialise, in practice, the government seriously undermined it.

To start with, the committee was given very little time (three months) to study the policy problem and propose solutions. Secondly, it was given no direction. The government failed to clarify the committee's focus and the principles that the new system would be based upon. It was only towards the end of the initial three-month period that the government provided the committee with an outline of the new system's basic characteristics, on the basis of which policy proposals were to be formulated, insisting that the committee should complete its conclusions within the

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<sup>29</sup> The members of the scientific committee were:

- Prof. Fakiolas Rosetos (President, Professor at the Polytechnic University of Athens)
- Vasilatos Charalambos (GSEVEE: ex president of TEVE)
- Dounoukos Dimitrios (Self-employed: President of TSMEDE)
- Kammass Antonios (Vice-president of the Athens Medical Association)
- Koukiadis Ioannis (ADEDY: Professor at the Law School of the Aristotelian University of Thessaloniki)
- Koutsopoulos Konstantinos (President of the Actuarial Association)
- Kostaras Spiridon (ESEE)
- Nektarios Miltiadis (PASEGES)
- Petroulas Panagiotis (GSEE: ex Secretary General of Social Insurances)
- Robolis Savvas (GSEE: Professor of Economics at the Aegean University)
- Roupakiotis Christos (GSEE: ex Deputy Governor of IKA)
- Tsagiridis Nikolas (SEV)

remaining time (To Vima 8 September 1991)<sup>30</sup>. Finally, although the Fakiolas Committee was established with the aim to study and comment on the system in general, it was not supposed to look into the sectoral regimes and technical issues that were studied by different committees.

Dissatisfaction with the role, the tasks, and the composition of the committee, was prominent among social partners and experts of the scientific secretariat. To them, six to twelve months was the least amount of time necessary to produce an in-depth study of the pension problem and to articulate the specific reform scenarios (To Vima 23 June 1991). The experts, in particular, found that the majoritarian basis of decision-making within the committee seriously undermined their role (To Vima 23 June 1991) and that the delayed start of the meetings (the first meeting took place one and a half month after the establishment of the committee) compromised their capacity to assess the policy problem and to suggest long-term solutions. Finally, they were particularly disturbed by the late announcement of the governmental policy draft because its content and direction was opposite to the one the committee had been following.

On the other hand, the employers and the trade unions questioned the honesty and the quality of the social dialogue. Although SEV did not denounce openly the Fakiolas Committee it recommended postponing reform until another committee of high academic/scientific standards<sup>31</sup> could be established. Similarly, GSEE questioned the

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<sup>30</sup> These included (To Vima 8 September 1991):

- social security will remain compulsory and universal and will be offered by legal entities of public law.
- abolishment of the system of multiple insurance
- application of the cost-benefit principle
- state will cover the expenses for all services that are not related to security
- medical examinations for all the newcomers so as to facilitate the assessment of disability at a later stage.

<sup>31</sup> SEV actually suggested various alternative compositions of that Committee. One could include internationally acclaimed academics taken from public services, the social insurance community, and the social partners. Another could include Greek or foreign experts, that can be hired for this cause, possibly in coordination with the ILO. A third could include nine representatives of the management of the funds, the employers, the employees, and the pensioners. In any case the Committee should be supported by ad hoc working groups. Its tasks would be:

role of the scientific secretariat<sup>32</sup> (To Vima 23 June 1991), the input of which was eventually eliminated. In the end GSEE, along with PASEGES and later on GSEVEE, withdrew their representatives from the Committee. GSEE also rejected the possibility of consenting to converting the Committee's conclusions into legislative proposals and announced that it would produce a separate set of conclusions to be attached to the committee report.

Due to the issues arising from the process - the lack of support from the scientific secretariat, the lack of focus and direction, the difficulties in finding a common denominator between the interlocutors, several governmental interventions, and numerous changes to the conclusions - the Fakiolas Committee submitted its report on 20 May 1992, eight months after its initial deadline. The trade unions rejected the report immediately, while the government distanced itself from the findings (Ta Nea 21 May 1992). The conclusions of the report were very general and did not deal with the crucial policy issues and the macro-economic aspects of the pension system. Instead, they were a compilation of the preferences of the social partners that often reproduced fragmentation and the sectoral logic of the system (see for instance page Scientific Committee for the Reformation of the System of Social Security 1992: 56). According to the IMF report on the Greek pension system the proposals of the Fakiolas Committee 'referred mainly to details...[and] they were an inadequate reaction compared to the size of the problem' (IMF 1992: 1103).

This, however, is not surprising as a few months later the Minister of National Economy Manos himself confirmed that the Fakiolas Committee was nothing but a 'smokescreen' to cover up a working group that was already dealing with the issue within the Ministry of Welfare under the Secretary General, Yannis Vartholomaios

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- present the situation using the existing material and based on the studies of the scientific secretariat,
  - define the aims and targets,
  - define the principles, the policies and the specific measures,
  - define the level of contributions and benefits and the retirement precondition,
  - seek the solution to the problem of financing the tripartite contributions by the state, the employers and the employees.

<sup>32</sup> According to GSEE the scientific secretariat was a governmental instrument which aimed to control social dialogue and impose solutions.

(Tinios Interview 15 December 2006). The aim was to use the committee in order to attract the attention away from the working group by constantly leaking its findings to the press (Tinios Interview 15 December 2006). Moreover, the Fakiolas Committee was to cover the workings of the IMF on the issue, as in parallel to the bureaucratic committee, Manos had secretly commissioned the IMF to compile a report on the reform of the Greek pension system (Featherstone and Papadimitriou 2008: 89). Similar was the case of a secret study, appearing on 2 February 1992, that focused on the retirement regime of the public electricity utility, DEI. In the end, however, the government did not manage to divert the attention of its secret activities. The rumours spread, reproducing suspicions that the real purpose of the government was to formulate the new policy alone (To Vima 28 July 1991 & 12 April 1992).

Overall, mistrust was cultivated by the way the government treated the input of experts in general. Despite the multiplicity of experts committees, none of their reports were considered binding by the government or were utilised by the governmental coordinative discourse. Instead, the findings of one committee would often be the object of study of the following one. It is indicative that right after the announcement of the Fakiolas report the government assigned a bureaucratic committee<sup>33</sup> with task of studying the findings of the Fakiolas and the Pavlopoulos Committees<sup>34</sup>. At the same time, however, the government proclaimed that the findings of the bureaucratic committee would also not be binding. In this context, the governmental coordinative discourse remained unclear regarding its intentions for the framework within which the discursive interactions would take place.

Nevertheless, the first phase of the social dialogue process had significant input in the policy process. This was the ‘alternative conclusions’ of GSEE (published in January 1992), that were attached to the report of the Fakiolas Committee as an independent insertion. Although the ‘alternative conclusions’ were published by GSEE, they also concerned the civil servants, the self-employed, the wider public sector, and the banks

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<sup>33</sup> Its members were Charis Kyriazis (Secretary General of the Ministry of Economy and president of committee), Stefanos Apergis (Secretary General of Ministry of Finance), Giannis Vartholomaïos (Secretary General of Ministry of Health), Giannis Stefanou (Secretary General of Ministry of Labour), Giannis Hatzidakis (Economic Director of GEETHA-Ministry of Defence).

<sup>34</sup> The Pavlopoulos Committee studied the EMU convergence programme.

(Petroulas et.al. 1992: 14). They were the first systematic and scientifically justified presentation of their proposals, forming the basis of their subsequent coordinative discourse, with regards to the design, the normative basis, the financial principle, the method of financing, and the operational framework of the pension system. They consolidated a number of policy preferences advocated by previous policy reform participants and they also introduced a few new elements (Petroulas et. al. 1992: 1 & 11-13), some of which brought SEV closer to the rest of the key policy actors. The following section will look into the coordinative discourse of the key policy actors and their converging proposals.

### **5. The coordinative discourse of key policy actors.**

The coordinative discourse of the key policy actors was similar to the previous reform episode. In general there were two very distinct sets of proposals. On one hand, SEV remained an advocate of a multi-pillar pension system. Its proposals reflected the systemic approach to the policy problem advocated by the ‘pension policy crisis’ narrative. The measures promoted actuarial fairness and fully-funded pension schemes. On the other hand, the ‘alternative conclusions’ of GSEE consolidated the remaining policy actor preferences for a public and social pension system, financed on a PAYG basis and complemented by redistributive elements. In order to avoid competition with private pension schemes and to armour the public character of the system against privatisation, the ‘alternative conclusions’ also suggested that social security must be compulsory. The sectoral approach reflected by the ‘socio-economic disequilibrium’ narrative was at the core of the proposals of the rest of the key policy actors. Indeed, OTOE and ADEDY insisted on the establishment of separate pension funds for their sectors, whereas ESEE and GSEVEE were in favour of the integration of their pension funds (Minutes of the Permanent Committee of Economic and Social Affairs 1992: 23 & 29; To Vima 12 April 1992). The liberal professions (doctors, engineers, and lawyers), those employed by the media, seamen, farmers, and some public utilities employees (telecommunications and electricity) continued to support the independence of their pension funds.

Despite the differences, the shared preferences of key policy actors increased. For instance, SEV was now open to pension fund grouping rather than integration of 4-5

funds, whereas the 'alternative conclusions' integrated SEV's suggestion for a replacement rate at 80% of the salary. In general, all key policy actors remained advocates of (Minutes at the Permanent Committee of Economic and Social Affairs 1992: 62 & 66; Petroulas et. al. 11-13 & 15)<sup>35</sup>:

- the grouping of similar pension funds, initially expressed by the Aggelopoulos report in 1990
- tripartite financing
- replacement rate at 80% of the salary
- indexation to prices
- capitalisation through the exploitation of pension fund assets
- combat of contribution evasion
- settlement of pension funds debts to the banks
- the general budget to cover all the expenses for the social and welfare elements of the system
- social budget to be approved, monitored and controlled by the Parliament instead of the government
- the management of pension funds left to the employers, employees and pensioners (as opposed to monitoring left to only one ministry)
- monitoring by one ministry instead of five

On top of that, the trade unions were preoccupied with actuarial fairness and in particular, with improving and/or preventing additional changes to Law 1902/1990, regarding the retirement preconditions and pension arrangements. ADEDY, for instance, suggested improvements to the calculation formula introduced by law 1902/1990 (calculation on the basis of the last salary and change the calculation interim back to 1/35 instead of 1/50) (Minutes at the Permanent Committee of Economic and Social Affairs 1992: 29). GSEE, on the other hand, replaced most of the previous concessions, favouring actuarial fairness with the expansion of social

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<sup>35</sup> Specifically SEV maintained its preference for unitary retirement rules and pension arrangements across sectors, changes in the calculation formula (exclude the Christmas and Easter additional salaries), changes in early retirement preconditions, introduction of occupational pension schemes and encouragement of private ones, and the abolishment of taxes in favour of third parties (social funds).



security provisions to initiate convergence with other EU countries<sup>36</sup> (Petroulas et. al. 1992: 11). The only reduction GSEE was ready to consider was the establishment of a cap on high pensions.

Finally, the coordinative discourse of GSEE and ADEDY included measures that promoted the modernisation of the system, such as, the rationalisation of the successive insurance regime, the association of pension reform with labour market policies (employment and unemployment), and the inclusion of immigrants and flexible forms of employment in the system (Minutes at the Permanent Committee of Economic and Social Affairs 1992: 29; Petroulas et. al. 1992: 12).

By mid-June 1992, two years after the government had announced its determination to solve the pension problem, no major progress had been made. In June, however, changes to the coordinative discourse and the framework of the coordinative interactions were introduced and the second phase of the social dialogue process began. The following section will look into the governmental attempt to coordinate the social dialogue through bilateral meetings.

## **6. The second phase of the social dialogue: the fake search of consensus through bilateral deliberations.**

On 14 June, the second phase of the social dialogue process commenced. The Minister of National Economy, Stefanos Manos, denounced all previous governmental announcements and said that the government was ready to discuss the new pension law with the social partners within the framework of bilateral deliberations. After a few informal meetings with the trade unions and other social partners, an agreement was reached about a new bilateral dialogue, that would develop in three stages and would be coordinated by the previously established Bureaucratic Committee (Ta Nea 14 & 23 June 1992). Initially, the government would send the social partners forty questions to answer (until the end of June). At the

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<sup>36</sup> These measures included (Petroulas et. al. 1992: 12-15):

- the calculation of lower pension on the basis of 20 wages of the unskilled workers
- the right to full pensions when there is disability over 67%
- the protection or even expansion of the list of heavy and unhealthy occupations
- the integration of periods of unemployment and seek leaves to the pensionable time.

second stage, there would be discussions on the content and the drafting of the new law. Finally, there would be discussions on the draft law, the final version of which would be submitted to Parliament by mid-September. The agenda of the discussions included issues related to actuarial fairness, such as retirement preconditions including early retirement, organisational and operational matters, lump-sum pensions, lower and disability pensions, and other more technical issues<sup>37</sup> (Ta Nea 23 June 1992).

After a few more informal meetings with GSEE and ADEDY, Manos finally presented the governmental coordinative discourse. The announced measures distinguished between a pre- and post-1993 cohort, whereas the idea of a ten-year transitional period was floated. The governmental plans had a softer systemic approach to the policy problem, and in that sense they reflected a shift towards the ‘socio-economic disequilibrium’ narrative. Specifically, the government avoided mention of a two-pillar pension system. Fragmentation was also excluded from its discourse. Instead, they favoured the harmonisation of the retirement preconditions across sectors. They also allowed for occupational pension schemes to compete with auxiliary ones, by suggesting that insurance to auxiliary pension funds should be voluntary instead of compulsory. In terms of financing, the government accepted the proposal for tripartite financing, but suggested that it should be applied progressively

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<sup>37</sup> The framework of deliberations was defined by the following twelve points:

- a) organisation of social security (number of funds; financing; level and ratio of contributions; level of insured income; auxiliary pensions)
- b) multiple insurance (to one or more funds-ways to choose funds)
- c) time that is recognised as pensionable (military service etc)
- a) retirement preconditions
- b) partial pension preconditions (for those who do not fulfil the retirement preconditions for full pension)
- c) disability (due to accident labour or not, due to sickness)
- d) survivor pensions (preconditions, and calculation or death pensions)
- e) replacement rate
- f) indexation
- g) lower limits of pensions (definition of limits and ways of financing)
- h) upper limit of pensions (definition of limits-employment of pensioners)- lump sum pensions (upper limits-financing-calculation)
- i) sickness (provisions in money-organisations to provide them-types of provisions-financing-contribution ratio)

depending on the level of the salary<sup>38</sup>. In terms of actuarial fairness the government suggested (To Vima 28 June 1992):

- unitary rules of retirement preconditions and pension arrangements across sectors (age limits, level of contributions, indexation etc)
- equalisation of retirement age for men and women at 65 years
- the maximum amount of pensions equal to salary
- amendment of successive insurance regime so that the system would not be exploited and the employees would not lose their pension rights

Finally, the government suggested the amendment of the successive insurance regime as a means of promoting the modernisation of the system.

Manos proposed that the discursive interactions focus first on the provisions of the post 1993 cohorts, whereas the dialogue on the changes to the pension arrangements of those already in the system would take place at a later stage. Yet reactions were prompt, immediately negating the possibility of social dialogue, since at least twenty-five points of disagreement were raised between the government and the trade unions. Tripartite financing, the arrangement of the pension funds' debts, and the public and social basis of the system were at the core of the dispute (To Vima 26 June 1992). Moreover, the harmonisation of retirement preconditions and pension arrangements across sectors contrasted with the unions' preferences for pension fund grouping and the maintenance of differences between sectors. ADEDY immediately walked out of the dialogue, accusing the government of using forged data (Ta Nea 8 July 1992). The next blow to the social dialogue process came a few days later (mid July 1990) when the IMF report was leaked to the press by Manos himself, in an effort to individuate governmental policy plans and strengthen the governmental coordinative discourse (Featherstone and Papadimitriou 2008: 89). Indeed the measures suggested by the IMF report were harsher than the government's proposals. They included the speedy transition to a three-pillar system, the reduction of pensions, and the increase of retirement age to 65 from 62 years<sup>39</sup> (IMF 1992: 1095-1097).

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<sup>38</sup> For salaries up to 105,000 drachmas tripartite, for salaries up to 210,000 bipartite and over that limit financing solely by the employee.

<sup>39</sup> The speedy transition to the new system in the short-term would inevitably impose transitional burdens to the extant pensioners as well as to the future generations (IMF 1992: 1099-1100). In fact IMF noticed that a speedy transition was unavoidable given the high level of the public deficit and the

By the time the IMF report was made public, mistrust and suspicion between the social partners and the government had accumulated. The trade unions read the governmental plan to use the IMF report as an excuse to the end the social dialogue, manipulate public opinion, and impose its policy proposals (Ta Nea 19 July 1992). The inconsistent governmental announcements also contributed to the climate of mistrust. For instance, the Governmental Spokesman, Vassilis Magginas, avoided giving a clear answer when asked about the privatisation of social security. Instead he stated: ‘there will be extensive dialogue’ (Ta Nea 9 July 1992). The inconsistency and multiplicity of the governmental coordinative policy plans and discourse was also singled out by the IMF:

*‘The situation is even worse because of the governmental bilingualism as on one hand [the government] seems ready for a radical reform and on the other gives arguments to various sectors to demand their exemption from the reform’* (To Vima 9 August 1992).

The prospect of having a second substantive change of the pension policy within two years, and, in particular, the fear of privatisation, triggered another wave of early retirement. Already within the first half of 1991, 12,000 people applied for early retirement from the civil and the wider public sector (To Vima 8 January 1992). Yet, like in 1990 the government once again blocked the early retirement process, breaking in this way, its promise to ADEDY and GSEE, that it would not try to control the process. Such moves cultivated even more fear about the forthcoming changes. As if this was not enough, mistrust was reinforced when the government announced the draft law that reflected a different set of measures and priorities. The following section will look at the final stage of the policy coordination process.

### **7. Yet another shift in the governmental coordinative discourse: the announcement of the draft law.**

The final blow to the social dialogue process came in July 1992, when the government again changed its coordinative discourse, regressing back to the systemic approach of

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need to control public spending and fiscal policies due to the EU convergence process (IMF 1992: 1099).

its 'pension policy crisis' narrative. This time, the government announced the draft law measures that advanced the transition to a two-pillar system. Indeed, the draft law provided for the gradual integration of the newcomers in the public utilities (DEKO) and the banks, as well as the gradual integration of the auxiliary pension funds of the banks with IKA. This measure also featured governmental coordinative discourse during the previous reform episode. The draft law affected all sectors, including the liberal professions, media employees, and farmers. It also suggested the harmonisation of the rules of retirement across sectors according to IKA arrangements. Moreover, it suggested a longer transitional period (fifteen years rather than ten).

Compared to the governmental proposals announced in late July, the draft law was actuarially stricter than it suggested. Specifically, it advanced (To Vima 23 August 1992):

- the reduction of the replacement rate for primary pensions, 70% down from 80%
- the increase of the contribution rates (by 2.5%) to IKA
- the increase of the retirement age to 65 years for IKA
- the introduction of contributions for the civil servants, farmers and pensioners
- calculation of civil servants pensions on the basis of 1/50 interims instead of 1/35
- the association of contributions to the level of their annual income for the liberal professions and the media
- establishment of an upper limit of 10.000.000 drachmas for lump-sum pensions
- the abolishment of indexation of IKA's welfare pensions

Finally, in terms of financing, the draft law integrated the social partners' proposal for tripartite financing for primary pensions and bipartite financing for auxiliary ones. Conversely, the employees would be asked to finance their lump-sum pensions alone. The draft law also included a set of proposals for social funds. Firstly, it suggested their abolishment for auxiliary pensions. Secondly, it proposed 'freezing' them for a year. Finally, it advanced their use as a means to gradually reduce the statutory subsidisation of IKA. Specifically, it proposed the collection of social funds into a

single account from which the needs of the system and IKA's debt would be covered (instead of distributing them to financially healthy funds).

Reactions were immediate and criticism was raised. The walk outs that were organised throughout September 1992 were the biggest since 1989, with participation reaching 75 per cent in some cases (Ta Nea 28 August & 4 September 1992). In the end, not only GSEE and ADEDY joined the protests but also GSEVEE, ESEE, all liberal professionals, representatives from the media, and others. Similar to the previous reform episode, both the normative and the cognitive aspects of the governmental discourse were rejected. Overall, criticism, expressed both in terms of the normative and the cognitive aspects of the governmental policy plans, brought the majority of the key policy actors, including SEV, as well as the policy experts and the opposition, closer to the 'socio-economic disequilibrium' narrative, namely its sectoral approach to the policy problem and the preference for a demand-side economic paradigm.

#### Disagreement on the normative aspects of the governmental coordinative discourse

On the normative level criticism was again focused on the implications of the governmental neo-liberal orthodoxy as well as on issues of social justice. Surprisingly enough the normative basis of the draft law was criticised by ND Parliamentarians. For instance, the ND MP Miltiadis Evert questioned the neo-liberal policy paradigm that the government was following: 'do not forget that our ideology is radical liberalism and not neo-liberalism' (Ta Nea 8 September 1992). Others underlined the lack of social dimension of the governmental economic policies (the criticism was openly expressed by Antonis Samaras, Miltiadis Evert, Bitros, Sotiris Papapolitis, Andreas Adrianopoulos, and Athanasios Kanellopoulos) (Ta Nea 8 September 1992).

The draft law was also criticised on the related issue of adequacy. This time the condemnation came from SEV. The following statement of the President of SEV, Iason Stratos, is indicative:

*'The law is inadequate and coward and in some points the solutions do not fulfil criteria of justice...The protection offered to the pensioners through the new indexation is inadequate'* (To Vima 6 September 1990).

Earlier in the policy process Professor of the Economics of Health, George Kyriopoulos accused the government of social dumping (To Vima 13 October 1991).

Criticism was also raised by the opposition. Specifically, PASOK characterised the draft law as ‘socially rigid’, its aim solely to increase cash-flow at the expense of the wage earners and the pensioners (Ta Nea 31 August 1992). SYN noted that the governmental proposals did not make the system viable but instead set the basis for further changes in the future. The communist party KKE regarded the draft law as ‘dynamite at the foundations of the pension funds’ (Ta Nea 31 August 1992).

Finally, the trade unions were still preoccupied with the implications of the neo-liberal orthodoxy on the future of the labour movement. It is indicative that a few days before the law was voted by the Parliament, the President of the electricity utility union, Nikos Bakoulis expressed his satisfaction that the labour movement survived the governmental tactics:

*‘the labour movement won - it avoided its elimination like the British labour movement. Besides the content of the policy there is the perception of breaching with the unions so that they are weakened, annulled as institutions of resistance, projection and promotion of positions, but also as the constitutive element of the materialisation of social dialogue. Under this scope these politics have also the element of institutional change. There is also the total governmental policy that has a predatory content at the level of survival of the employees and of their rights. It aims to restructure the organisational model of Greek society’* (To Vima 13 September 1992).

In fact, these fears were also affirmed by the experts. For instance, Alexis Mitropoulos, Professor of Social Security Law at the University of Athens claimed that ‘the government is planning the no-unions area’ (Ta Nea 2 & 4 August 1992).

#### Disagreement on the cognitive aspects of the governmental discourse

On the cognitive level, the majority of the key policy actors shared their criticism with policy experts, employers, pension fund governors, and even ND party members about the quality of the measures data that supported them, the method of tackling fragmentation, and the social dialogue process. Cognitively, the majority of the key policy actors were closer to the ‘socio-economic disequilibrium’ narrative, as in general they rejected the systemic approach of the government, whereby the new measures concerned all sectors rather than individual pension funds (To Vima 23 August 1990).

Similarly to the previous episode OTOE the bank sector trade union opposed the compulsory insurance of the newly employed to IKA. On that front, OTOE continued to have the support of the employers regarding the bank sector pension fund (To Vima 28 August 1992). Indeed, the Hellenic Bank Association (EET) and individual banks openly rejected the perspective of integrating the sector's auxiliary pension funds to IKA. Also indicative, is the unanimous reaction of the board of directors and vice-directors of Ktimatiki Bank, to the attempted changes to the auxiliary pension regime of the sector, as well as their unanimous decision to support OTOE's strikes (To Vima 6 September 1992).

Even ND party members sent a letter to the PM, Konstantinos Mitsotakis, suggesting the exemption of public utilities funds from the provisions of the draft law (To Vima 30 August 1992). Many ND Parliamentarians expressed second thoughts about voting for the law. The sectoral approach to the policy problem was also promoted within the Parliamentary arena. By 14 September all parties submitted numerous amendments to Parliament, concerning changes or even the exception of certain sectors (mainly liberal professions) from the provisions of the draft law. At least ninety of these amendments came from the side of the governing party<sup>40</sup> (Ta Nea 14 August 1992).

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<sup>40</sup> Most of the provisions amended concerned the liberal professions (lawyers, doctors, engineers).

Some of the amended provisions were:

- a) imposition of contributions on pensions less than 100.000 drachmas.
- b) progressive calculation of the lower pensions of IKA depending on the days of employment.  
With this a long-term demand of the insured at IKA was fulfilled.
- c) abolishment of most restrictions for death pensions
- d) the salaried engineers and doctors would be insured compulsory to their sectoral funds (TSMEDE and TSAY respectively) as well to the funds that cover their work placement. This means that the state would participate twice to their pensions.
- e) establishment of heavy and arduous occupations at the civil sector
- f) abolishment of the restrictions for the civil sector pensioners to work
- g) reduced pension when retiring five years early for unhealthy and arduous occupations of DEI
- h) exemption from contributions the benefits for Christmas and Easter (holiday gifts)
- i) establishment of the indexation for IKA and special funds. For all other funds indexation is defined with ministerial decrees
- j) all the expenses that the state imposes to funds for the purpose of national developmental policy will be valid only if they are the equal credits are included at the general budget



The limitations of the policymaking capacity of the government were also stressed by employers, policy experts, and ND MPs. For instance, the president of SEV, Jason Stratos questioned the government's capacity to provide a long-term viable solution to the policy problem. He accused it of 'salami tactics' and stated that the draft law 'does not ensure the terms of tripartite financing' (To Vima 6 September 1992). Earlier in the policy process the Professor of the Economics of Health, George Kyriopoulos noted that the lack of provisions explaining how pension fund deficits would be financed by the budget, indicated the government's intention to use the assets of auxiliary pension funds to finance the deficits of the primary funds (To Vima 13 October 1991). Similarly, the IMF noted that governmental policy planning was inefficient. The following extract is indicative:

*'The proposals made so far are inadequate. First we must understand the problem, then clarify the new system and finally decide on the details. The [Greek] government instead has followed the opposite direction'* (To Vima 9 August 1992).

Finally, ND MP, Stavros Dimas criticised the government for bad planning and specifically, for not taking into account potential side-effects social security reform may have in other policy areas like development policy:

*'Social security reform will not solve the problems; it needs to be combined with a development policy. The imposition of economic measures without calculating their economic side-effect leads to the increase of deficits'* (Ta Nea 10 September 1992).

Similarly to the previous reform episode, the scientific/factual backing of the governmental proposals was also doubted. ADEDY had already accused the government of using forged data (Ta Nea 8 July 1992), whereas the president of SEV, Jason Stratos stated that 'there is not enough evidence about [the] viability [of the new provisions]' (To Vima 6 September 1992). Criticism came also from the experts. For instance, the Vice-Director of IKA, Ioannis Roupakiotis pointed to the fact that only 25% of the IKA pensions were for disability, instead of 30-40% according to the governmental announcements; this percentage actually had a decreasing tendency as 23.3% of disabled were 61-65 years old and 51.4% over 65 ( Ta Nea 26 June 1992).

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- k) reduced contributions for the newly insured at insured to TSAY and TSMEDE that are also new to the profession
  - l) exemption of TSMEDE from the provisions about auxiliary insurance

Even the IMF condemned the government for using insufficient data in support of its proposals:

*'In Greece there are never quantitative calculations of the cost...[instead] the mid-term and transitional measures must be defined and calculated. Because there is no calculation of the cost of today's situation the need to reform does not appear particularly pressing and thus radical solutions are not proposed'* (To Vima 9 August 1992).

Finally, SEV and the trade unions, as well as the opposition, criticised the policymaking process and in particular the way the government used the social dialogue framework in order to promote the draft law (To Vima 6 & 8 September 1992). Giannis Gennimatas, PASOK MP and previous Minister of Welfare, supported the trade unions' proposal for a temporary pause (fifteen days) of the discussion of the law in Parliament and the initiation of a new round of deliberations (To Vima 6 September 1992). A similar proposition was also made by SEV (To Vima 6 & 8 September 1992). In fact, SEV had already stated that the situation was not as explosive as the government claimed it to be and that there was scope and need for a substantial social dialogue (To Vima 9 August 1992).

The limited appeal of the governmental 'pension policy crisis' narrative was also confirmed by the popular support of the strikes and walk-outs -even among ND party members and MPs- and the dramatic increase of early retirement applications. The statement of Miltiadis Evert is indicative:

*'Are we convincing so that we have the support of the people? I believe that we do not...'*(Ta Nea 8 September 1992).

Similarly, Panagiotis Bitros, president of the Attica Communication Group and Honorary president of the National Confederation of Greek Commerce (ESEE) essentially questioned the effectiveness of the governmental discourse when he stated that:

*'the government must understand that even if all the measures it takes are on their basis correct, without a comfortable level of popular acceptance, essentially it will not be able to implement them'* (Ta Nea 12 & 13 September 1992)

In this context of general dismissal, social unrest, continuous strikes, massive walkouts, numerous amendments that compromised the initial policy plans, and general cynicism in response to the policymaking process, the content and implications of the governmental policy plans, Law 2084 finally became the new legal

framework to define old age pension arrangements in Greece on 22 September 1992. The following section will look into how the ‘pension policy crisis’ narrative and ‘socio-economic disequilibrium’ one are balanced out into the content of law 2084.

### **8. The effectiveness of the discursive interactions and the Europeanization of pension policy: the content of Law 2084/1992.**

The content of law 2084/1992 reflects the dynamic of the discursive interactions, the effectiveness of narrative strategies, and their limitations in terms of materialising the policy preferences of the key policy actors. The law was the second part of the pension reform process that the ND government initiated in 1990, with Law 1902 aiming to bend fragmentation and to establish a two-pillar pension system. Nevertheless, law 2084/1992 was not that radical, since it reproduced the sectoral approach to the policy problem. Although, the aim of the law was to ‘...reform the system of Social Security in our country and secure its viability in the future’ (Preamble Report 1992: 1), in practice, the government amended its coordinative discourse and treated this reform attempt as another transitional stage towards the establishment of a national system of social security:

*‘Thus the preconditions are created in the long-term to establish a National System of Social Security that will be simple, transparent, and will be governed by unitary principles’* (Preamble Report 1992: 4).

The law also reflected the ‘socio-economic disequilibrium’ narrative in terms of the normative basis of the pension system, as it stipulated the public and compulsory character of the social security system (Gazette of the Government 1992: 3007).

The coordinative discourse of the government was also compromised in terms of fragmentation. Although the government initially included all sectors its policy plans, law 2089/1992 did not permanently amend fragmentation across and within sectors. Similarly to law 1902/1990, it only concerned certain occupational categories, namely employees in the private, and civil sectors, and to a limited extent, the self-employed. The pension regimes of the utilities and banking sectors, as well as those of seamen, farmers, those employed by the press and the liberal professions remained intact. Conversely, the civil sector, the army, the police, prefectures and deputy prefectures were all exempted from the provisions of law. The banking sector was affected by the

transitional provisions only. Moreover, the law distinguished between two cohorts, those who entered the system before and after 1 January 1993. Hence, big discrepancies remained between and within sectors, depending on the cohort and the gender of the insured. On top of that, the transitional provisions maintained the distinction between the pre- and post-1983 cohorts: that law 1902/1990 had introduced and further differentiated between those retiring before and after 1998. Also law 2084/1992 retained the distinction between men and women, as well as between single women with dependant or disable children, mothers with three or more children, and all other female employees.

Furthermore, it is questionable whether the road to a national social security system was paved, as the law did not offer a framework for the integration of pension funds. Instead, it established the possibility to integrate the primary and auxiliary pension funds on the basis of actuarial studies. It also laid the foundation for compulsory integration to IKA-ETAM of the specific auxiliary pension funds, that could not offer a minimum level of social security or those with a dependency ratio of 1:2. Nevertheless, the law did not introduce the framework for this integration (as with the case with the integration of welfare pension funds of the civil servants that law 1902/1990 introduced). Similarly, although the law introduced the possibility to invest pension funds assets and to deposit their surpluses with an interest rate equal to that offered by the Hellenic Postbank, it did not establish a clear framework as how investments would be made and managed. Overall, fragmentation, multiplicity of regulations, and sectoral logic remained the dominant characteristics of the Greek pension system.

In terms of actuarial fairness, Law 2084/1992 was closer to the ‘pension policy crisis’ narrative, as it followed the path opened by law 1902/1990. The law promoted the actuarial harmonisation of retirement preconditions across its relevant sectors. Its provisions focused on newcomers only (post-1993 cohorts). Provisions affected both the private sector employees and the civil servants. Additionally, they applied unitary rules across their retirement regimes. Although these provisions increased cash inflow, by extending working life in IKA and the civil sector, the system remained widely irrational and wasteful. In general, the measures were not based on actuarial

studies, whereas their time horizon was only twenty years, a very short time span for pension policies. More specifically they included the:

- retirement at 65 years of age with 15 years of employment for both men and women.
- reduction of the replacement rate for primary pensions from 80% to 60%.
- increase of contribution rates by 3.65%
- introduction of contributions for pensioners (except OGA and NAT)
- preferential retirement age (55 or 53) for mothers and employees in heavy and unhealthy occupations
- introduction of contributions for civil servants equal to those paid at IKA
- calculation of civil servants pensions on the basis of salaries received in the last 5 years of employment (harmonisation with provisions for IKA)
- establishment of reduced pensions for early retirement
- change of the preconditions for the allocation of survivor pensions and limitation of the people entitled to them
- revision of the preconditions for the allocation of disability benefits
- provisions about the employment of pensioners
- establishment of an upper limit for lump-sum pensions
- establishment of a lower limit for primary pensions
- establishment of the Social Solidarity Account (LAFKA)

Additional elements of the ‘alternative conclusions’ of GSEE that were included in the law, were the obligation of pension funds to conduct actuarial studies from 1993 onwards and the provision to maintain electronic records of the insured population at the General Secretariat of Social Insurances. In this sense, it was a first step towards computerisation. Nevertheless, none of these measures were ever applied. Similarly, was the case with the marginal provisions about contribution evasion, as the law did not establish a solid mechanism through which contributions would be collected in the future. Also, the law did not modernise the system, in the sense that it did not introduce provisions for flexible employment and new career patterns. Finally, since law retained the indexation of lower pensions to civil servants’ salaries that law 1902/1990 introduced, it maintained a negative impact on the minimum monthly pensions that polarised social security provisions (Petmesidou 2000: 310).

## **9. Conclusions.**

This chapter looked at the second attempt of the Greek governments to change the pension system towards the direction of a two-pillar policy design. The initiative was part of the shift to supply-side economic policies, which was initially linked to the attainment preconditions of an EU loan and later to the country's major European objective, the EMU membership. The first observation is that evidence of this reform episode confirms the first hypothesis of the thesis:

*H1. The type of institutional system defines the function of the policy discourse the governments will mostly utilise at the policy process. If a polity is simple polities then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

Indeed, although discursive interactions took place at the coordinative and communicative level, policy actors developed their policy narratives and strategies at the communicative one. In other words, the communicative discourse was thicker than the coordinative. Indeed, although discursive interactions took place at the coordinative and the communicative level, policy actors developed their policy narratives and strategies at the communicative one. In other words, the communicative discourse was thicker than the coordinative. This does not mean that there were no discursive interactions at the coordinative level. There were two governmental attempts to organise social dialogue, both of which were superficial, badly organised and essentially lacked the will to build consensus, and a consistent and concrete coordinative discourse on behalf of the government. The first one took place within the Fakiolas Committee that was totally undermined by the government as well as the majority of the participants. In fact, the government confirmed that the Fakiolas Committee was nothing but a smokescreen to hide the presence of bureaucratic committees and the IMF working simultaneously on the policy problem. The second attempt to organise social dialogue took place on the level of bilateral meetings, during which the governmental coordinative discourse changed and the IMF report was used in order to manipulate the reactions of the public and the trade unions. Finally, by the time the government announced the draft law, its coordinative

discourse had changed once more. Shortly after the announcement of the governmental plans, the deliberations collapsed and the discursive interactions at the coordinative level were effectively dropped.

Overall, the narrative strategies were developed at the communicative level. The government attempted to legitimise its policy choices and gain public support by discrediting the trade unions and in particular those of the utilities and bank sectors. On the other hand, the trade unions also tried to build popular support for the extant system, by contrasting its public and social character to the governmental neo-liberal philosophy and to the incapacity of the extant system to fulfil social needs. When the government finally announced its policy plans, the discursive interactions at the communicative level intensified. The government this time spoke about the average citizen who works in the private sector and the unionised guilds who work in the public sector. In contrast, the trade unions warned the Greek people about the forthcoming additional retrenchment of pension policy, because the previous law the government introduced actually worsened the finances of the system. The massive walkouts and the strikes that took place, as well as the various amendments, indicate that the governmental policy plans eventually lacked legitimacy both in its normative and cognitive aspects.

Evidence also confirms the second hypothesis of the thesis that focuses on the narrative strategies of the government and the rest of the policy actors:

*H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

There were two narratives during this reform episode. The government reiterated the 'pension policy crisis' narrative devised during the previous reform episode, essentially maintaining all of its original characteristics. On the other hand, the trade unions and the self-employed developed the 'socio-economic disequilibrium' narrative, that supported a supply-side economic paradigm instead of a populist redistribution. This narrative was also supported by the liberal professions, seamen and farmers, and implicitly, by SEV, who rejected the doomsday logic of the governmental causal story. The stories justified two different sets of preferences. On

one hand, the ‘pension policy crisis’ narrative reflected a preference for a supply-side economic policy paradigm, a two-pillar pension system, the elimination of fragmentation, actuarial fairness, the separation of the welfare from the security elements of the policy, and partial privatisation of the system. The ‘socio-economic disequilibrium’ narrative on the other hand, reflected the preference for a demand-side redistribution, a Bismarkian pension system with a public and social character, fragmentation, and preferential pension arrangements.

Both stories were based on inadvertent causation that associated the causes of the problem primarily to the unintended consequences of the policy. The main characteristic of the narrative strategies is that they were conflictual . Indeed, both stories placed blame on both their opponents and previous governments. Moreover, the government expanded the policy issue to Greek society, whereas the ‘socio-economic disequilibrium’ narrative contained the policy issue to the insured population only. Both narratives justified the necessity of the reform, on the basis of its financial viability. Moreover, both of them were based on inadvertent causation, that associated the causes of the problem primarily to the unintended consequences of the policy. Also, they located the causes of the policy problem to exogenous and endogenous factors. According to the governmental narrative, the exogenous causes of the problem included the economic crisis the country was in, as well as the demographic changes. In contrast, according to the ‘socio-economic disequilibrium’ scenario, the exogenous causes were linked to the spill-over effects of economic and income policies to pensions.

In terms of the endogenous factors, the narratives focused on different aspects of the pension policy. The governmental story stressed elements that had a negative impact on actuarial fairness, such as fragmentation, the multiplicity of regulations and distortions that encouraged early retirement and increased spending in a socially inefficient way. It also highlighted systemic distortions that included the exploitation of disability pensions, the variation of retirement age limits, the strong incentives for early retirement, the long list of heavy and unhealthy occupations. Finally, the ‘socio-economic disequilibrium’ narrative, linked the endogenous causes of the policy problem to bad governmental choices. These included contribution exemption policies, inadequate mechanisms to curb contribution evasion, the use of the deposits



of the pension funds to finance developmental policies and political clientele, the imposition of high rates to the loans of IKA, the anachronistic operational and managerial framework of pension funds, and the denial of the government to support financially the system.

The main characteristic of the narrative strategies was that they were conflictual. Indeed, both stories blamed the policy problem on their opponents. In fact, the social partners' narrative also accused the government of intentionally contributing to the policy crisis. Indeed, the government talked about the privileged guilds, that do not respect the democratic rules and try to protect their power and privileges at the expense of the unprotected Greeks. In fact, the governmental narrative blamed the utilities and banks sector unions for the policy problem. Instead, the trade unions accused the government of neo-liberalism and of retrenching social security in favour of private insurance companies. Finally, the government expanded the policy issue to the whole of Greek society, whereas the 'socio-economic disequilibrium' narrative contained the policy issue to the insured population only. The aim of the reform, according to the 'pension policy crisis' narrative was to protect the unprivileged Greeks from the privileged guilds. In contrast, according to the 'socio-economic disequilibrium' narrative, the policy problem concerned the insured population, who would bear all of the cost of pension policy reform.

Finally, the findings of the chapter confirm that the lack of trust in the government and its policy intentions was present throughout the reform episode.

*H3. A policy narrative will produce an effective policy discourse if the key policy actors or the public or both trust the narrator.*

The findings presented in this chapter show that trust is linked to the effectiveness of policy discourse. Specifically, the chapter shows that mistrust and fear were constantly present throughout the policy process. The ambiguity of the governmental discourse, the vagueness that surrounded the social dialogue process and the bad memories of the previous reform episode contributed to the climate of disbelief. Indeed the governmental inconsistency was the main characteristic of this reform episode. Although at the beginning of the policy process the government seemed keen to coordinate the deliberations within experts committees, it later switched to bilateral

meetings. Likewise, while it tried to monopolise the policymaking process and to keep the trade unions away, it remained unable to come up with a clear policy plan or a strategy for reform. Similarly, although it seemed initially keen to integrate some elements of GSEE's proposals, in the end it changed its coordinative discourse. Moreover, the government blocked once more the early retirement process, a move that broke its promise to ADEDY and GSEE and in this way reinforced fear, panic, and mistrust about its policy plans.

On top of this, the secret committees and studies on pension reform, as well as the secret appointment of the IMF, contributed to the climate of mistrust. Even more so, was the case of the Fakiolas Committee - the one that drew most of the public attention. Overall, the government used all of the committees/reports as a smokescreen in order to keep the social partners and in particular, the trade unions, away from the policy formulation process. This was even the case with the IMF report that the government itself had commissioned. The Fakiolas Committee in particular was totally undermined, primarily by the government and eventually by the majority of its members. Halfway through its meetings GSEE, PASEGES and GSEVEE left the Committee. In this context, the climate of uneasiness and incredulity to the government's intentions strengthened the resistance of key policy actors.

On top of that, the criticism raised by trade unions, SEV, the experts and the opposition, about governmental capacity to plan and formulate policies, the quality of the data the government used as a basis of its policy plans, and the social dialogue process, generated mistrust and fear between the policy actors and the public. For instance, SEV rejected the governmental coordinative discourse and suggested that the changes it justifies cannot provide a long-term solution to the policy problem. Similarly, the IMF as well as ND parliamentarians, suggested that policy planning was inefficient. Apart from the sufficiency and adequacy of the measures, the quality of the data used to support them was also criticised. Indeed ADEDY, the Professor of Health Economics, George Kyriopoulos and the Vice-Director of IKA accused the government of using forged data, whereas SEV and the IMF suggested that there was not enough evidence to support the proposed measures.

The conflictual narrative strategies elicited fears and mistrust about governmental intentions, policy choices, and the overall implications of its policy plans, given its policy preferences. Indeed, support for the unions' preferences and narrative also came from the opposition, policy experts, and the governing party. The Hellenic Bank Association and the vice-directors of Ktimatiki bank, for instance, supported OTOE. PASOK, SYN, and KKE on the other hand, reinforced the fear that the governmental plans would demolish social security that was cultivated by the 'socio-economic disequilibrium' narrative. Finally, ND Parliamentarians and party members expressed their support for the sectoral approach to the policy problem, which they pursued later through the numerous preferential amendments to the draft law they suggested in Parliament. Moreover, this time ND party members also rejected the neo-liberal economic policy model the government was promoting.

Similarly to the previous reform episode, the evidence of this chapter shows that the effectiveness of governmental discourse was also affected by three deeper factors. Specifically, the chapter points at the policy preferences of the government, the governmental capacity to plan and coordinate its actions, and the role of experts in the policy process. Indeed, the governmental policy plans and coordinative discourse remained ambiguous and inconsistent for the biggest part of the policy process. Moreover, although the government assigned various expert committees and bodies to study and report on the policy problem and its solutions, in the end it did not employ any of the committee findings. Instead, the report of one committee would be the object of study of the next one. In contrast, GSEE produced a study on pension policy which provided the basis of its coordinative discourse and consolidated a number of preferences of the rest of key policy actors (but SEV).

Likewise, according to the findings of the chapter, the effectiveness of the governmental discourse was also linked to the contradicting pension policy preferences and broader economic paradigm. Effectively, the majority of key policy actors, i.e. the trade unions, the self-employed, the liberal professions, the seamen and the farmers were still in favour of the extant fragmented Bismarckian system, with its preferential pension arrangements. Normatively, their policy priorities remained the maintenance of the public and social character of the pension system and the protection of the vested rights. In order to armour the system against privatisation, the

compulsory character of social security was added to the list of preferences. The expansion of pension spending was also put forward, so that the social security standards in Greece would converge with those of the rest of the EU countries. Overall, these policy preferences were compatible with demand-side redistributive policies and against the neo-liberal economic policy model advocated by the government. The negative implications of the neo-liberal paradigm to the policymaking future of the labour movement were another issue that preoccupied the trade unions and stimulated mistrust. The trade unions were afraid that the ultimate goal of the government was the elimination of the labour movement, a fear that was also affirmed by the experts.

On the other hand, the government and SEV were still in favour of a two-pillar pension system, the main characteristics of which were the separation of welfare elements from security, the introduction of funded elements, and reduction of pensions associated with actuarial fairness. The preference for a two-pillar system was also linked with supply-side economic policies. The position of SEV, however, was not so clearly defined during this reform episode. To start with it was now open to accept the rest of the key policy actors request for pension fund grouping. Moreover, despite the fact that its policy preferences were *gorso modno* expressed by the governmental narrative, SEV joined forces with the rest of the policy actors and questioned openly both the normative and the cognitive aspects of the governmental discourse. It also questioned the justification of necessity of the reform the 'pension policy crisis' narrative used. Indeed, according to the president of SEV Jason Stratos, the nature of the policy problem was not explosive. In the end, even though SEV shared policy preferences with the government, it rejected the law and aligned with GSEE over the need for a new social dialogue process and ultimately a new legislation that would facilitate the convergence of social security standards in Greece with those at the rest of the EU countries.

Overall, Law 2084/1992 reflected the dynamics of the discursive interactions, the ineffectiveness of the governmental discourse both on the normative and cognitive level and eventually its limited role in raising consensus and building legitimacy over pension policy adjustment to a multi-pillar, adequate, financially sustainable, and modern, pension system. In general, the law failed to establish the preconditions that

would enable the transition to a two-pillar system; it failed to contribute to the reduction of poverty amongst the retired population; and it failed to extend its provisions to flexible patterns of employment and it did not promote equality between men and women. Its provisions focused more on actuarial fairness and in that sense, the law promoted financial sustainability to an extent without really solving the financial problem of the system. Instead, the law reproduced the sectoral approach, favoured by the ‘socio-economic disequilibrium’ narrative, in that it did not concern all sectors, but instead the employees in the private and civil sectors, and to a limited extent, the self-employed. The distinction between the pre- and post-1993 cohorts, on the top of the differentiation of the pre- and post-1983 cohorts previously established by Law 1902/1990 contributed to fragmentation. At the same time, however, like the previous legislation its provisions were applied evenly across the sectors it concerned, despite the fact that it did not eliminate the differences between them. Similarly, to the previous reform episode, the law affected the vested pension rights of these sectors, as it promoted the harmonisation of retirement rules. Finally, the law also integrated some elements of GSEE’s preferences regarding the conduction of actuarial studies and provisions about contribution evasion.

Finally, this reform episode also shows the limits of the Europeanization within the Greek context. Indeed, the hard constraints stemming from the loan preconditions and EMU membership criteria were not enough to facilitate policy adjustment in a policy area affected by hard conditionality in an indirect way only. The majority of key policy actors were not ready to make the necessary concessions whereas the experts, the opposition, the public, and effectively, the ND parliamentarians rejected the multi-pillar pension policy design and its priorities as favoured by the EU. The overwhelming support for the ‘socio-economic disequilibrium’ narrative is also indicative of a broader aversion to the supply-side model of economic growth promoted by the EMU and the necessary economic, and structural adjustments linked to the euro-entry criteria.

## **Chapter 5 – Pension reform in the era of ‘modernisation’.**

### **1. Introduction.**

This chapter looks into the first attempt of the PASOK government to reform the pension system that was part of a bigger effort to modernise the country. It looks at two reform initiatives. The first one took place in 1997, whereas the second was instigated in 2001 a year after the national elections. The policy narratives and strategies during this reform episode were developed at the coordinative level, rather than the communicative one. Table 3 shows the characteristics of the policy narratives and the discursive strategies developed in this reform episode. Specifically, the government expressed two different narratives. The first one framed the 1997 initiative and represented the ‘population ageing’ scenario. The second narrative framed the 2001 initiative and articulated the ‘financial constrains’ causal story. On the other hand, the trade unions continued with the ‘socio-economic disequilibrium’ one.

The narratives justified different sets of preferences. The governmental ones reflected the preferences of the SEV and the government, and were in favour of a supply-side model of economic growth, a multi-pillar pension system, the elimination of fragmentation, actuarial fairness and the separation of the welfare elements from the security ones. The ‘socio-economic disequilibrium’ narrative reflected the preferences of the rest of the key policy actors. It maintained the preference for a demand-side paradigm of economic growth, the extant Bismarkian pension system, with its public and social character, fragmentation and preferential pension arrangements. It also favoured the Europeanization of the social security standards. In the end the ‘socio-economic disequilibrium’ narrative was more effective due to lack of trust in the government and its intentions.

The main characteristic of the narrative strategies was that they were conflictual, as all stories blamed their opponent about the policy problem. Also, all of them were based on inadvertent causation. The governmental narratives justified the necessity of pension reform, on the basis of demographic changes and the socio-economic

implications of the reduction of resources. The trade unions' narrative on the other hand, justified necessity on the basis of the financial deficits, as well as the deficit in the balance of satisfying socio-economic needs. The governmental narratives expanded the policy issue to the whole of the society. In contrast, the 'socio-economic disequilibrium' narrative contained the policy problem for the insured population.

**Table 3 - The characteristics of policy narratives and narrative strategies in the era of 'modernisation'**

	Population ageing narrative	Financial constrains narrative	Socio-economic disequilibrium narrative
Policy actors	Government, SEV	Government, SEV	The rest of key policy
Policy preferences	<ul style="list-style-type: none"> <li>• Supply-side economic paradigm (modernisation/ EMU)</li> <li>• Multi-pillar pension system</li> <li>• Actuarial fairness</li> <li>• Elimination of fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>• Supply-side economic paradigm (modernisation/ EMU)</li> <li>• Multi-pillar pension system</li> <li>• Actuarial fairness</li> <li>• Elimination of fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>• Demand-side economic paradigm</li> <li>• Europeanization of social security standards</li> <li>• Bismarkian pension system</li> <li>• Public and social character of the system</li> <li>• Bi-polar pension system and maintenance of fragmentation and preferential pension arrangements</li> </ul>
Justification	<ul style="list-style-type: none"> <li>• Urgent need for</li> </ul>	<ul style="list-style-type: none"> <li>• Urgent need for</li> </ul>	<ul style="list-style-type: none"> <li>• Deficit in the</li> </ul>

of necessity	<p>reform</p> <ul style="list-style-type: none"> <li>• Socio-economic implications of population ageing.</li> </ul>	<p>reform</p> <ul style="list-style-type: none"> <li>• Reduction of financial resources</li> </ul>	<p>balance of satisfying socio-economic needs</p> <ul style="list-style-type: none"> <li>• Financial deficit.</li> </ul>
Justification of appropriateness	<ul style="list-style-type: none"> <li>• Viability</li> <li>• Intra &amp; inter-generational solidarity</li> <li>• Restoration of social equality, justice and stability</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth and viability</li> <li>• Economic feasibility</li> <li>• Social justice</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of the social, public, character of the system</li> <li>• Social cohesion, protection, solidarity</li> <li>• Just distribution of income</li> <li>• Convergence with EU</li> </ul>
Narrative strategies	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused by demographics, fragmentation, and the PAYG financing principle</li> <li>• Expanded the policy problem to the society</li> </ul>	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused by demographics, disjointed link between contributions and benefits</li> <li>• Expanded the policy problem to the society</li> </ul>	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> <li>• Inadvertent causation</li> <li>• Problem caused demographic changes</li> <li>• Globalisation</li> <li>• Competitiveness</li> <li>• EU commitments related to fiscal discipline</li> <li>• Contained the policy problem</li> </ul>



Effectiveness	Ineffective due to mistrust	Ineffective due to mistrust	Effective due to trust

The chapter tests all three hypotheses of the thesis, regarding the relationship of the political institutional framework with discourse, the discursive strategies the key policy actors developed, and the role of trust in determining the degree of discursive effectiveness. Its findings reject the first hypothesis and confirm the last two.

## **2. EU pressures for policy adjustment: pension reform in the context of the modernisation project.**

EU pressures for policy adjustment during this reform are a mix of strong and soft stimuli for reform. Indeed, until 2001 the pressures to reform pensions stem from a hard constraint, namely, EMU membership and the euro-entry criteria, as well as a soft one, namely the Lisbon programme (after 2000) and its structural reform agenda. From 2001 onwards EU pressures to reform pensions were only linked to the Lisbon programme as the country managed to enter the euro-zone in January 2001.

In 1993 PASOK came back in power when the ND MP Antonis Samaras resigned, breaking ND's slight 151 seat majority in Parliament<sup>41</sup>. The last premiership of Andreas Papandreu was marked by his deteriorating health, which drove the country to paralysis and eventually to elections in 1996. Pension reform returned to the governmental agenda in 1996, when the new leader of PASOK Kostas Simitis won the elections with the promise to modernise the country. The new government immediately came under intense pressure to secure EMU membership. The threat of Greece being left outside the core of Europe was real. In 1996 inflation was 7.9%, the public deficit was 7.4% of the GDP, and the public debt 111.3% of the GDP. Although there was no conditionality for pension reform stemming from the Maastricht criteria, social expenditure in 1996 was 22.5% of the GDP (OECD 2001), more than half of which was directed to social security. In this context, it is not surprising that its reform remained a top priority for the government

<sup>41</sup> In order to form a government a party must occupy over 150 seats in the Parliament.

Modernisation was the overarching political and economic project that framed all governmental initiatives. It was equated with Europeanisation, and its aims included economic growth and structural reconstruction of the economy and state. It also coincided with new European social agenda and its three major goals 'Growth, Employment, and Competitiveness'. Hence, Simitis' commitment to EMU membership would not affect PASOK's commitment to 'social cohesiveness'. The following extracts from Simitis' speeches are indicative of links between modernisation, EMU membership, and the Lisbon programme:

*'We made a commitment to the Greek people to follow the route towards a modern and powerful Greece...these two strategic goals are directly linked to:*

*Firstly, our full participation in the EU...*

*Secondly, the creation of a modern and competitive economy, that will safeguard the development of the country and the people. The modern and competitive economy is simultaneously the precondition for Greece to become a full member at the core of the EU's future decision making centre, the EMU.*

*Thirdly our two big goals are directly linked with the modernisation of the polity and society' (Simitis 1997 b: 1).*

*'the government follows a policy that aims simultaneously to fiscal rationalisation, combat inflation, growth, employment and social cohesion' (Simitis 1997d: 2).*

Pension reform was integral to modernisation and one of the structural changes the government would pursue:

*'our effort for a radical modernisation of the society, the economy and the administration...is associated with critical structural interventions at the level of the state...the labour market and the social security system' (Simitis 1997a: 5, 9 &12).*

The modernisation of the economy and the society also entailed the redefinition of basic political arrangements that determined policymaking and Greek politics in general. The implication was that if Greece was to successfully participate in EMU and in EU integration, deep changes were necessary, not just at the level of economy, but most importantly with the social contract. This included the relationship of political parties with society and the association with it clientelism, statutory favouritism, and the interests vested in these arrangements:

*'The initial factor is to understand that the enterprise of the modernisation of the country means the radical changes of some aspects of the traditional relation of the party with the society...the party is not a patron and guardian, but a guarantor of transparency, parity, meritocracy, and the dignity of the people...our society is a society of groups with conflicting interests, guild volutes, inequality of regulations that are based on clientelist relations [and] differentiations that are the result of*

*blackmail. We want to overcome these social groupings and divisionary operations. There will be...clashes. The establishment is defending itself. Because the mentalities and the practices of the state of dispensations and of the guild organisations will be defending themselves'* (Simitis 1997b: 4 & 1997c: 8).

Although the government had not announced a specific 'modernised' policy design, its policy preference was already explicitly expressed in PASOK's 1996 elections programme (PASOK 1996: 104-105). This included the introduction of a two-pillar pension system, whereby the first pillar would be a national pension scheme and the second an occupational one. The primary scheme would be financed on a tripartite basis, whereas the auxiliary and lump-sum pensions would be financed by the employers and the employees only. The system would initially apply to the new entries, but it would gradually integrate all the insured.

Although modernisation and EMU membership were top 'national' priorities (Simitis 1997a: 4-5), the government did not really use the EMU in its narrative strategies as a 'commitment device' (Featherstone and Papadimitriou 2008) to justify pension reform. Instead, it followed a similar strategy to the one devised by the ND governments. Overall, the narrative strategies during this reform episode reflected the distinction between the preference for a multi-pillar pension system in a supply-side Europeanized economy, and the preference for the expansion of spending in a demand-side economy. The following section will deal with the narratives of the key policy actors.

### **3. Discursive mechanisms: policy actors and their narrative strategies.**

The main characteristic of this reform attempt is that the government did not articulate a communicative discourse. Unlike the previous reform episodes, this time the coordinative discourse was thicker than the communicative. Although Simitis was keen on having an open dialogue with the public (Tinios Interview 15 December 2006), he also believed that the experts' reports could best prepare society for a far-reaching reform and should therefore, form the basis for dialogue (Papaioannou Athanasios Interview 20 December 2006). The government devised two separate policy narratives at the coordinative level. During 1996-1997 it expressed the 'population ageing' narrative, whereas in 2001 it articulated the 'financial

constraints'. On the other hand, the trade unions, the self-employed and the key policy actors, SEV notwithstanding, continued to express the 'socio-economic disequilibrium' narrative. Similarly to the previous reform episodes, the discursive interactions were conflictual. Indeed, both the 'population ageing' and the 'socio-economic disequilibrium' narratives attributed blame for the policy problem. Also, they favoured different approaches to the policy problem. The governmental narratives favoured a systemic approach, whereas the 'socio-economic disequilibrium' narrative continued to promote the sectoral approach to the policy problem and to advocate the grouping of similar pension funds on a sectoral level.

Like the previous reform episodes the narratives were also linked with the economic paradigm each side advocated. Both of the governmental narratives aimed at facilitating the modernisation project, EMU membership and the supply-side economic paradigm. According to the 'population ageing' narrative pension reform is closely linked with the macroeconomic goals of the government:

*'The discussion about the social security issues focuses mainly on a distant time horizon and on the thorny 'existential' problems of the social security system. This obscures the question of how this system deals with short-term issues, particularly as regards macroeconomic stability...the social security system can play an important role in the attainment of the macroeconomic goals, on the basis of which the eligibility of EU member states for participation in EMU is based'* (Committee for the Study of Long-term Economic Policy 1997: chapter 6).

Likewise, the 'financial constraints' narrative stressed the relationship of pension reform with economic growth:

*'The equilibrium of the social security system is a policy goal across EU and it is considered an important term for the process of growth...'* (Ministry of Labour and Social Insurances 2001a: 1)

Instead, the 'socio-economic disequilibrium' narrative was linked with the preference for redistributive demand-side economic policies, the expansion of social security provisions and the Europeanization of social security:

*'Simple...interventions are not enough...[for] an efficient and viable social security reform; instead long-term reforms are necessary that will lead to a more just distribution of the wealth...and will set the terms for the construction of a European Social Security system...'* (GSEE 1997: 18, 2000: 29, 31, 46).

Compared to the previous reform episodes, the governmental narratives stressed the urgent need for dramatic reform. Although they did not reflect a doomsday scenario,

they both underscored that the window of opportunity for pension reform would not be open for long and that changes would be more painful once it was closed. The following extracts are indicative of the time constraint both governmental narratives utilised:

*'Any hurry will be harmful. A well-founded, technically sound solution which is grounded on common agreement is preferable to a hasty solution...The time available for dialogue is not unlimited. The window of opportunity which may exist now will remain open for a few more years...The sooner the corrective measures are taken, the less will be required'* (Committee for the Study of Long-term Economic Policy 1997: chapter 1)

*'The sooner the changes take place, the less the insecurity and the less extreme the changes that will affect a significant part of the insured after a few years'* (Ministry of Labour and Social Insurances 2001a: 1).

Initially, the governmental narrative justified the necessity of pension reform on the basis of population ageing and its implications on national economy and the society:

*'The fundamental problem is the **ageing society**<sup>42</sup>. Pensions are merely the field where the problem appears first, in a broader environment which will be radically different. These changes will affect society and also the economy's potential'* (Committee for the Study of Long-term Economic Policy 1997: chapter 2).

Later, the government changed the justification for pension reform. According to its 'financial constraints' narrative, pension reform was necessary due to the reduction of financial resources:

*'... the perspective of the reduction of the inflows coming from Structural Funds and the need to substitute them with national funds [that should be directed to investments], the limited capacity to extract alternative funds which in the past supported the budget, and the need to cover multiple social and developmental requirements...make reform of the pension system necessary'* (Ministry of Labour and Social Insurances 2001a: 1)

Instead, according to the 'socio-economic disequilibrium' narrative, the pension system was in crisis, due 'the disequilibrium in the balance of satisfying socio-economic needs, and the financial deficit' (GSEE 2000: 31). The policy problem was the large deficit of the system and the erosion of its capacity to replace income (GSEE 1997: 9-11, 2000: chapters 2 & 3). In this context, pension reform was necessary in order to secure 'the economic viability and the social effectiveness' of the system (GSEE 2000: 32).

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<sup>42</sup> Emphasis in the original.

All narratives were based on inadvertent causation that focused primarily on the unintended consequences of the pension policy, as well as changes in the international setting. According to the ‘population ageing’ narrative, causes of the pension problem went beyond demographic changes, namely the fragmentation and the PAYG financial principle of the system, which concealed the link between contributions and benefits:

*‘The extensive segmentation of the system obscures the problem, conceals solutions and ultimately perpetuates the social security problem...As a general rule the protection provided by the state must be uniform for all. Any deviations...should be financed by those directly benefiting. This rule is difficult to be complied...under a pay-as-you-go scheme...as there is no...direct (and unbreakable) logical link between contributions and pensions, especially if it is possible to shift the burden to the next generation’* (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 2 & 4).

For the ‘financial constraints’ narrative on the other hand, the causes of the policy problem were population ageing as well as elements that distorted actuarial fairness.

These included (Ministry of Labour and Social Insurances 2001a: 3):

- the regime of early retirement
- the indexation of pensions
- the contribution rates
- the replacement rates.

Instead, according to the ‘socio-economic disequilibrium’ narrative, the causes of the policy problem stemmed from changes occurring at the international level, such as population ageing, globalisation, and the competitiveness of national economies, which are also linked with EU policy commitments, related to fiscal discipline and the reduction of public spending:

*‘...social security institutions surrender to the...conditions of globalisation and the goals of economic competitiveness...The submission tendencies...are expressed with policies that either result from the European Treaties of Union/Unification, or are the consequences of programmes of convergence. In parallel, the priorities of fiscal discipline and public spending reduction...have direct negative consequences on the income of the system of social security...’* (GSEE: 2000: 9-10).

The ‘population ageing’ narrative as well as the ‘socio-economic disequilibrium’ one attributed blame to past governments and other policy actors/occupational sectors. Specifically, both narratives held past governments responsible for mismanaging the pension fund reserves, in order to finance development and social policies instead of

creating capital for the social security system ('nationalisation' of private savings) (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 3; (GSEE 1997: 9-11 & 2000: chapters 2 & 3).

The 'socio-economic disequilibrium' narrative also blamed the government for using pension fund reserves, in order to favour certain economic interests through the facilitation of the black market, contribution evasion and exclusion of certain occupational groups from the system (GSEE 1997: 9-11 & 2000: chapters 2 & 3). Instead, the governmental 'pension policy crisis' narrative attributed blame to the pension funds managers for mismanagement, which was epitomised by the particularistic treatment of certain sectors (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 4). Moreover, it blamed the wealthy sectors that seceded themselves and refused to share the overall burden of social risks (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 4). In this way, they privatised the system, as they established their independence of society while preserving the government guarantee against bankruptcy (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 4). In fact the report clearly referred to the special funds of DEI, OTE, and the banks:

*'In the typical case, wealthy sectors refuse to share in the overall social burden and restrict their solidarity only at occupational level (this is the case e.g. DEH in 1996, OTE Personnel Insurance Fund, several banks, and the current proposal for a single social security fund for bank employees. Secession is just an extreme form of privatisation, legally establishing independence from society, while retaining government guarantee for non-bankruptcy' (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 5)*

Both governmental narratives expanded the policy issue to Greek society. Specifically, according to the 'population ageing' narrative, 'the problems to be dealt with concern our society as a whole' (Committee for the Study of Economic Policy in the Long-Term 1997: introduction & chapter 1), whereas according to the 'economic disequilibrium' narrative, 'the equilibrium of the social security system is...an important term for...social stability' (Ministry of Labour and Social Insurances 2001a: 1).

In contrast the 'socio-economic disequilibrium' narrative contained the costs of the policy issue to the employees and the insured:

*'the social security system in Greece is already incapable to respond to the fulfilment of its mission, which is covering the security needs of the insured and the pensioners...a more general picture of today's situation is depicted in the findings of our special research according to which one to four pensioners of the urban economic sector...as well as all pensioners of OGA live below the poverty line...'* (GSEE 2000: 18 & 19).

According to the 'population ageing' narrative, the task for pension reform was to offer solutions that would promote the system's viability in light of certain demographic trends and would be designed in a way that would treat fragmentation and facilitate the link between contributions and benefits of inter- and intra-generational solidarity (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 4). The 'financial constraints' narrative on the other hand, connected pension reform with economic growth, the system's viability, the improvement of its organisational structure and its operation. Moreover, the narrative posited that the new policy should be economically feasible and take into consideration the relationship between social security and employment (Ministry of Labour and Social Insurances 2001a: 1 & 4).

According to the 'population ageing' narrative, the normative basis of the governmental policy choices was the restoration of social equality, justice, stability and solidarity by treating occupational sectors in an equal way, and by redistributing risk and state assistance evenly across sectors and generations (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 5). This included measures against fragmentation that could possibly change the policy design to a three-pillar one; measures that promote modernisation, such as, means tested benefits; and measures that would promote actuarial fairness (Committee for the Study of Economic Policy in the Long-Term 1997: chapters 3 & 5).

Instead, according to the 'financial constraints' narrative the normative basis of the governmental policy plans was viability, social justice, economic feasibility, and the balance between social security, growth and employment, (Ministry of Labour and Social Insurances 2001: 4). This could include a combination of measures that promote actuarial fairness, integrate tiers of protection, change the policy design to a multi-pillar one with funded elements, and result in a better organisational structure and operation (Ministry of Labour and Social Insurances 2001: 4).



Finally, according to the ‘socio-economic disequilibrium’ narrative, the normative goals of the reform should be, the promotion the public and social character of social security, which included social protection, social cohesion, social solidarity, and just distribution of income (GSEE 2000: 1-3 & 16). This reform also included long-term solutions, such as, full-employment labour and tax policies (GSEE 2000: 16-17), tripartite financing, as well as changes to the organisation and operation of the system, the improvement of level of benefits and its relation with private pension schemes, and the convergence with the social security of EU member states (GSEE 2000: chapter 4).

This section looked into the policy narratives that dominated the policy process. The following one will look into the policy coordination process, the policy solutions that were negotiated within it, and way the process was framed by these narratives.

#### **4. Planning the social dialogue: the mini social security Law and the new social contract.**

On 14 May 1997 Simitis launched the ‘social dialogue on the future of social security’. The process was placed within the broader dialogue on ‘Growth, Competitiveness and Employment’ (Simitis 1997e: 5). The dialogue would have two phases. The first phase would start soon after the elections, with the aim to provide housekeeping solutions in support of the extant system. The second would start after the next general elections (Tinios Interview 15 December 2006) and would examine the structure and the organisation of the pension system (Simitis 1997e: 1). In support of the second phase of the social dialogue an actuarial study would be conducted by a non-Greek agency.

Unlike the previous reform episode, this time the government was determined to proceed with pension reform and was unequivocal about his plan to challenge vested rights. The following extract of Simitis’ speech is indicative:

*‘I hope that the organisations that will participate in the social dialogue process will operate in a cooperative environment, and will understand that the challenges we are called to phase are common, and that there is [also] understanding that we will all enjoy the fruits of the success, or of the failure to plan an effective strategy towards*

*the new reality. Whoever believes that they can be exempted from the obligations and transfer the cost to the others is wrong...The dialogue will be successful not if it results in compromising solutions [that will maintain] vested rights, but it will bring to the foreground the new forces of the country and establish new ways of understanding and creative cooperation amongst them' (Simitis 1997e: 5).*

The first phase of the social dialogue process was launched shortly after the elections. Simitis saw it as a confidence building process amongst social partners and the government (Tinios Interview 15 December 2006). The idea was that during the first phase all the 'peripheral' issues that social partners were concerned with would be discussed, so that the road would be open to deal with the core of the policy design. At the same time Simitis himself assigned the Committee for the Study of Long-term Economic Policy (the following section looks into the Committee in details), to look at the core economic policy problems, with pension policies being one of them. Both Committee findings were to pave the way to the second phase of dialogue, to contribute to the coordinative discourse of the government, and to convert the governmental preference for a multi-pillar policy design into a policy programme.

The first phase of the social dialogue process resulted in Law 2676/1999, also known as the 'mini social security package' and it stipulated the integration of a limited amount of pension funds. As a result, two new funds were established, firstly OAEE (Social Security Organisation for the Self-Employed), which would be the product of the integration of three primary pension funds in the self-employed sector (TEVE, TSA and TAE). The second pension fund was TEADY (Pension Fund for the Auxiliary Social Security of the Civil Servants), which would be a product of the integration of twelve welfare funds in the civil sector. According to the Economic and Social Committee (OKE) although Law 2676/1999 had the right focus it was not enough, as the major problems of the system remained unsolved (OKE 1998: 4). On the other hand, according to the coordinator of the dialogue process and Simitis' advisor on pension policies, Platon Tinios, the Law 'did not include anything significant...even the OAEE initiative was lacking substance' (Tinios Interview 15 December 2006). Overall, the first phase of the social dialogue was not that significant, in the sense that it only touched upon limited aspects of the policy problem. Moreover, it did not contribute at all to the governmental coordinative discourse and policy plans, as the announcement of the report of the Committee for

the Study of Long-term Economic Policy stipulated fierce reactions amongst the key policy actors and forced the dialogue to close hastily.

This section looked at the first phase of the social dialogue. The following one will deal with the Committee for the Study of Long-term Economic Policy, which marked the first attempt of the government to frame the policy problem and establish a coordinative discourse that according to Simitis' expectations could provide the government with a reform platform and a basis of discussion - not just with the social partners (coordinative level) but also with the general public (communicative level). As Giorgos Koutroumanis, the President of POPOKP (Panhellenic Federation of Social Policy Organisations Personnel) noted, 'with Spraos report the government aimed at framing the reality so that further dialogue would be initiated' (Koutroumanis Interview 22 December 2006).

#### **5. In search of a coordinative discourse, 1996-2000: the Spraos Committee.**

The Committee for the Study of Long-term Economic Policy was an ad hoc committee of technocrats chaired by Professor Spraos<sup>43</sup>, charged with the task of studying the structural problems of the Greek economy and suggesting possible solutions to the Prime Minister. Its aim, was to assist the country's economic convergence with the rest of the EU's member states. The committee widely known as the 'Spraos' committee was broadly based on the model of British Royal Committees, an independent body with no direct links to government ministers. Instead of announcing its findings to a minister or department, the Committee submitted the reports to Spraos, who then reported to the Prime Minister and liaised with the ministers whenever necessary (Featherstone and Papadimitriou. 2008: 91).

Nevertheless, the Committee members had links with the competent ministries. Tasos Yannitsis and Platon Tinios were advisers to Simitis, whereas Tinios also had links with the Minister of Labour, Miltiadis Papaioannou. Ioannis Kousoulakos was the Secretary-General of the Ministry of Finance, nominated by the Minister himself, Alecos Papadopoulos. Giannis Stournaras was an adviser to the Minister of National

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<sup>43</sup> Yannis Spraos is Professor Emeritus of the University of London; he has personal links with Kostas Simitis and some of his associates.

Economy, Giannos Papantoniou, and chair of the Council of Economic Advisers. Nicos Garganas was the Vice-President of the Bank of Greece and an associate of Simitis. Georgios Glynos was a special advisor of the Minister of Development, Vaso Papandreou. Finally, Droukopoulos was an independent academic and member of the socio-economic think-tank, KEPE.

The Spraos Committee produced seven reports in total. Following successive leaks to the press (Ta Nea 30 September 1997), the report on pensions, drafted by Platon Tinios, was published on 13 October 1997. Its aim was to contribute to the governmental coordinative discourse and policy plans: ‘the role of the report is to...demarcate and shed light on the array of options so as to make it possible for the right social choice to be exercised’ (Committee for the Study of Economic Policy in the Long-Term 1997: introduction). Additionally, it aimed at framing the social dialogue process:

*‘the role of this report is to support social debate...[it] aspires to be useful in the social dialogue process. It points out certain issues, tasks down solutions, clarifies options, and identifies points where the dialogue should go deeper’* (Committee for the Study of Economic Policy in the Long-Term 1997: introduction).

The report did not really include a specific policy proposal. In fact, it explicitly made the point that it ‘does not suggest a complete model of reform...neither contains nor adopts specific proposals’ (Committee for the Examination of Economic Policy in the Long-term 1997: introduction). At the same time however, it referred to the three-pillar pension system that combines funding with PAYG elements as a policy alternative (Committee for the Examination of Economic Policy in the Long-term 1997: chapter 4). Moreover, it favoured measures that eliminated fragmentation (fund integration) and promoted actuarial fairness (elimination of privileges, preferential pension arrangements and replacement rates often over 100% of the exit salary), that secured the long-term financial viability of the system, as well as its modernisation through means-tested benefits. In general, it included proposals for thirty areas in need of action<sup>44</sup>. Finally, the report suggested that reform by instalments must be

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<sup>44</sup> Additionally, it suggested methods by which the optimum solution could be reached. For example it proposed the elaboration of a quantitative simulation model of the social security system that would be based on commonly agreed assumptions, structure and methodology (Committee for the Study of Economic Policy in the Long-Term 1997: chapter 3).

avoided due to its economic and social cost (Committee for the Study of Economic Policy in the Long-Term 1997: introduction).

Despite the effort, the Spraos report failed to contribute to the governmental coordinative discourse and to provide the basis for governmental policy plans. When finally announced on 13 October 1997, it provoked fierce reactions from all sides. Attacks were directed at Spraos personally, who was publicly seen as the source of evil that had to be eradicated. In fact, the negative climate was cultivated long before its announcement, as various parts of it had been leaked to the press (Ta Nea 13 September 1997), cultivating fear and mistrust that a harsh pension reform was on its way. According to the President of POPKOP Giorgos Koutroumanis:

*'Even though the Spraos report depicted a sincere picture of the situation, it received fierce opposition from the entire civil society as because the memory of the ND legislative initiatives [Laws 1902/1990 and 2084/1992] ignited fears that further retrenchment of pension rights was on the way'* (Koutroumanis Interview 22 December 2006).

GESEE and ADEDY rejected immediately the findings of the report (Eleftherotypia 14 October 1997). The Spraos report was in conflict with the policy preferences GSEE included in its 'Green Bible on the Social Security System', which was presented in March 1997<sup>45</sup>, as well as with the overall economic philosophy GSEE advocated. Indeed, GSEE's Green Bible was in favour of the extant policy design and its constituent elements, PAYG financial principle, grouping of similar pension funds, tripartite financing, and policy expansion<sup>46</sup> (GSEE 1997: 20-21). The president of GSEE Christos Polyzogopoulos affirmed that the Spraos report could not provide the guiding lines to the content of the new policy programme, and stressed that tripartite financing and the retirement preconditions and arrangements were not negotiable (Eleftherotypia 16 October 1997).

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<sup>45</sup> The Green Bible built upon the conclusions GSEE attached separately to the Fakiolas Committee report (Petroulas et.al. 1992).

<sup>46</sup> The Green Bible specifically favoured the increase of replacement rate by 20% (80% form 60%), the increase of lower pensions to twenty wages of the unskilled worker, and improvement of indexation method (GSEE 1997: 23)

Eventually, the support for modernisation gradually weakened, as its implications in terms of pension provisions and economic policies in general became evident. According to the then Secretary General of ADEDY:

*'the Spraos report was announced and it included expressions which made sense in technocratic terms but did not include the popular breeze that those who voted the government (PASOK and the labour movement)] expected... [They] wanted friendlier to the people policies, but Simitis could not introduce them both because of EMU and of his personal views and his advisors policy choices. And this eliminated the possibility of initiatives. They down rated Spraos report and that was the end of the story'* (Kollias Interview 4 January 2007).

Support for the trade unions came from all sides. With the exception of the former ND Minister George Souflia and SEV, everyone else stood against the Spraos report. Although ND did not take any position, DAKE (its affiliated trade union) explicitly also rejected the report (Eleftherotypia, 14 October 1997). The communist party KKE stated that the Spraos report cultivated the conditions for the acceleration of the multiplicity of regulations (Eleftherotypia 14 October 1997). Similar positions were expressed by DIKKI (Democratic Social Movement) (Eleftherotypia 14 October 1997). On the other hand, the reactions to the government controlled funds were modest and non-committal. The Governor of IKA (appointed by the government) for instance, noted that it is for the government to decide on the issue, whereas the governor of TEVE (also governmental appointee) said that the findings of the report touched upon real problems and urged the government to implement the reform before 2005 (Ta Nea 16 October 1997).

In the face of the public reaction, the members of the government gradually distanced themselves from it. Although the Minister of Labour and Social Security, Miltiadis Papaioanou was initially supportive of the report, the next day (14 October 1997), Nikos Farmakis, Under-Secretary of State for Health said that any report or proposal would not be binding for the government (Eleftherotypia 14 October 1997). The same day Government Spokesman, Dimitris Reppas made clear that the government would not adopt the Spraos report but instead, would bring its findings to the social dialogue table (Ta Nea 14 October 1997). In this way, the government was left without a coordinative discourse or a policy plan. Even more importantly, the modernisation project and its priorities were questioned, a criticism which would soon be facilitated and substantiated by the actuarial study conducted by GSEE and ADEDY and the

‘alternative proposal’ of GSEE. The following section will look at GSEE’s and ADEDY’s coordinative discourse.

## **6. The coordinative discourse of GSEE and ADEDY.**

In February 2001, INE, the research institute of GSEE announced the findings of the actuarial study it conducted on behalf of GSEE and ADEDY (Rombolis and Romanias 2001). The study was in support of the ‘alternative proposal’ that GSEE released in January 2000 (Rombolis and Romanias 2001: 3; Rombolis et.al. 2001: 7). The actuarial study substantiated the policy suggestions of the ‘alternative proposal’ of GSEE. Overall, it provided an armour of hard evidence to the ‘alternative proposal’ which challenged basic elements of the ‘modernisation’ enterprise, such as, EMU membership and its relation to social security spending and the European social model:

*‘the EU tries to find alternative ways to face the [social] security crisis which [must] also facilitate:*

- *the course to the common currency*
- *the retrenchment of social expenditure and their limitation to the lowest possible levels*
- *the transportation of the burden of...the contributions to other [sources]...mainly...indirect taxation*

*It is evident that...these goals lead objectively and inevitably the extant social model to a serious decline’ (GSEE 2000: 9-11).*

Essentially, the ‘alternative proposal’ reiterated and substantiated the coordinative discourse and the preferences all key policy actors had in common since 1990. Hence, it is not surprising that the president of SEV, Lefteris Antonakopoulos supported them openly, particularly in tripartite financing and the measures to combat unemployment ([www.in.gr](http://www.in.gr) 22 February 2001). The actuarial study and the ‘alternative proposal’ advocated the public and the social character of the system, and suggested the expansion of social security provisions/spending and ways that the extant pension system and its PAYG financial principle could be maintained (Rombolis & Romanias 2001: 4; GSEE 2000: 29-81). Nevertheless, their ultimate goal was to create a big reserve, so that the social security could deal with challenges in the future (GSEE 2000: 32), instead of preserving just the public and social character of the system. Hence, the emphasis was on tripartite financing. Specifically, the measures in support of the financing of the system were (GSEE 2000: 33-41):

- tripartite financing of the primary pension and bipartite for the auxiliary and lump-sum pensions
- capitalisation through the exploitation of the pension funds assets and properties
- establishment of a social solidarity fund
- combat of contribution evasion and avoidance
- taxation of black economy and of capital intensive industries

In terms of policy design, they advocated the grouping of similar pension funds without a specific proposal about the number of funds. Instead, they suggested a ‘two-pole’ system, whereby the first pole would include the primary/public pensions and the second would include the auxiliary/social ones (GSEE 2000: 41). This system had nothing to do with the two-pillar one that the government preferred, as it did not include funded elements and occupational pension schemes. Instead, the main preoccupation of GSEE and ADEDY was to ensure that the auxiliary pension schemes would retain their social character and that they would not be exposed to competition with private schemes (GSEE 2000: 35). For this reason it also insisted that insurance for auxiliary pension schemes should be compulsory (GSEE 2000: 35). Specifically, the proposal concerning the design of the system and its operational framework included (GSEE 2000: 41-47):

- grouping similar pension funds
- two poles of social security, the primary/public and the auxiliary/social
- managerial and operational independence of the pension funds from the state
- organisational upgrade of the pension funds
- improvement of the services provided to the insured
- protection of auxiliary pension schemes from competition with the private schemes
- convergence with social security systems of EU member states

Finally, GSEE was in favour of the expansion of pensions. Hence, it opposed any changes related with actuarial fairness. The measures referring to the level of pensions and retirement preconditions included (GSEE 2000:47-51):

- retirement at 35 years of employment regardless of age



- increase of the replacement rate for the primary pension to 80% from 60%
- indexing to salaries
- calculation of lower pensions on the basis of 20 wages of the unskilled worker

While the actuarial study of GSEE/ADEDY and the ‘alternative proposal’ of GSEE substantiated and fortified both the coordinative discourse and the common policy plans of the trade unions and the majority of the key policy actors, the government was still lacking a coordinative discourse. The original plan of the government was to promote a far-reaching pension reform after the 2000 elections. Yet, it was not until 2001 that the governmental efforts were finally set in motion.

### **7. The crisis of modernisation/Europeanization: Yannitsis’ 2001 reform initiative.**

The 2000 elections brought PASOK back to power. Simitis immediately expressed the intention to reform pensions by means of a single legislative initiative, instead of the former piece-meal attempts. In charge of the process would be the reform-minded Minister of Labour and Social Insurances, Tasos Yannitsis. In the context of the generalised reaction to the Spraos report and mistrust of the government’s intentions, the choice of Yannitsis as the new Minister of Labour had an additional purpose. Yannitsis was close to Polyzogopoulos and other trade unionists within PASOK that were associated with Giorgos Gennimatas, a historical member of PASOK (Tinios Interview 15 December 2002). Simitis was thus hoping that he would be able to bypass the problems of trust and eventually manage to proceed with the pension reform, due to Yannitsis’ proximity to and acceptance by the trade unionists (Tinios Interview 15 December 2002).

Yannitsis’ priority was that the reform initiative would take place in a steady political environment (Eleftherotypia 11 March 2001). The concern over this was not only raised by the reaction of party members to the Spraos report. The recent governmental policy proposal about labour market flexibility had triggered such reactions from all sides of the party that it had isolated the Ministry of Labour and had left Simitis with very few supporters. Opposition was primarily expressed from the ‘traditionalist’

group in the left-wing of the party. This group was led by Akis Tsochatzopoulos and it included prestigious party members such as Karolos Papoulias and Apostolos Kaklamanis, and all of PASOK trade unionists, amongst which was the president of GSEE Christos Polyzogopoulos.

The traditionalists rejected both the proposed changes to the labour market, as well as social security issues (To Vima 5 November 2000). In fact, they rejected 'modernisation' and its emphasis on growth-employment-competitiveness. Their demand was that the government distance itself from the neo-liberal ideologies and the supply-side policies and that it fortify its social profile by means of redistributive policies and 'soft' structural reforms (To Vima 5 November 2000). Modernisation and its supply-side policy prescriptions however, were also challenged by the 'modernisers' group. For instance, all of the members of the Executive Office of PASOK, including the 'modernisers', Vaso Papandreou, Evaggelos Venizelos, and Kostas Laliotis rejected the governmental plans on labour market flexibility (To Vima 5 November 2000). Similarly, around forty PASOK MPs distanced themselves from these plans as they did not want to clash with the trade unionists (To Vima 5 November 2000).

In the face of criticism coming from the 'traditionalists' and in an effort to respond to the party members' demand to discuss its plans on pensions within the party beforehand (Eleftherotypia 13 January 2001), the government was planning two different processes of coordination. The first process would include a social dialogue between the government and the social partners. The second dialogue process would take place within PASOK, via concentric circles, with the executive secretariat having the central role (Eleftherotypia 4 February 2001). The aim was to reach partisan consensus over the necessity of deep pension reform and to reach an agreement over a specific policy plan.

In preparation of the social dialogue process, Yannitsis commissioned the British Government Actuaries Department (BGAD) to study and report on the future

prospects of the Greek pension system<sup>47</sup>. The plan was that the governmental coordinative discourse would also be based on hard evidence about the extent of the policy problem and the alternative solutions. The social dialogue process would open immediately after the BGAD completed its study. The original plan was that social dialogue would commence in February 2001 but in the end it was postponed until April, due to delays both on behalf of the BGAD and the government (Eleftherotypia 22 February 2001).

Nevertheless, the early findings of the BGAD report were leaked to the press, instigating reactions on behalf of the trade unions. Although the government distanced itself from the findings immediately, speculations about the harshness of its plans spiralled (Eleftherotypia 25 January 2001). Essentially, they depicted a three-pillar pension system and measures related to actuarial fairness, such as, changes in the calculation formula, the replacement rates, and active ageing. Various versions of these policy prescriptions and their more technical implications continued to appear in the press, accelerating the reactions and cultivating a negative climate about the social dialogue before the process even started. These fears were not completely unsubstantiated. Already the preference for a three-pillar system was discretely expressed by the Spraos report, which in fact stressed that the demographic crisis was such that the retrenchment of pension rights was inevitable. Moreover, the trade unions already had the negative experience of the labour market modernisation. Mistrust about the government's intentions were also growing, as throughout this period rumours were constantly being spread about the government intentionally withholding the BGAD report (To Vima & Ta Nea 4 & 6 April 2001).

At the same time, the intra-governmental frictions emerged, contributing to the climate of mistrust. To start with, tensions regarding the reduction of defence spending raised questions as to whether the pension agenda should be opened at all (Eleftherotypia 1 April 2001). More importantly, the unity of the government was broken as Yannitsis accused the Minister of National Economy Yiannos Papantoniou of leaking the findings of the BGAD report to the press. The tension between the two

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<sup>47</sup> In fact the plan was that the study would be conducted before the elections so that the reform process would start immediately after the elections. Yet the Ministry of Labour and Social Insurances was slow and as a result the new coordination process did not start until 2001.

ministers was exacerbated, over the degree to which EU recommendations could be used as a commitment device. For Papantoniou EU recommendations should have been regarded as commands, whereas for Yannitis they should be adjusted to the needs of Greek reality (Eleftherotypia 13 March 2001).

A secretive mentality gradually grew between the members of the government, to such an extent that on 13 March 2001 (Eleftherotypia) Simitis refused to reveal his position over pensions to Yannitsi and Papantoniou. Similarly, Yannitis consistently refused to discuss the plans on pensions at various governmental meetings, bi-ministerial committees, and to the party, in fear that they would be leaked to the press (Eleftherotypia 15 March 2001). Consecutive meetings between Yannitsis, Simitis, and Papantoniou were cancelled, right up to a few days before the government announced its reform plans (Eleftherotypia 1 April 1991), while other Ministers complained of not being updated (Eleftherotypia 17 April 1991).

The secretive nature of Yannitsis' personality combined with the leaking of the findings of the BGAD report to the press cultivated suspicion within the government, which enhanced even more the suspicions of the policy actors and the public (Tinios Interview 15 December 2006). Eventually Yannitsis 'managed to alienate the trade unions completely from the government, despite the fact that he and many other trade unionists were members of the Gennimatas fraction' (Tinios Interview 15 December 2006).

While the social dialogue process and the announcement of the BGAD report were delayed, opposition to the government and support of GSEE's proposals was growing - not only between the policy actors but also across political parties (Eleftherotypia 13 March 2001). Support came from both the traditionalist and modernisers' camps of PASOK, as well as from all parties in opposition. For instance, Kostas Skandalidis and Apostolos Kaklamanis from PASOK, Marieta Koutsikou-Giannakou from ND, Nikos Konstantopoulos from Synaspismos (SYN: Coalition of the Left Movements and Ecology), and Kostas Paraskevas from KKE expressed their support for tripartite financing (To Nea 28 February 2001). Moreover, the president of SYN supported GSEE's protectionism of the extant pension arrangements as well as its proposal for financing the deficits of pension funds through taxation (Ta Nea 28 February 2001).

Aleka Papariga from KKE predicted that the forthcoming measures would bring a 'storm' to the pension system and urged the trade unions not to engage in the social dialogue (To Vima 28 February 2001). Similarly, the former Minister of Social Security Dimitris Sioufas foresaw that the forthcoming measures would negatively affect employees and pensioners (Ta Nea 13 February 2001). Even the President of the Hellenic Republic, Kostas Stefanopoulos supported tripartite financing and urged the government not to increase the contributions and the retirement age. He also urged the government to seek alternative resources to finance the system (To Vima 17 March 2001).

In this context, and in an effort to establish its presence and its control of the coordinative process, the Ministry of Labour organised an informative seminar on pensions, where all the policy actors were invited, including a representative of the BGAD (Eleftherotypia 30 March 2001). Yet this failed to curb opposition and mistrust of the government. To start with, GSEE refused to participate in the seminar. Secondly, the representative of the BGAD presented a very dark picture of the Greek pension system, which affirmed the fears that a harsh reform was planned by the government, leaving Yannitsis annoyed and even more isolated (Eleftherotypia 30 March 2001). According to the BGAD representative, the viability of the system could only be achieved if either pensions were reduced by 20% or the retirement age was increased by 5% (Eleftherotypia 30 March 2001).

At the same time, the government was trying to raise consensus and conclude a coordinative discourse at party level. On the 21<sup>st</sup> March it initiated a dialogue within PASOK which nevertheless had no results. The aim was to discuss and agree on the content of the governmental reform plan, but as the government had not composed its plan yet, the dialogue lacked a concrete basis of discussion (Eleftherotypia 21 March 2001). Further meetings were held on a similar basis, but each one of them failed to attract some of the most influential members of the party, while, at the same time, various ministers complained about being inadequately briefed on the matter (To Vima 19 March 2001). In fear of the reaction of the party to the findings of the BGAD report, and in an effort to achieve some consensus at the party level, a common meeting was planned between the Governmental Committee and the Executive Office of PASOK two days before the report and the governmental plans were to be made

public (To Vima 12 March 2001). Simitis tried to convince the Executive Office as well as leading members of PASOK about the governmental policy plans and asked them to help the party members be less introvert (Eleftherotypia 14 March 2001). Yet again, some of the most influential members of the Executive Office did not attend, whereas those from the 'traditionalist' camp suggested that the government should discuss the BGAD report within the party first (Eleftherotypia 17 April 1991).

Finally, on the 19th April 2001 the Ministry of Labour announced the findings of the BGAD report, whereas a day later Yannitsis presented the governmental proposal on pensions to the public. Yannitsis' plan did not challenge the public character of the system, the statutory contribution, the level of contributions, the final retirement age limits, and the retirement preconditions for lower pensions. However, its proposals concerned all sectors and genders, they also entailed changes in the policy design, a stricter application of actuarial fairness, and measures about the financing of the system.

In terms of policy design, the plan did not come up with a single proposal. It suggested the integration of the primary and the auxiliary pension funds to eight broad sectoral categories: IKA-TEAM (private sector employees), Civil Servants, OAAE (self-employed), OGA (farmers), Public Utilities, Banks, Scientists, and Journalists (Ministry of Labour and Social Insurances 2001a: 5-8). In fact, it gave the banks the option to either be integrated to IKA-TEAM or have their own sectoral fund. Apart from that, it suggested four scenarios regarding the structure of the system to be discussed with the trade unions. The options included (Ministry of Labour and Social Security 2001a: 5):

- maintaining the distinction between primary and auxiliary pension schemes with different replacement rates and level of contributions
- integrate horizontally the primary and auxiliary pension schemes and offer one pension that would be equal to the sum of the primary and auxiliary pension's replacement rates (60% plus 20%).
- the conversion of auxiliary pensions to occupational ones
- the partial introduction of funded elements of auxiliary pensions.

The measures concerning actuarial fairness included (Ministry of Labour and Social Security 2001a: 6-7):

- a unitary retirement age of 65
- establishment of the right for lower pension after 15 years of employment or after the age of 60
- establishment of the right to retire regardless of age after 40 years of employment
- subsidisation of pensions contributions for working mothers with children under the age of 18 by two years per child
- calculation of pensions on the basis of the average salary received during the ten best years within the last 15 years of employment
- replacement rate at 60% for the primary pensions and 20% for the auxiliary ones
- indexation to salaries
- lower pension equal to the basic pension offered by the farmers fund OGA
- subsidisation of lower pensions with the means-tested benefit EKAS

Finally, in terms of financing, Yannitsis' plan suggested (Ministry of Labour and Social Security 2001a: 6):

- tripartite financing for the primary pensions of the salaried employees and bipartite for the primary pensions of the self-employed (employees 6.67%, employers 13.3%, state 10%; self-employed 20%, state 10%)
- bipartite financing for the auxiliary pensions of the salaried employees, and solely by the insured for the auxiliary pensions of the self-employed (3% employees, 3% employers; 6% self-employed)
- social funds to be used in support of the pension system instead of specific pension funds.

The announcement of Yannitsis proposal caused a public outcry. Simitis and Yannitsis had agreed to announce the reform plan after the BGAD report, in hope that the contrast of the harshness of the findings and the suggestions of the BGAD report to Yannitsis plan would curb the reactions. This strategy however did not bear fruits, purely because it did not make sense:

*'On one side the report of the Englishmen [BGAD] was presented as saying "look how bad the situation is", and on the other they [the government] presented the [governmental] measures as saying "look how little harm will do you". These [claims] were not compatible. Either one or the other was lying' (Tinios Interview December 2006).*

Massive walkouts and strikes were organised by GSEE, ADEDY, countrywide Bar Associations, journalists, and other occupational groups demanded not only that the proposal was withdrawn, but also that the social dialogue would start on a 'zero-basis'. The trade unions and GSEE in particular, refused to accept the findings of the BGAD report and insisted that its own actuarial study provided a more accurate picture of the policy problem. All sides accused the government of injecting the dialogue with foregone conclusions. From the opposition both KKE and Synaspismos militantly contested the plan, whereas the president of ND Kostas Karamanlis offered the trade unions his support against the governmental initiative (<http://www.in.gr> 23 April 2003).

Likewise, high rank party members and ministers and technocrats in pension funds either criticised the governmental proposals or avoided their public support (Eleftherotypia 22 April 2001). Participants from the 'modernisers' side, the Minister of Environment, Planning and Public Works, Vaso Papandreou and from the 'traditionalist' side, the President of the Parliament, Apostolos Kaklamanis reiterated GSEE's suggestions that extra social funds should be raised to cover the needs of the pension system. Other party members accused Yannitsis of suffering of 'Zuppe Syndrome', of trying to provide a solution for beyond 2025, and of having a dialogue only with the technocrats (Eleftherotypia 22 April 2001). Similarly, one member of the Central Committee of PASOK, Elias Kontopoulos stated that with 'these proposals the government placed itself outside PASOK' (Eleftherotypia 25 April 2001), whereas sixty-three members of PASOK submitted a letter to PASOK's Central Committee demanding the withdrawal of the proposal. Even party members/trade unionists that up until then were supporting Simitis such as the ex-president of GSEE Lambros Kanellopoulos, the members of the trade union sector of PASOK Rovertos Spyropoulos and Loukas Apostolidis and others criticised the governmental proposals (Eleftherotypia 24 April 2001).



A climate of apprehension penetrated PASOK and immediately Simitis stated that the government was open to amendments. Whereas Yannitsis tried to review some of the proposed measures (e.g. retirement age and women's pensions), Simitis insisted that the dialogue must go on at any cost. On 23 April 2001 (Eleftherotypia) he stated that 'we must give a solution that will last in time [and] will have a long-term positive effect on the economy instead of submitting to the political cost'. In this context, Yannitsis was forced to drop his plan and to invite new contributions, so that the new Law on pensions would pass through the Parliament before the end of 2001 (Eleftherotypia 26 April 2001). Nevertheless, this was not enough to calm the trade unions' resistance to any discussions, and they called for another general strike in May (Ta Nea 12 May 2001).

Soon fears that the government could be overthrown were expressed. Whereas, MPs and other party members opted to take initiatives that would discharge the tension so that the PASOK trade unionists, who coincidentally ran the biggest trade unions of the country, would return to dialogue. In the absence of support and discussants, the government eventually dropped Yannitsis' plan and a process of reaffirming PASOK's support of Simitis' 'modernisation' project commenced. Such a reversal did not challenge Simitis' party leadership per se, but it did compromise his modernisation project in the area of pension policy.

In the end, the dialogue processes remained uninitiated. Instead, the whole period covered by Yannitsis' attempt and its aftermath was dominated by efforts to establish the basis for the social dialogue process and a coordinative discourse, in an environment that 'modernisation' in total was questioned by GSEE and ADEDY, as well as members of the party and the government. In this context, the support for GSEE's alternative reform framework, which was now based on hard evidence, was growing.

## **8. Conclusions.**

This chapter looked at the first attempt of Simitis' government to reform pensions, which was linked with the wider project of modernisation. The first characteristic of this attempt was the lack of communicative discourse. That is, the coordinative

discourse was thicker than the communicative. Hence, the evidence presented in the chapter reject the first hypothesis of the thesis that looks at the relationship between the political institutional framework and discourse:

*H1. The type of institutional system defines the function of the policy discourse the governments will mostly utilise into the policy process. If a polity is simple, then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

Unlike in previous reform episodes, Simitis chose not to develop a communicative discourse. According to evidence, Simitis hoped that the reports of the experts' committees and the social dialogue process would also educate the public about the policy problem and the possible solutions. In this context, the Spraos report framed the first reform initiative and only briefly reflected the governmental coordinative discourse, as the government distanced itself from it shortly after its announcement. Similar, was the fate of Yannitsis plan, that expressed the governmental coordinative discourse in 2001, but was also dropped due to the fierce reactions.

This does not mean that there was no communicative discourse at all. The reform attempts were generally associated with the overall 'modernisation' project in a broader way. Indeed, modernisation was the overarching discourse that framed all the reform initiatives, and coincided with Europeanization and the goals of European social agenda namely, 'Growth, Employment and Competitiveness'. Within this context, modernisation and the redefinition of basic political arrangements that determined the Greek policymaking process was justified. This included the revision of the social contract, the relationship of the political parties with the society, clientelism, statutory favouritism and so forth. Nevertheless, there was no discourse focusing specifically on the individual policy area and policy problems. The government did not announce a specific 'modernised' pension policy design, neither did it use EMU in its policy narratives as a justification of pension reform.

On the other hand, the chapter evidence confirms the second hypothesis of the thesis that focuses on the narrative strategies of the government and the rest of the policy actors:

*H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

Indeed, the government developed the ‘population ageing’ scenario with the Spraos report and the ‘financial constraints’ scenario with the Yannitsis plan. Both stories followed inadvertent causation and tried to expand the cost of the policy problem to the whole of Greek society. GSEE on the other hand developed the ‘socio-economic disequilibrium’ scenario through its Green Bible (1997) and its ‘alternative proposal’ (2000). This story again imparted the logic of inadvertent causation. By articulating the threat from the point of view of those who would lose from the policy adjustment, the narrative contained the cost of the policy problem to a specific part of the population, namely the insured and the pensioners.

The narratives justified different sets of preferences. The governmental ones reflected the preferences of the government, and were in favour of a supply-side model of economic growth, a multi-pillar pension system, the elimination of fragmentation, actuarial fairness and the separation of the welfare elements from the security ones. The ‘socio-economic disequilibrium’ narrative reflected the preferences of the rest of the key policy actors. It maintained the preference for the extant Bismarkian pension system with its public and social character, fragmentation and preferential pension arrangements. Nevertheless, this time it suggested a bi-polar pension system whereby the first pole would include the main pension funds and the second pole the auxiliary ones. It also favoured the Europeanization of the social security standards. In the end the ‘socio-economic disequilibrium’ narrative was more effective, due to lack of trust in the government and its intentions.

The main characteristic of the narrative strategies was that they were conflictual. Also, all of them were based on inadvertent causation, as all of the stories blamed their opponent about the policy problem. Indeed, all of the narratives blamed the past governments for financial mismanagement. Moreover, the governmental narratives blamed the wealthy occupational sectors for preserving preferential pension arrangements. The governmental narratives justified the necessity of pension reform on the basis of demographic changes and the socio-economic implications of the

reduction of resources. The trade unions' narrative on the other hand, justified necessity, on the basis of the financial deficits as well as the deficit in the balance of satisfying socio-economic needs. In terms of the normative basis of pension reform, the governmental narratives referred to inter/intra-generational solidarity, viability, economic growth and feasibility, social justice, equality and stability. On the other hand, the normative basis of 'socio-economic disequilibrium' narrative of the trade unions was the protection of the social and public character of the system, social cohesion, protection and solidarity, just redistribution of income and convergence with the European social security standards.

Finally, the evidence of the chapter confirms the third hypothesis that focuses on the conditions under which policy discourse is effective.

*H3. A policy narrative will produce an effective policy discourse if the key policy actors or the public or both trust the narrator.*

The coordination process presented in the earlier sections, shows that the effectiveness of the governmental narratives was very limited. Indeed, the governmental plans were withdrawn literally moments after their announcement. Mistrust between key governmental actors and reluctance to coordinate the efforts was constantly present throughout this period. Indeed, in the case of the Spraos report, the competent ministers initially endorsed its findings the day of their announcement, only to distance themselves from them the day after. Yannitsis on the other hand was suspicious and was unwilling to discuss the governmental plans within governmental and bi-ministerial committees. In fact, he suspected the Minister of National Economy of leaking the findings of the BGAD to the press. At the same time Simitis was also reluctant to reveal his intentions to Yannitsis and Papantoniou, while other ministers were complaining of not being updated about the matter. Meanwhile, various versions of the early findings of the BGAD report continued to be leaked to the press, cultivating mistrust within and outside the government, whereas earlier in the process questions persisted as to whether the pension agenda should be opened at all, due to intra-governmental frictions regarding the reduction of defence spending. In an effort to regain the initiative and curb the opposition, the government organised an informative seminar. Nevertheless, the result was quite the opposite, as the BGAD

representative painted a dark picture of the future of the system, affirming fears that a harsh pension reform was forthcoming and leaving the government even more isolated.

The lack of consensus about the new policy plans within the government and the governing party also contributed to lack of trust. As the policy process evolved, almost only the PM and the Ministers handling the policy process were in favour of pension reform. Initially, the government was incapable of incorporating the Spraos report into its official coordinative discourse, due to the Spraos report's analysis of the policy problem and its suggested solutions. After the fiasco of the Spraos report, mistrust was raised even more when the 'traditionalist' opposition gradually emerged within PASOK, that was in favour of demand-side redistributive policies and the pension policy preferences of the trade unions. On top of that, some of the 'modernisers' rejected the governmental plans and aligned with the trade unions. Also support for tripartite financing and the trade unions' policy proposals came from other parties of the opposition. By the time the second attempt to start social dialogue was initiated, party opposition to both pension reform and modernisation was organised and expressed openly by the 'traditionalist' group. Even some of the modernisers, who had links with the labour movement, such as Lambros Kanelopoulos, Loukas Apostolides and, for a short period, Rovertos Spyropoulos rejected Yannitsis' plan. By that stage, the government was finding it difficult to even coordinate a discussion on pension reform between the Governmental Committee and the Executive Office of PASOK. In the end, not only did the governmental coordinative discourse fail to raise consensus, but the government even lost the agreement reached at party level, regarding not only the pension policy but also the modernisation project and its priorities.

Similarly to the previous reform episode, the evidence of this chapter shows that the effectiveness of governmental discourse was also affected by three deeper factors. Specifically, the chapter points at the policy preferences of the government, the governmental capacity to plan and coordinate its actions, and the role of experts in the policy process. For instance Yanntsis' initiative is indicative of the limitations the governmental capacity set to the effectiveness of its policy discourse and eventually the adoption of its policy plans. Also, evidence shows a link between the effectiveness

of the governmental discourse and the way the governments treated expert knowledge. Indeed, the government immediately dismissed Spraos report and distanced itself from it, whereas Yiannitsis used the BGAD report as a means to distract attention and minimise reactions to the governmental policy plans, rather than their basis. In contrast, the majority of key policy actors had their policy plans informed by a body of experts. In fact the chapter shows that while the government was trying to articulate its coordinative discourse, GSEE had already published its Green Bible on pensions. After minor revisions, it formed GSEE's 'alternative proposal', which was then fortified by the findings of the GSEE/ADEDY actuarial study.

Finally, the chapter shows that there is a link between the effectiveness of the governmental discourse and policy preferences. On one hand, the government advocated multi-pillar policy design that would facilitate fiscal discipline, promote a new supply-side model of economic growth, and promote the long-term viability of the system. In terms of pension policy design, the Spraos report promoted the idea of a three-pillar pension system. Yiannitsis plan on the other hand, did not come up with a single proposal. Instead, it put forward various suggestions, some of which envisioned a two-pillar pension system. On the other hand, the trade unions along with the traditionalist opposition within PASOK and some of the modernisers, were seeking to promote solutions that would facilitate the long-term viability of the system, to ensure its convergence with EU counterparts, and to protect it from the implications of the new model of economic growth. They suggested a bi-polar system that would maintain both the sectoral differentiations and hence, the privileges of certain sectors and the social and public character of the system. Tripartite financing was at the core of the trade unions proposals.

Overall, this reform episode reflects the limits of Europeanization, not only in terms of the soft constraint of the Lisbon programme, but also of the hard constraints linked to the euro-entry criteria, which were not enough to facilitate policy adjustment in a policy area affected by hard conditionality in an indirect way only. Since Simitis' modernisation project and Europeanization were actually the opposite sides of the same coin, the limited consensus for modernisation is a reflection of the limited consensus over EU policy priorities such as EMU membership, fiscal discipline and

the Lisbon programme. Overall, the chapter shows that the modernisation project/Europeanization and its pension policy implications were not consolidated amongst key policy actors, the government and party members despite the fact that the country had joined the euro-zone by the time Yannitis' initiative took place. In fact, the chapter demonstrates that the traditionalist faction of PASOK, as well as members of the modernisers faction supported GSEE's coordinative discourse and, by extension, its request for the Europeanization of social security policies. In the end, the failure of the government to coordinate a dialogue and build consensus over pension reform is also indicative of the failure of modernisation/Europeanization in terms of streamlining the pension system with the supply-side model of economic growth and with the Lisbon priorities of 'Growth, Employment, Competitiveness'.

## **Chapter 6 – The 2002 reform initiative: Law 3029/2002.**

### **1. Introduction.**

This chapter looks at the last reform episode of the period under investigation. Specifically, it covers the last initiative of Simitis' government, which resulted in Law 3029/2002. The coordinative process of this reform attempt was greatly influenced by the failure of Yannitsis' plan, both in terms of the discursive interactions and the final policy content. By consequence, references to the fifth chapter are made across the analysis in order to highlight the relationship between the reform initiatives. Similarly to the previous chapter, the policy narratives and strategies during this reform episode were developed at the coordinative level, rather than the communicative one. Table 4 shows the characteristics of the policy narratives and the discursive strategies developed in this reform episode. This time, the discursive interactions were framed by the governmental narrative only, which nevertheless expressed to a great extent the 'socio-economic disequilibrium' narrative of the trade unions and the rest of key policy actors notwithstanding SEV.

Specifically, the government expressed the 'international contradictions and inequalities' scenario' that was based on inadvertent causation. Similar to the 'socio-economic disequilibrium' narratives of the trade unions, it depicted a sectoral approach to the policy problem and was consistent with their preference for a demand-side paradigm of economic growth, the extant Bismarkian pension system with its public and social character, fragmentation and preferential pension arrangements. In this context, the narrative strategies were consensual, as the government did not blame its opponents about the policy problem. The causes of the policy problem were fragmentation as well as the internal contradictions of the policy and their impact on its efficacy. The story both contained and expanded the policy problem and it was effective in raising consensus over the new policy plans.



**Table 4 - The characteristics of policy narratives and narrative strategies: Law 3029/2002.**

	International contradictions and inequalities	Socio-economic disequilibrium narrative
Policy actors	Government, SEV	The rest of key policy
Policy preferences	<ul style="list-style-type: none"> <li>• Demand-side economic paradigm</li> <li>• Europeanization of social security standards</li> <li>• Bismarkian pension system</li> <li>• Public and social character of the system</li> <li>• Bi-polar pension system and maintenance of fragmentation and preferential pension arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Demand-side economic paradigm</li> <li>• Europeanization of social security standards</li> <li>• Bismarkian pension system</li> <li>• Public and social character of the system</li> <li>• Bi-polar pension system and maintenance of fragmentation and preferential pension arrangements</li> </ul>
Justification of necessity	<ul style="list-style-type: none"> <li>• Internal contradictions of the policy and their impact on their efficacy</li> <li>• Fragmentation</li> </ul>	<ul style="list-style-type: none"> <li>• Deficit in the balance of satisfying socio-economic needs</li> <li>• Financial deficit.</li> </ul>
Justification of appropriateness	<ul style="list-style-type: none"> <li>• Protection of vested pension rights</li> <li>• Protection of the social, public, character of the system</li> <li>• Viability</li> <li>• Social justice</li> <li>• Convergence with EU</li> </ul>	<ul style="list-style-type: none"> <li>• Protection of the social, public, character of the system</li> <li>• Social cohesion, protection, solidarity</li> <li>• Just distribution of income</li> <li>• Convergence with EU</li> </ul>
Narrative strategies	<ul style="list-style-type: none"> <li>• Consensual</li> <li>• Inadvertent causation</li> </ul>	<ul style="list-style-type: none"> <li>• Conflictual, attribution of blame</li> </ul>

	<ul style="list-style-type: none"> <li>Expanded and contained the policy problem</li> </ul>	<ul style="list-style-type: none"> <li>Inadvertent causation</li> <li>Problem caused demographic changes</li> <li>Globalisation</li> <li>Competitiveness</li> <li>EU commitments related to fiscal discipline</li> <li>Contained the policy problem</li> </ul>
Effectiveness	Effective due to trust	Effective due to trust

The chapter tests all three hypotheses of the thesis, regarding the relationship of the political institutional framework with discourse, the discursive strategies the key policy actors developed, and the role of trust in determining the degree of discursive effectiveness. Its findings reject the first hypothesis and confirm the last two. They also show the limitations of policy discourse as a consensus building device, and ultimately, the limitations of Europeanization in Greece.

## **2. Still searching for a coordinative discourse: the revision of modernisation.**

EU pressures for policy adjustment during this reform episode stem solely from soft constraints, namely the Lisbon programme (after 2000) and its structural reform agenda for ‘Growth, Employment and Competitiveness’. By the stage the last reform attempt took place, the need to change pension policies appeared less pressing as the country had already entered the EMU in January 2001 and hence its contribution to facilitating the euro-entry criteria had vanished. Instead, the less obvious macro-economic implications of pension policy and its link to economic growth were still in the foreground, within the context of the structural reforms that were necessary to reform the European social model and substantiate the supply-side type of economic growth.

Such changes nevertheless, lacked the popular support and overall legitimacy of the EMU membership project. Indeed, the majority of the policy actors were against the pension policy changes both because of their implications on their vested pension rights as well as due the supply-side economic paradigm as such. In this context, the popularity and legitimacy of the modernisation project and therefore of Europeanization was also compromised. In fact, the lack of legitimacy was such that the government had to renegotiate modernisation, its policy priorities, and the kind of policy adjustment that were necessary and feasible within this revised context.

After the failure of Yannitsis' initiative (May 2001), the government found itself in the same position as 1996 in terms of its coordinative discourse and the progress made in changing pension policy. Soon, the Executive Office of PASOK met to discuss the governmental coordinative discourse and policy plans, and to find ways to reverse the negative climate. Eventually, Simitis' intervention in the Executive Office paved the way for a unanimous decision over the nature and the basis of the social dialogue process and ultimately, signified the change of the governmental pension policy preferences. In the end, the government abandoned its preference for a two-pillar pension system. Instead, the Executive Office adopted the set of preferences that more or less all key policy actors shared since 1990, such as tripartite financing, capitalisation through the exploitation of pension fund assets, measures against contribution evasion, and so forth. In this context, the government was finally able to articulate a coordinative discourse which included (Skandalidis 2001: 43-49 & Yannitsis 2001: 30-39):

- the public and social character of the system
- tripartite financing
- the state as guarantor of the finances of the system
- the guarantee of lower pensions
- the combat of contribution evasion
- the integration of black market labour and the reduction of unemployment
- capitalisation through the investment of the assets of the pension funds
- improvement of the management of pension funds
- improvement of the services offered by pension funds

The new coordinative discourse was soon approved by the Central Committee of the party. Yet despite the agreement, intense criticism was still coming from the 'traditionalist' side of PASOK, which in fact downgraded governmental achievements such as EMU membership. Simitis felt his leadership was being questioned and in search of a 'clear mandate' to continue with his modernisation project he more or less imposed the 6<sup>th</sup> Caucus of PASOK on the Executive Secretariat of the party. The conference would be held on 11-14 October, where Simitis was hoping to face the traditionalist opposition, to regain the political legitimisation of his modernisation agenda and ultimately get a clear support for his policy plans. The following extract of Simitis' statement is indicative:

*'An uncertainty dominates today regarding the will of PASOK to face the challenges of the country, its ability to deal with situations of crisis, as for example the one stimulated by the Social Security (issue).*

*This uncertainty has an impact on the government as well. It limits its efficiency and its strength to face problems. The country though...needs a strong and effective government:*

*A government, whose political legitimisation to pursue raptures and reforms will not be questioned.*

*A government, with which the members of PASOK will line up, and will support its actions instead of questioning them' (Ta Nea 22 June 2001).*

Simitis eventually won the battle at the party level and got the 'clear mandate' he had asked for. He was re-elected president of the party collecting 71.16% of the votes, and the majority of the Executive Office members were his close associates (Eleftherotypia 15 & 19 October 2001). At the same time however, the traditionalists won the battle on the normative level, as the modernisation project and its commitment to fiscal discipline were compromised in favour of redistribution and a soft pension reform. Modernisation did not coincide anymore with the new European social agenda and the Lisbon programme priorities of 'Growth, Employment and Competitiveness', but instead with the rather more redistributive priorities of 'Growth, Employment, and Social Solidarity' (Skandalidis 2001: 43). In this context,

pension reform was not linked to fiscal discipline and the EMU project but to balancing the social disequilibrium and to converging with the European Social Model (Yannitsis 2001: 30). The following statement of Simitis is indicative: 'the social security issue is for the government primarily social and not fiscal' (<http://www.in.gr> 21 March 2002).

The revision of the modernisation project and the governmental policy preferences was followed by the revision of the governmental policy narrative. The next section will look at the narrative and the strategy the government used to frame the policy process.

### **3. The 'internal contradictions and inequalities narrative' and the Europeanization of social security standards.**

As with the previous reform initiative of Simitis' government, the main characteristic of the discursive interactions of this reform episode is that there was no communicative discourse. Indeed, Simitis did not make any intervention throughout the policy process. It is indicative he did not include any reference to the pension reform in the speech he gave at the International Expo of Thessaloniki, an opportunity which Greek governments traditionally use to highlight their policy agenda. Instead, the discursive interactions took place in the coordinative arena, firstly at party level and subsequently at the corporatist one. The second characteristic is that the policy process was framed by the governmental narrative only, which nevertheless reflected to a great extent the 'socio-economic disequilibrium narrative' that was expressed by GSEE and the rest of key policy actors, SEV notwithstanding, since 1992.

Specifically, the governmental narrative depicted the 'internal contradictions and inequalities' scenario, which was based on inadvertent causation. The focus was on the internal contradictions of pension policy and their impact on its efficacy. Similarly to the 'socio-economic disequilibrium' narrative, the governmental causal story depicted a sectoral approach to the policy problem, and it was consistent with the preference for a redistributive demand-side model of economic growth that the revised version of modernisation and its emphasis on 'Growth, Employment and

Social Solidarity' reflected. In this context the aim of pension reform, according to both the governmental and 'socio-economic disequilibrium' narrative was the protection of the vested rights as well as the organisational, operational and institutional reshape of the pension system, in order to make it a viable, socially just and compatible with its European counterparts:

*'These structural changes shape the terms, create the institutional basis and primarily the support mechanisms for the consolidation of course of adjustment towards the construction of a viable new Greek social vested rights, which will be compatible with the European Union' (Permeable report 2002: 536 & 537).*

The government dropped various characteristics of its previous narratives, although they did not necessarily clash with the rationale of the 'socio-economic disequilibrium' narrative. Specifically, the government excluded completely from its story the demographic pressures or the globalisation of economy as causes of the policy problem. Instead, the only cause of the policy problem was fragmentation. Similarly to the 'socio-economic disequilibrium' narrative, the governmental story focused on the imbalances of the system and its incapacity to satisfy social needs. Specifically, the governmental narrative highlighted the implications of fragmentation, namely the systemic contradictions and inequalities, the regulatory complexities, and the distortion of intergenerational solidarity, which in fact were intensified by the Law introduced in 1992:

*'The sectoral fragmentation, the absence of a central organisation and the fragmentation of monitoring of the pension funds...obstructed the establishment of a spirit of a common insurance mentality. Under these circumstances significant inequalities were established and gradually intensified between occupational groups, in terms of contributions and benefits...The problems are worsened by the regulatory complexity...The problem of internal systemic contradictions and inequalities were further worsened by the 1992 reform...This development has afflicted the principle of intergenerational solidarity' (Preamble Report 2002: 535).*

The narrative did not attribute blame to any actor about the policy problem. On the contrary, it went to the extreme of praising the trade unions and their role in constructing the social security system and expanding its provisions:

*'The funds of reciprocal help that were established at the second half of the 19<sup>th</sup> century by the organisational initiatives of the employees of that period, are the starting point of a long course of fights and efforts to integrate social demands into the new framework of the industrial model of employment and production'* (Preamble Report 2002: 234; for the overview of the role of the labour movement in constructing the social security policy, read pp.233-235).

The story both expanded and contained the policy issue. Indeed, pension policy and its problems concerned both Greek society and the employees. Furthermore, the governmental story situated the policy issue within the context of vested pension rights, which according to GSEE were the core elements of the system:

*'The system of social security of our country, in its almost one-hundred year course, reflects a multi-year and constant effort of the broader majority of the Greek people and mainly of the employees to construct the Greek social vested [rights]'* (Preamble Report 2002: 533-534).

Finally, the governmental story integrated normative commitment of the 'socio-economic disequilibrium' narrative to a financially viable, public and social redistributive system:

*'[the social security system will] be based on the principles of public, universal and compulsory insurance system with redistributive operational rules'* (Preamble Report 2002: 537).

Cognitively, pension reform should not contradict 'the course of the national economy within the framework of European and global competition' (Preamble Report 2002: 536). This included measures that promoted 'the organisational, operational, and institutional transformation of the system' such as (Preamble Report 2002: 536):

- introduction of universal and compulsory contributions towards the primary and the auxiliary pension
- tripartite financing
- establishment of a regulatory framework for the development of occupational pension funds.

The 'internal contradictions and inequalities' narrative dominated the policy coordination process. The following section will look into the social dialogue process and way this narrative framed the policy solutions that were negotiated within it.

#### **4. Coordinating the social dialogue.**

A few days after the end of the 6<sup>th</sup> PASOK Caucus, the PM reshuffled the government and Dimitris Reppas, previously the Spokesman of the Government, became the new Minister of Labour and Social Insurances, with the task of controlling PASOK's decreasing appeal to public opinion after the Yannitsis plan fiasco and to promote some changes to the pension system. The Deputy Minister holding the social security portfolio was Rovertos Spyropoulos, a veteran trade unionist and an influential figure over PASOK's 1990's labour market policies. Both Reppas and Spyropoulos had a better relationship with the trade unions and a better potential to built consensus. According to the Secretary General of ADEDY Kostas Kollias, 'Reppas was a politician...who had popular references and connections...' (Kollias Interview 4 January 2007). Similarly, the president of POPKOP Giorgos Koutroumanis noted 'then the Minister and Deputy Minister of Labour changed and Reppas and Spyropoulos took charge that had a better relationship with the trade unions ...' (Koutroumanis interview 20 December 2006).

There was also change of guard at the Ministry of National Economy and Finance. Yannis Papantoniou, the 'Tsar' of the Greek economy for the past seven years was replaced by Nicos Christodoulakis, a technocrat and Professor at the Economic University of Athens. Both Reppas and Christodoulakis had the reputation of being efficient and more consensual than their predecessors. Also, their relationship was much better than that of their predecessors. Overall, the change of guard in the key ministries improved the climate and the level of trust between the social partners and the government.

This government, and in particular Reppas, was also better than Yannitsis at keeping at arms length the criticism raised from PASOK. In January 2002 forty-five PASOK MPs ,under the leadership of Simitis' former close associate and born-again



‘traditionalist’ Theodoros Tsoukatos, challenged Reppas’ and Christodoulakis’ leadership in the policy process and threatened the balances achieved at the PASOK conference in October. The forty-five sent an open letter to the competent Ministers, calling for a set of measures in reference to the pension problem that integrated GSEE’s preferences with an added leftist twist. Indicative of this was their request to evaluate social spending, both in terms of effectiveness and need (Eleftherotypia 23 January 2002). Other measures included the extension of tripartite financing to all primary pensions; the progressive increase of taxation and introduction of new taxes in order to finance pensions for working mothers and the long-term unemployed; the increase of employment and constituent reduction of unemployment; and the financing and management of auxiliary pension funds held in common by employers and employees (Eleftherotypia 23 January 2002).

Reppas did not hesitate to suppress the upcoming crisis. A day after the announcement of the letter he reminded the group that:

*‘the framework of the governmental positions on pension reform was defined, and commonly agreed at the last PASOK conference. The decision commits everybody’* (Eleftherotypia 24 January 2002).

The consensus reached at the PASOK conference was also the point of reference for the president of GSEE and member of PASOK, Christos Polyzogopoulos, who also rejected the initiative. At an interview he gave on February 2002 he stated that:

*‘Polyzogopoulos: ...certain people must stop playing with issues they do not know.*

*Journalist: Do you mean the Tsoukatos initiative?*

*Polyzogopoulos: You can call it however you like, but this is not the issue. I detect some amateurism in the sense that the incompetent speak as competent and that causes confusion. The government must govern and the social organizations [must] control and assert’* (Eleftherotypia 2 February 2002).

Reppas did not hesitate to bring forward the pension issue, yet he made clear that his style would be very different than Yannitis’ and that the society’s concerns regarding pensions would be considered seriously: ‘the government would not do anything to underestimate or weaken...the moral demand of the Greek citizens for a solution to this problem’ (Ta Nea 19 November 2001). Given the revision of the governmental

coordinative discourse and policy preferences, the plan now was to promote a mild, effective, and financially viable solution. The injection of public money into the system and hence the expansion of public spending was the landmark. The following statement of Reppas is indicative: ‘the government and PASOK has committed...to support with additional funds the social security system’ (Eleftherotypia 3 February 2002). This proposal was also supported by the Minister of National Economy and Finance, Nicos Christdoulakis, who was initially against the financing of the debt of IKA as a percentage of the GDP but in the end succumbed (Eleftherotypia 1 April 2002).

Soon the government announced that the social dialogue process on pensions would start early in 2002. The government accepted GSEE’s demand for social dialogue on a ‘zero basis’ - meaning that the government would not set any preconditions related to its policy preferences. In this context, the dialogue would take place on a bilateral and step-by-step basis. The following extract of the statement of the Secretary General of PASOK, Kostas Skandalidis is indicative:

*‘We invite the representatives of the employees and the social partners to a dialogue on a zero basis, without preconditions and evasions...We have the will to agree step by step and to regulate starting from a common understanding about today’s reality...’* (<http://www.in.gr> 29 May 2001).

Reppas wanted to make clear that the government was not after political expediencies and that it was greatly concerned with the financial feasibility of its proposals. For this reason, it asked the British Government Actuaries Department (BGAD) to prepare fifteen projections of the deficit of the Greek pension system based on different assumptions<sup>48</sup> and reform scenarios than those used by Yannitsis. At the same time, the trade unions kept a low key profile throughout the stage of preparation of the social dialogue process, even when the government announced its policy plan. Since most of the governmental proposals were compatible with the policy preferences shared by a majority of the key policy actors, GSEE was now primarily concerned

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<sup>48</sup> The new projections would be based on the 2001 national census results, as well as assumptions about the increase of employment and the legalisation of immigrants.

with securing that future governments would respect the agreements reached at the present stage (Eleftherotypia 1, 2 & 3 February 2002).

Eventually, the social dialogue process started on 5 March. The dialogue was tight and would be completed in three phases. The first phase would look into design as well as the operational and organisational structure of the system. The second, would determine the method of financing and look for the necessary funds. In the final stage, the focus would be on the retirement rules and pension arrangements. The coordinative discourse of the key policy actors remained consistent with the previous reform episodes and it consisted of two distinct sets of proposals that nevertheless shared common preferences. The following section will look into the coordinative discourse of the key policy actors.

### **5. The Coordinative discourse of the key policy actors.**

The coordinative discourse of the key policy actors was similar to the previous reform episodes. To start with, all key policy actors continued to share a common set of preferences that included (Eleftherotypia 27 September 2001; Folias 2001: 93-100; Motsos 2001: 101-104; GSEE 2000):

- tripartite financing
- reduction of the number of pension funds
- flexible retirement preconditions
- preferable treatment of women
- introduction of motives that prolong employment and discourage early retirement
- introduction of capitalisation
- modernisation of the investment management of pension fund assets
- combat of contribution, tax evasion, and black market economy

In terms of tripartite financing the trade unions suggested that the government should finance 3/9 of the pension expenditure for all cohorts (pre and post 1993), whereas the employees should contribute 2/9 and the employers 4/9.

In addition to that, there were two distinct sets of proposals. This time SEV (industrialists) and ESEE (tradesmen) were closer in terms of policy design as they favoured a multi-pillar system based on actuarial fairness (SEV Bulletin 2002: 8-9; Folias 2001: 98). The preferences reflected a systemic approach to the policy problem. SEV in particular was in favour of converting the auxiliary pension funds to occupational ones, as well as the following (SEV Bulletin 2002: 8-9):

- retirement age between 60-67
- revision/reduction of the list of the arduous and unhealthy occupations
- introduction of motives that prolong employment and discourage early retirement
- tax system accommodation of pension policies

On the other hand, the sectoral approach of the ‘socio-economic disequilibrium’ narrative was at the core of the second set of proposals. They still preferred the grouping of similar pension funds rather than their wholesale integration. GSEVEE and the trade unions specifically, were in favour of a public and social two-polar system financed on a PAYG basis and complemented by redistributive elements (Motsos 2001: 103-104; GSEE 2000; Papaspyrou 2001: 23-27). The first pole would contain the primary pensions and the second, the auxiliary ones. GSEVEE and the trade unions were against occupational schemes. Additionally they advocated (Motsos 2001: 103-104; GSEE 2000; Papaspyrou 2001: 23-27):

- retirement at 35 years of employment regardless of age
- expansion of the list of heavy and unhealthy occupations (ADEDY was in favour of applying the regime to the public sector)

Since the government had already integrated in its coordinative discourse the preferences the key policy actors had in common, as well as the commitment to the public and social character of the system, GSEE was not preoccupied as much with the policy design during this reform episode. Instead, it was concerned more with securing tripartite financing, a more even redistribution of the GDP, and the modernisation of the management of the system. These additional measures were also part of its ‘alternative proposal’ (GSEE 2000: 33-51):

- establishment of a social solidarity budget code that would finance the pensions of those unable to fulfil the preconditions of retirement
- establishment of a special budget code that would cover the needs of pension funds with financial problems
- integration of certain occupational groups (workers in telemarketing, cloth-making manufactures, freelancers)
- payment of pension funds debt by the state
- introduction of a national insurance number
- monitoring of the budget and the financing of the pension funds by the state.

Finally, OTOE and ADEDY were preoccupied with maintaining their sectoral particularities. On one hand OTOE was still suggesting the establishment of a bank sector pension fund, the abolishment of the upper sealing of lump-sum pension funds, and the conversion of the lump-sum pension funds to Legal Entities of Private Law rather than Public Law (<http://www.in.gr> 16 June 2002). ADEDY was primarily concerned with preserving the generosity of their pension arrangements. Specifically, ADEDY's additional proposals included (Minutes of the Permanent Committee of Economic and Social Affairs 2002: 28-34 &36-44):

- calculation of pensions on the basis of the last salary for the pre-1993 cohorts
- increase of lower pensions
- establishment of the right to buy off years of insurance

Various elements of these policy preferences were integrated in the governmental coordinative discourse when the social dialogue started. This resulted in a consensual process of coordination, during which the government was open to discuss additional measures suggested by the trade unions and to amend its coordinative discourse. The following section will look into the first phase of the social dialogue process.

## **6. The first phase of the social dialogue process: agreeing on the policy design.**

The first phase of the social dialogue process started in a positive climate. The day it was announced Reppas foresaw that 'a consensual solution is feasible' (<http://www.in.gr> 5 March 2002) and added that 'the policy of the ministry, aims to

combine a daring solution with social sensitivity' (<http://www.in.gr> 5 March 2002). Contrary to the experience of Yannitsis' attempt, this time it received a warm welcome. The president of GSEE Christos Polyzogopoulos was now pressing the government to start the deliberations:

*'we will not tolerate more delay...the more we drag the problem, the more painful will be the measures for the employees...a legal arrangement [of the problem] is feasible within the first six months of the year'* (Eleftherotypia 4 March 2002).

Similarly, the employers associations welcomed the new initiative (Eleftherotypia 6 March 2002). The president of SEV, Lefteris Antonakopoulos stated that this was an 'encouraging start' (Eleftherotypia 6 March 2002). ADEDY on the other hand was more cautious as it found that there were still 'grey zones' to be clarified, yet its President Spyros Papaspyros noted that there were qualitative differences to Yannitsis' plan (Eleftherotypia 6 March 2002).

The first set of the bilateral meetings took place immediately after the dialogue process opened. They were based on the normative commitment of the government to put in place a public, social system of social security (Eleftherotypia 5 March 2002). In terms of policy design, the government essentially suggested a revised version of the two-polar system GSEVEE and the trade unions favoured. The first pole would contain the primary pensions and would remain distributive/redistributive. The second pole would contain auxiliary pensions that would be managed by the social partners. Insurance of auxiliary pension funds would be compulsory. On the other hand the government suggested that occupational pension schemes could be introduced within the second pole and that auxiliary pension funds could be eventually converted to occupational fully-funded ones. Hence, the system could potentially be converted to a two-pillar one in the future. In this context the state would guarantee the primary pensions but not the auxiliary ones.

Additionally, the government suggested the integration of the pension funds and the establishment of following six sectoral pension funds, both at the primary and the auxiliary level (Ta Nea 9 March 2002):

- farmers (OGA)

- salaried workers, including those employed in the banking and public sector enterprises (IKA-ETAM)
- public sector workers
- self-employed (OAEE)
- professionals (doctors, lawyers, engineers etc.)
- journalists

Finally, in terms of the operation of the system, the government suggested the establishment of a National Actuarial Authority, the computerisation as well as the operational and administrative independence of pension funds, and measures for the improvement of their services and their efficiency.

To finance the system the government endorsed the demand of all key policy actors for tripartite financing for the primary pensions, bipartite financing for the auxiliary pension funds, capitalisation through the investment of the assets, and measures against contribution evasion (Ta Nea 6 March 2002). Nevertheless, the government clarified that the statutory contribution to the financing of the primary pensions would be set as a percentage of the GDP and that it would not apply to sectors with preferential retirement preconditions and arrangements, such as, the utilities and baking sectors. Essentially, the government did not want the cost of tripartite financing to undermine the country's macroeconomic stability and the EMU commitment to a low deficit.

The reaction of the GSEE as well as of the employers associations to the governmental proposals was generally positive (<http://www.in.gr> 5 March 2002). It is indicative that Polyzogopoulos expressed his satisfaction that 'the proposal of the Ministry of Labour coincides with the proposal of GSEE' (<http://www.in.gr> 5 March 2002). ADEDY on the other hand had a more reserved reaction. Six days later a second round of meetings took place, focusing both on the retirement arrangements of the various cohorts (pre-1993, post-1993, post-2008) and the additional proposals presented by each side. Also, there were differences between GSEE, ADEDY and the government that remained to be discussed. These included the preferential retirement preconditions for women, the expansion rather than reduction of the list of 'heavy and unhealthy' occupations, the period of employment necessary in order to establish the

right to retire regardless of age, the calculation formula, the level of lower pensions, the grouping of auxiliary pension funds, and the calculation method of tripartite financing.

A few days later, Reppas surprised everybody by accepting and integrating all of GSEE's proposals in the governmental coordinative discourse, with the exception of the expansion of the list of the 'heavy and unhealthy' occupations. On the other hand, GSEE withdrew its demand for statutory contribution by 3/9 to the financing of the system and accepted the governmental proposal for 1% of the GDP. At the same time however, it tried to enter a formal commitment that the state would contribute over 1%, if the IKA deemed financing demands necessary. Overall, the first phase of the social dialogue process was successful. Consensus was reached on a number of issues, which included a mix of measures that promoted actuarial fairness to a limited extent, inserted motives to prolong employment, and discouraged early retirement:

- governmental financial contributions as a percentage of GDP
- establishment of IKA-ETAM (a unitary primary pension fund), ETEAM (an auxiliary pension fund for the private and banking sectors, and DEKO)
- retirement after 37 years of employment regardless of age (increase from 35)
- total replacement rate at 90% of the pensionable salary (increase of the replacement rate for primary pensions by 10%, for the post-1993 cohort from 60% to and equal reduction for the pre-1993 ones)
- the calculation of pensions on the basis of the best five years of the whole employment period (IKA) or on the basis of the last five years instead of the last salary for the civil servants (pre-1993 cohorts)
- calculation of civil servant pensions on the basis of 1/35 rather than 1/50 (Law 1902/1990)
- replacement rate for lower pension at 70% of the lowest salary
- favourable arrangements for mothers of under-aged children
- introduction of motives for the extension of working life and discouragement of early retirement<sup>49</sup>

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<sup>49</sup> Such as:



- establishment of a budget code that would finance pension funds on the basis of capitalisation
- no changes to the retirement preconditions for the pre-1993 cohorts
- no increases of contributions and retirement age
- a five year transitional period

Despite the fact that the calculation fraction was improved for the civil servants pensions, ADEDY rejected the governmental proposals and it was getting ready for industrial action (<http://www.in.gr> 19 March 2002). The truth was that the suggested changes at the replacement rate were affecting the mature pension rights of the pre-1993 cohorts. Also, ADEDY was against the suggested changes to the retirement age and the calculation formula (last five years instead of last salary for pre-1993 cohorts) (<http://www.in.gr> 13 March 2002; Minutes of the Permanent Committee of Economic and Social Affairs 2002). On the other hand, OTOE requested the exemption of the sector funds from the integration of IKA-ETAM and ETEAM, and insisted on the establishment of a sectoral pension fund (<http://www.in.gr> 16 June 2002).

Criticism also came from the parties in opposition. SYN supported the positions of GSEE about tripartite financing (Eleftherotypia 8 March 2002), whereas the communist party KKE rejected both the governmental proposal and the social dialogue process (<http://www.in.gr> 11 March 2002). On the other hand, the previous ND Minister of National Economy, Giorgos Souflias accused the governmental proposals for being ‘populist’ and for lacking ‘substance’ (<http://www.in.gr> 14 March 2004) and instead he praised the Laws passed in early 1990’s by the ND governments (Eleftherotypia 15 March 2003). Similarly, the previous PM, Konstantinos Mitsotakis accused the government for promoting a ‘cowardly’ reform in view of the forthcoming elections at a moment when it should be questioning the ‘vested rights’ (<http://www.in.gr> 9 March 2002). In fact, the ND commentary was part of the overall

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- establishment of the right to retire early from the age of 58 onwards with reduced pension and introduction of pension incentives for those who choose to remain at work after the age of 58 for the pre-1993 cohorts
  - increase of the replacement rate for those who remain into the system after 35 years of employment
  - Increase of the amount of salary used as a basis for the calculation of civil servants pensions

and indeed, intense criticism of the governmental economic policy and of the effort to discredit Simitis himself in view of the forthcoming elections.

Nevertheless, the criticism did not harm the social dialogue process. Reppas received the full support by PASOK, as both the Cabinet and the party Executive endorsed his proposals (Eleftherotypia 22 March 2002). It is indicative that Akis Tsochatzopoulos, the leading figure of the traditionalist group that criticised Yannitis' plan in 2001 stated that 'Reppas' proposal 'is headed in the right direction...PASOK has the great opportunity to inspire certainty to the weakest social groups that the viability of the social security system is ensured' (Eleftherotypia 22 March 2002). Overall, the conciliatory approach of government and its readiness to adjust its coordinative discourse according to GSEE's preferences led to the successful culmination of the first phase of the social dialogue process, despite the reaction of ADEDY.

The second phase of the dialogue was scheduled to start soon and it would focus on the exact method of financing. The governmental discussant this time would be the Minister of National Economy and Finance, Nicos Christodoulakis. The conciliatory climate though was not to last for long. Fractions within GSEE affiliated to ND (DAKE), Synaspismos (Independent Intervention) and KKE (DAS) were uneasy about the course of the social dialogue and in particular, were wary of the agreement for statutory contribution as a percentage of the GDP. From the side of DAKE the Secretary General of GSEE, Giannis Manolis stated that the government failed to offer guarantees regarding the secure and consistent flow of tripartite financing. The Independent Intervention the Deputy President stated that the demand for tripartite financing remained unsatisfied (<http://www.in.gr> 24 March 2002). The reactions of the opposition continued for most of the second phase of the social dialogue process, which eventually involved discussions over the exact method of tripartite financing between the Minister of National Economy, Nicos Christodoulakis and the social partners.

## **7. The second phase of the social dialogue: negotiating tripartite financing.**

The second phase of the social dialogue process was more complex than the first one, due to reactions from within GSEE. Specifically, fractions affiliated to ND (DAKE), SYN (Independent Intervention) and KKE (DAS) rejected the agreement Polyzogopoulos, member faction affiliated to PASOK (PASKE), had reached with the government. The reactions were focused on the compromise regarding tripartite financing. The opposing fractions were still in favour of GSEE's original proposal for statutory contribution by 3/9 of pension expenditure instead of a certain percentage of the GDP (Tavris Interview 28 December 2006). Another concern was the fact that the government had not made clear how the additional funds would be raised, as there were fears that the government would not pay its share in the future (Tavris Interview 28 December 2006). Also the opposition focused on the compulsory integration of pension funds (both primary and auxiliary) and the way lower pensions were calculated (Independent Intervention) (Tavris Interview 28 December 2006).

In late March the opposing factions withdrew from the social dialogue, leaving the government puzzled as to what the future held. Withdrawal also placed GSEE's leadership in a tight position. Polyzogopoulos defended the need to proceed with the second phase of the social dialogue process and criticised GSEE's opposition for reacting at the wrong moment of the policy process (<http://www.in.gr> 24 March 2002). At the same time, however, he stated that he would not proceed with the social dialogue unless an agreement was reached within GSEE (Ta Nea 26 March 2002). As a result the first scheduled meeting with the Minister of Economy Nicos Christodoulakis was postponed until the General Assembly and Executive Committee of GSEE was summoned on 4 April in order to discuss, clarify, and agree upon GSEE's position on the social dialogue process. The meeting at the General Assembly would produce one of two outcomes. Either the GSEE accepted the government's proposals (a position favour by PASKE) or they rejected them, opting instead for a general strike (DAKE, Independent Intervention, DAS).

GSEE's fractions were supported by the parties in opposition. The communist party KKE was traditionally against the social dialogue and policy change in general

(<http://www.in.gr> 8 April 2002). ND accused the government of transferring the policy problem to the future and agreed with the opposition within GSEE that it was not clear how the additional funds would be raised and secured (<http://www.in.gr> 26 March 2002). It also suggested that the basis of the dialogue should be the BGAD report that Reppas had commissioned at the beginning of the social dialogue process (<http://www.in.gr> 26 March 2002).

In an effort to save the process and to strengthen Polyzogopoulos' position, Christodoulakis increased the statutory contribution to IKA from the 2003 budget by 160 billion drachmas, that is to 430 billion drachmas from 270. Also, despite the initial intention of the government to offer financial support to IKA only, Christodoulakis stressed that the government would fulfil its responsibilities in the forthcoming thirty years regarding the capitalisation of the system, by helping all of the pension funds (<http://www.in.gr> 26 March 2002).

Also Polyzogopoulos praised the agreement and raised the point that only 1.5% of the insured population would suffer worse retirement arrangements from the agreed changes and that any industrial actions would only benefit this marginal percentage (<http://www.in.gr> 4 & 10 April 2002). POPKOP (Panhellenic Federation of Personnel Employed in Organisations of Social Policy) also estimated that 1-1.5% of the wage-earners would experience pension reduction, whereas six out of ten of the insured would retire with better arrangements (calculations are presented at POPKOP's bimonthly bulletin 'The Insured' 2002: 20). This in absolute numbers referred to only fifteen to twenty thousand employees retiring with worse arrangements out of approximately the two and a half-million working in the public, private, banking sector and DEKO. All of the post-1993 cohort would receive increased pensions, due to the changes at the replacement rates/calculation formula.

When the GSEE Assembly finally met on 4 April the votes resulted in a deadlock. Instead, a new summon was scheduled for 24 April in the hope that, with time, differences could be bridged. With the policy process blocked and Polyzogopoulos stating that he would not carry on with the dialogue unless an agreement was reached within GSEE, it was Reppas' turn to propose an additional set of measures that again expanded social security. These included provisions that enabled those who had not

completed 15 years in the system, to establish the right to retire by transferring retirement rights from the auxiliary pension funds to the primary ones (<http://www.in.gr> 23 April 2002). Reppas also suggested the increase of lower pensions and the incorporation of National Service to the pensionable time.

In the end, when the General Assembly of GSEE met on 24 April an agreement was reached in favour of the social dialogue process. The Assembly also defined GSEE's agenda for the discussions with the Minister of National Economy, Nico Christodoulaki. Specifically, GSEE's coordinative discourse regarding the financing of the system included:

- statutory financing by 3/9 of the financial needs of the system
- the payment of the government's debt to IKA (€1,3 trillions) with interest
- the arrangement of IKA's debt (€1,5 billions) to other welfare organisations
- establishment of a clause that the state would always guarantee the surpluses of IKA

According to the Director of GSEE's think-tank INE the demand for the clause was based on the lack of reliable studies regarding the financial state of the system and the disbelief that the state would be able to cover its needs (<http://www.in.gr> 24 April 2002). This was closely linked with the fact that EU Law did not allow the statutory contribution to the pension system when the deficit is over 3% of the GDP (<http://www.in.gr> 24 April 2002).

Polyzogopoulos was now empowered enough to proceed with the social dialogue. After his meeting with Christodoulakis, a compromise was reached. On one hand, Polyzogopoulos accepted the governmental proposal for tripartite financing as a percentage of the GDP, whereas Christodoulakis accepted all the rest of GSEE's clauses about the financing of the system (<http://www.in.gr> 17 May 2002). More specifically, the agreement included (<http://www.in.gr> 23 May 2002):

- writing off of 1.7 trillion drachmas of IKA's debt to the state
- granting of 1.3 trillion drachmas to IKA from the budget over a two-year period
- settling of IKA's debt with other welfare organisations within the next five years

- state payments of 1% of GDP to IKA for the next 30 years
- government would guarantee the surplus of IKA's finances with additional funding for the next 30 years
- government would offer the funding necessary to IKA in case the planned integration of other pension funds into its structures burdened its finances

The agreement between GSEE and the government was well received by the employers. Both the president of SEV, Odysseas Kyriakopoulos and of ESEE, Dimitris Armenakis agreed that it was 'a great step towards resolving the financial issue', although both questioned its impact on the general deficit and the country's finances (<http://www.in.gr> 23 May 2002). In response, Polyzogopoulos accused SEV of failing to provide a credible, alternative policy plan (<http://www.in.gr> 23 & 24 May 2002). On the other hand, the rest of the political parties distanced themselves from the financing plan. From the side of ND, only the former PM and Honorary President, Konstantinos Mitsotakis openly rejected the agreement, calling it a 'euphemism'. At the same time, the president of ND Kostas Karamanlis avoided presenting ND's positions on pension reform when challenged by SEV (<http://www.in.gr> 30 May 2002). On the other hand, the president of SYN Nicos Konstantopoulos claimed that the governmental proposals would not secure the financial sustainability of the system. In this context, the second phase of the social dialogue process came to an end. In the next and final stage, the social partners would discuss the details related to pension arrangements and retirement preconditions with the Minister of Labour Dimitris Reppas.

### **8. The third phase of the social dialogue: agreeing on the draft Law.**

The final phase of the social dialogue commenced on 29 May and ended two days later on 31 May. Overall, this was also a consensual process that gave birth to the draft Law. The agreed measures were in fact expanding spending and provisions rather than promoting actuarial fairness. They concerned early retirement, lower and survivor pensions, re-calculation of the basis of IKA pensions, the list of heavy and unhealthy occupations, the lump-sum pensions, and pensioners' contributions towards

the budget code for means-tested benefits. Specifically, they included (<http://www.in.gr> 1 June 2002):

- change to the calculation basis for IKA from the salaries of the last five years to the best five years in the last ten years of employment
- increase of the salary used as the calculation basis for the pensions in DEKO and banks
- improvements for the calculation of time of insurance for lower pensions
- abolishment of the sealing for the lump-sum pensions in the banking sector and DEKO
- improvement of the retirement preconditions for the heavy and arduous occupations
- improvements for survivor pensions
- establishment of the right to receive a reduced pension for those who reached their 65<sup>th</sup> year of age but had not completed enough time of employment
- establishment of the possibility to buy off the time of legal strikes and incorporate it to the time of insurance
- abolishment of contributions towards LAFKA for all pensioners but those of OGA and NAT

This time Polyzogopoulos did not bring the agreement to the General Assembly for discussion and approval. He instead bypassed the process, claiming that the Assembly had already empowered him to conclude the dialogue at its previous meeting (<http://www.in.gr> 31 May 2002). Nevertheless, the opposing fractions within GSEE reacted again to the agreement and accused Polyzogopoulos of betraying the labour movement. OTOE and ADEDY also opposed the agreement, and along with the opposing factions of GSEE called for a strike (<http://www.in.gr> 14 June 2002). The parties in opposition also criticised the new policy. The left-wing parties (KKE and SYN) questioned the sincerity of the social dialogue process and accused the government of fixed solutions and of promoting a neo-liberal agenda that did not solve the financial needs of the system (<http://www.in.gr> 31 May, 5 & 13 June 2002).

On the other hand, the president of ND, Kostas Karamanlis, blamed the government for promoting a Law that did not solve the problem but instead burdened public

finances (<http://www.in.gr> 3 June 2002). Similarly, the former Minister of Economy, Giorgos Souflias claimed that the government was pushing the problem ‘under the carpet instead of solving it’ (<http://www.in.gr> 10 June 2002). The Shadow Minister of Labour, Gerasimos Giakoumatos accused it of ‘creating a new generation of deficits as soon as pension funds will be integrated to IKA-ETAM’, and stressed that the problem cannot be faced through the general budget (<http://www.in.gr> 13 June 2002). The harshest criticism came from the former PM, Konstantinos Mitsotakis and his Minister of Economy in 1992, Stefanos Manos (now an independent MP), who accused the government plans to actually increase the system’s deficit to over 300% of the GDP and for ridiculing the Greek people (<http://www.in.gr> 24 May & 13 June 2002). In fact, Manos also attacked the Minister of Economy, Nicos Christodoulakis for approving a financing plan that actually undermined the country’s EU commitments, the Stability and Growth Pact, as well as the Amsterdam and Maastricht Treaties (<http://www.in.gr> 13 June 2002).

Moreover, ND continued to challenge the government to release the findings of the earlier BGAD report commissioned by Reppas himself . In fact, the criticisms of the implications of the Law on public finances were not groundless. It is indicative that Christodoulakis’ projection of the pension system deficit for the following 30 years ranged from 3.5% to 7% compared to the 11.7% projection that Yannitsis made a year earlier. It is also indicative that the government promoted the draft Law to the Parliament for discussion before the State Audit Council released its opinion on the financial provisions, as well as before the OKE (Economic and Social Committee) finalised its report. This ignited further indignation on behalf of the Parliamentary opposition, with ND accusing the government of violating the Constitution. ND eventually stopped the discussion of the draft Law until the State Audit Council opinion had reached the Parliament. Despite the criticism, Karamanlis was also very careful not to disturb ND’s new centre-right profile and his potential electoral victory. He thus carefully avoided revealing ND’s pension policy plans, when challenged by the PM Simitis in the Parliament. In fact, he refused to commit whether ND would repeal the Law or even pursue a new pension reform if elected (<http://www.in.gr> 18 June 2002).



In spite of the opposition, the intensity of reactions was less strong compared to the previous reform episodes. Polyzogopoulos backed the government by praising the draft Law, stressing the necessity for Parliament to vote as soon as possible, and discrediting the ND criticisms on the grounds of its own harsher policy preferences (<http://www.in.gr> 10 & 13 June 2002). On the other hand, the number and the intensity of strikes were comparatively limited. Neither PASKE, in the case of GSEE, nor POPKOP in the case of ADEDY, supported the strikes. The following interview extract is indicative:

*'We did not have the same course as ADEDY not so much regarding our requests but because POPKOP wanted to negotiate some remaining gaps at the Law. That is we disagreed with ADEDY's tactic to disrupt the dialogue at a moment when we thought that we were strong and we had the social alliances. We wanted ADEDY to be stronger at negotiations. Then some initiatives took place that brought the civil servants against the government. We could have left the reactions for the future and instead targeted to the improvements we could achieve until the submission of the draft Law to the Parliament'* (Koutroumanis interview 22 December 2006).

Moreover, there is no evidence that the rest of the state-controlled companies, DEKO and OTOE, posed significant resistance with the exemption of the general strike that took place on 14 June only a few days before the Law was voted by the Parliament. It is indicative that most of the interviewees considered the reactions limited, since they came mainly from ADEDY and to an extent OTOE. The following extracts are indicative:

*'With Reppas' Law there was dialogue and there was no reaction, and it was easier to pass the Law. ND walked out of the discussions because it had to do so...It is indicative that the trade union fractions affiliated to ND did not agree with the draft Law'* (Papaioannou Athanasios Interview 20 December 2006).

*'With Reppas' Law the reactions were more relaxed. The labour movement did not accept the Law but also it did not drop the Law either...As far as ADEDY is concerned I don't think we agreed on anything. Regarding everybody else I think there was an agreement with the employees in the banking sector regarding the integration of their funds to IKA...'* (Kollias, Secretary General of ADEDY, Interview 4 January 2007)

*'The social partners supported the Law. GSEE supported it because many of the Law's provisions were also part of its agenda. The statutory contribution, the integration to IKA etc. The occupational pension funds did not concern them particularly. There is no point where pensions were reduced...SEV was whistling indifferently as always...it pulled its tail away. SEV might have expressed some reservations but I don't think it disagreed openly'* (Tinios Interview 15 December 2006)

*'GSEE did not have radical disagreements... it agreed with the main points and the Law was voted...I think silently everybody else followed. ADEDY had some reservations about provision referring to the civil servants. The employers associations did not have any reason to react'* (Rombolis Interview 4 January 2007).

In this context of consensual discursive interactions, at least as far as the leaderships of the government, GSEE, and the employers associations were concerned, with the continuous adjustment of the governmental coordinative discourse to the trade unions' and in particular GSEE's preferences, and with the ND walking out from the Parliamentary discussions, Law 3029/2002 was eventually voted by the Greek Parliament on 21 June 2002.

## **9. The effectiveness of the discursive interactions and the Europeanization of pension policy: the content of Law 3029/2002.**

Law 3029/2002 was the second attempt by PASOK to reform pensions. Its content was to a great extent predetermined by the failure of Yannitsis' plan and was determined to a great extent by GSEE. According to the President of GSEE's think-tank, INE, Savvas Rombolis, 'most of the Law was compiled by INE' (Rombolis Interview 4 January 2007). The Law also reflected the compromise of the modernisation project and the governmental policy priorities, and eventually the 'internal contradictions and inequalities' narrative, both in terms of its normative and cognitive elements. Indeed, the Law did not aim at introducing a multi-pillar pension system, but instead the organisational, operational, and institutional reshape of the

extant one to ensure its viability, its socially just nature and its compatibility with its European counterparts (Permeable report 2002: 536 & 537).

Its provisions concerned only the private sector employees, banking sector, the publicly-owned enterprises (DEKO) and the civil servant's pension scheme, but not the self-employed, the employees at the media, farmers, as well the liberal professions. In terms of policy design, Law 3029/2002 established a two-polar one whereby the first pole would be the primary pensions and the second the auxiliary ones. The Law provided for the integration of the primary and auxiliary pension funds, and for the establishment of occupational pension schemes. More specifically, in terms of policy design and the operational structure of the system, the Law had the following set of provisions (Gazette of the Government 2002: 3063-3070):

- compulsory integration of all primary pension funds of the private and wider public sector to IKA-ETAM<sup>50</sup> (Joint Pension Fund for the Salaried – Ενιαίο Ταμείο Ασφάλισης Μισθωτών, IKA-ETAM)
- establishment of ETEAM (Joint Fund of Auxiliary Pensions for the Salaried – Ενιαίο Ταμείο Επικουρικής Ασφάλισης Μισθωτών – ETEAM) as a unitary auxiliary fund independent (operationally and organisationally) from the primary ones (from 1-6-2003 onwards)<sup>51</sup>
- establishment of the institutional framework for the introduction of fully-funded occupational pension schemes that would be monitored by the Ministry of Labour
- allocation of the monitoring authority of the system solely to the Ministry of Labour and Social Insurances and clarification of the regime of controls
- establishment of the National Actuarial Authority as the mechanism of monitoring the system's finances and its long-term viability As such the National Actuarial Authority would have the power to exercise control over pension funds and to propose their integration/unification

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<sup>50</sup> From 1-1-2008 the following primary pension funds will be integrated to IKA-ETAM: 1) TAP-OTE, 2) TSP-HSAP, 3) TSP-ETE, 4) TSP-ATE, 5) TAP-ILT, 6) TAP-ETBA, 7) TSEAPGSO 8) TAPAE-Ethinki.

<sup>51</sup> In fact the Law also provided for the voluntary integration of auxiliary pension funds on sectoral basis or their compulsory integration to ETEAM in the case the voluntary integration fails to take place within a reasonable timeframe (Gazette of the Government 2002: 3065).

In terms of financial sustainability, the Law consolidated tripartite financing (introduced initially in 1992 by Law 2084), as it provided for the statutory contribution to IKA by 1% of the GDP, which would guarantee a financial surplus until 2032<sup>52</sup>. On the other hand, it promoted to a limited extent actuarial fairness through measures directed primarily at the civil servants, the state-controlled companies, and the banking sector. At the same time, the Law also promoted the expansion of the provisions. Overall, the impact of its provisions varied across sector and cohort. In the case of the pre-1993 IKA insured employees, for instance, the Law did not bring any changes to their pension arrangements and retirement preconditions (retirement age, replacement rate etc). Nevertheless, some cross-sector and cross-cohort provisions were introduced:

- increase of period of employment necessary in order to establish the right to retire, regardless of age, by two years to 37 years of employment from the previous 35
- equalisation of the replacement rate to 70% for all cohorts in all sectors. This practically entailed the increase of the replacement rate to 70% from 60% for the post-1993 cohorts and the parallel reduction of the replacement rate 70% from 80% for the pre-1993 cohorts.
- preferential treatment of women with under-aged children (granting up to 4.5 years of employment)
- increase of early retirement pensions (reduction by 1/267 instead of 1/200 for every year that remains to the completion of the 65<sup>th</sup> year of age).

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<sup>52</sup>. The agreed settlement of IKA's debts was not integrated to the Law but instead would be dealt with through ministerial decrees. This included:

- The writing off of 1.7 trillion drachmas of IKA's debt to the state
- The granting of 1.3 trillion drachmas to IKA from the budget over a two-year period
- The settling of IKA's debt with other welfare organisations (such as Social Housing Organisation, OAED, Ergatiki Estia) within the next five years
- The agreement that the state would pay 1% of the GDP to IKA for the next 30 years
- The clause that the government would guarantee the surplus of IKA's finances with additional funding for the next 30 years
- The understanding that the government would offer the funding necessary to IKA in case the planned integration of other pension funds into its structures burdens its finances

- increase of the lower pension limits at IKA and the special funds for those insured from 1-1-1993 to the level of those insured before this date.

In terms of provisions for the civil servants and the special funds, the Law reduced pensions, as it equalised their calculation formula with that of IKA. This provision was somehow balanced out by increasing the salary used as the calculation basis of pensions. Other measures referred to the pre-1993 cohorts and they mainly improved the retirement preconditions and pension arrangements. Specifically, the provisions for the public sector and the special funds included:

- calculation of pensions on the basis of the average earnings of the past five years of employment (instead of the last year)
- retirement at 35 years of employment regardless of age for the pre-1993 cohorts (abolishment of the association of age with time of employment)
- reduction of the retirement age from 65 to 60 for women who entered the system before 1-1-1993 and had 15 years of employment
- improvement of early retirement pensions for the pre-1993 cohorts (the calculation of pensions is based on fractures of 35 instead of 50 as Law 2084/1992 provided)
- reduction of early retirement age for men insured between 1-1-1983 until 31-12-1992 from 60 to 58 with 30 years of employment (equalisation with women)

Overall, Law 3029/200 was the product of the consensus that was gradually built around ‘socio-economic disequilibrium’ narrative and the GSEE’s ‘alternative proposal’. It gave shape to the policy design, as it established the two-polar system GSEE envisaged and implanted the seeds for an actual two-pillar system by creating a regulatory framework for the development of occupational pension schemes: ‘one thing that the Law introduced to the logic and the structure of the system is the occupational pension funds’ (Tinios Interview 15 December 2006).

In terms of fragmentation, the Law was eventually compromised, as twelve primary funds remained unaffected by its provisions. In that sense it reflected a sectoral approach to the policy problem. Five of these funds covered the press sector, three,

the liberal professionals (doctors, Lawyers, civil engineers etc), one, the hoteliers, one, the shipping agents and employees, one, the Bank of Greece and the Ktimatiki (Plot) Bank, and one, the utilities sector (electricity - DEI). Similarly, although the compulsory unification of the auxiliary funds was a big step towards the simplification of the operational and organisational framework of the system, the number of funds that would remain independent could potentially remain high.

In terms of financial sustainability the Law clarified the amount by which the state would contribute to the system, in an effort to promote its viability for around 30 years. Although elements of capitalisation were introduced at the auxiliary pension level, the changes in general did not change the PAYG financial principle of the system and in general its Bismarckian character. In terms of actuarial fairness, the Law introduced a mix of measures that both expanded and constrained provisions. In general, the Law expanded old-age pension provisions and improved pension arrangements for the biggest part of the insured population rather than promoting actuarial fairness. Finally, the Law did not promote adequacy or the modernisation of the system. Its provisions did not equally affect men and women; moreover they did not concern flexible forms of employment and they did not affect/improve the extant means-tested anti-poverty benefits (with the exemption of increasing lower pensions).

## **10. Conclusions.**

This chapter looked at the final attempt of Simitis' government to reform pensions. The initiative took place in the context of a revised modernisation project and the eventual compromise of its policy implications, in terms of introducing a new socio-economic paradigm and adjusting pension policy. The evidence of the chapter rejects the first hypothesis of the thesis that looks at the relationship between the political institutional framework and discourse:

*H1. The type of institutional system defines the function of the policy discourse the governments will mostly utilise into the policy process. If a polity is simple polities then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

Indeed, the first characteristic of this attempt (as with the previous reform episode) was the lack of communicative discourse: that is the coordinative discourse was thicker than the communicative one. Following the pattern of the previous reform attempt, Simitis was not implicated in the discursive interactions by developing a communicative discourse. It is indicative that his speech to the International Expo of Thessaloniki did not include any reference to pension reform. Instead, the discursive interactions took place in the coordinative arena. In the first instance, this happened within PASOK where the modernisation project was revised. Later on, the discursive interactions took place within the context of the social dialogue process that evolved three phases on the level of bilateral meetings. The first phase included discussions on, and eventually agreement over the new policy design. The second phase resulted to consensus over the exact form of tripartite financing, whereas the third and final phase dealt with the content of the draft law.

This does not mean that there was no communicative discourse at all. The reform attempts were generally associated with the overall ‘modernisation’ project in a broader way. Nevertheless, modernisation as the overarching discourse that framed all the reform initiatives was now revised at the coordinative level and along with it the content of Europeanization and the structural reform goals. Indeed, modernisation/Europeanization did not coincide anymore with the new European social agenda and the Lisbon programme priorities of ‘Growth, Employment and Competitiveness’. Instead, its revised version included more redistributive priorities of ‘Growth, Employment and Solidarity’. In this revised context of modernisation, the government eventually managed to develop a coordinative discourse that was closer to the one of the trade unions.

The chapter confirms the second hypothesis of the thesis that focuses on the narrative strategies of the government and the rest of the key policy actors:

*H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

This time, the discursive interactions were framed by the governmental ‘internal contradictions and inequalities’ narrative only. This causal story did not only include governmental policy preferences, it also expressed to a great extent the ‘socio-economic disequilibrium’ narrative of the trade unions and the rest of the key policy actors notwithstanding SEV. The ‘internal contradictions and inequalities’ narrative was based on inadvertent causation and did not attribute blame for the policy problem. Instead, it praised the role of the labour movement in the construction of social security policies and stressed the significance of protecting the vested pension rights. Being a fusion of the previous governmental and trade union’ narratives, the ‘internal contradictions and inequalities’ scenario both expanded and contained the policy issue.

The pattern is similar in terms of the policy content the governmental narrative justified. Like the ‘socio-economic disequilibrium’ narrative of the trade unions, it depicted a sectoral approach to the policy problem and was consistent with their preference for a demand-side paradigm of economic growth, the extant Bismarkian pension system with its public and social character, fragmentation and preferential pension arrangements. Overall, the governmental narrative reflected the revised version of modernisation and its emphasis on ‘Growth, Employment and Solidarity’. The causes of the policy problem were fragmentation and with it the associated regulatory complexities, the distortion of intergenerational solidarity, as well as the overall internal contradictions of the policy and their impact on its efficacy. The aims of the reform were to protect vested pension rights, to reshape organisationally and operationally the system, and to make it more viable and more compatible with its European counterparts.

Finally, the evidence of the thesis confirms the third hypothesis that focuses on the conditions under which policy discourse is effective.

*H3. A policy narrative will produce an effective policy discourse if the key policy actors or the public or both trust the narrator.*

The policy process of the last reform episodes contradict all the previous ones, in that the discursive interactions as well as the policy outcome were consensual. This does not seem irrelevant to the role of trust. Indeed, the elements of the coordinative



process that enhanced mistrust during the previous reform attempts were absent this time. To start with there was no ambiguity with regards the governmental coordinative discourse, neither was it questioned internally by governmental and party members, as to its content and the exact policy plans it justified was agreed at the party level. Moreover, the new leadership of the Ministry of Labour contributed significantly to the improvement of the relationship with the trade unions. Both Reppas and Spyropoulos had a better relationship with the trade unions and a better potential to built consensus. Additionally, unlike PASOK's previous reform initiative, this time around there was good cooperation both between the members of the government and in particular the Ministers of Labour and Economy. Indeed, Christodoulakis and Reppas acted in an almost complementary way throughout the social dialogue process, consistently putting forward the coordinative discourse agreed at the party level, but also being open to adjusting it.

The governmental attitude towards the social dialogue process also facilitated building trust amongst the key policy actors. Indeed, after the fiasco of Yannitsis' plan and under the pressures of the traditionalist fractions of PASOK, the government accepted the trade unions' request for a social dialogue without preconditions, changed its policy preferences and eventually adopted the two-polar pension policy design favoured by the trade unions and GSEVEE, as well as other policy preferences that key policy actors had in common. In fact the evidence shows that to a great extent the draft Law was dictated by GSEE's think-tank INE. The revised policy narrative and the consensual narrative strategy also contributed to the climate of trust. It was in this context that the leadership of GSEE was prepared to make some concessions concerning the calculation of the statutory contribution and the introduction of occupational pension schemes, and that the overall consensus was facilitated despite the disagreement of various fractions within GSEE and well the reaction of ADEDY. Lastly, the lack of significant criticism raised from the parties in oppositions and policy experts contributed to the general consensual and trust-building climate.

Similarly to the previous reform episode, the evidence of this chapter shows that the effectiveness of governmental discourse was also affected by three deeper factors. Specifically, the chapter points at the policy preferences of the government, the governmental capacity to plan and coordinate its actions, and the role of experts in the

policy process. Indeed, the good cooperation between the competent ministers and the appropriate kind of leadership in the Ministry of Labour seemed to have facilitated discursive effectiveness. Also, evidence shows a link between the effectiveness of the governmental discourse and the way the governments treated expert knowledge, as this time round INE-GSEE was involved in compiling the draft law. Additionally, the chapter shows that the effectiveness of the governmental discourse was linked to the revision of the governmental policy preferences that took place within the wider context of the revised modernisation/Europeanization project.

Overall, Law 3029/2002 reflected the dynamics of the discursive interactions, and the effectiveness of the government in building legitimacy over pension policy adjustment. It also reflected the compromise of the modernisation project, the compromise of the governmental policy priorities and eventually the ‘internal contradictions and inequalities’ narrative, both in terms of its normative and cognitive aspects. Its provisions did not aim at introducing a multi-pillar system. Instead, they reproduced the sectoral approach favoured by the ‘socio-economic disequilibrium’ narrative, in that they did not concern all sectors, but instead the employees in the private and civil sectors, as well as the utilities, and the banks. At the same time, however, the law paved the way to a multi-pillar pension system, as on one hand it provided for the integration of primary and auxiliary pension funds, and on the other for the establishment of occupational pension schemes. Moreover, the law also facilitated financial sustainability to some extent as it provided for limited actuarial fairness, combined with the institutionalisation of tripartite financing. Although the law expanded social security provisions, there is no evidence that this would affect positively its adequacy in terms of poverty alleviation. Finally, in terms of modernisation, the law had very limited input as it did not include flexible forms of employment.

Finally, the chapter evidence shows the limits of Europeanisation in Greece in terms of the soft constraint of the Lisbon programme. Indeed, pension policy was not eventually adjusted in response to policy commitments stemming from EMU membership and the Lisbon programme, neither did it confine to the multi-pillar pension policy paradigm favoured by the EU (although the Law open the gate for occupational pension schemes). Despite the fact that the country had already joined

the EMU there was no commitment and in fact, no consensus over fiscal discipline and the Lisbon policy priorities. The criticism coming from the traditionalist fractions of PASOK, as well as the trade union preferences, are indicative of a broader aversion to the supply-side model of economic growth promoted by EMU, to such an extent that in the end the modernisation project and its priorities had to be revised, so that they were compatible with a redistributive demand-side model of economic growth. Furthermore, in this context, the policy priorities for structural reforms were not: 'Growth, Employment and Competitiveness; but instead 'Growth, Employment and Social Solidarity'. Pension reform was not linked any more to the socio-economic Europeanization of the country and fiscal discipline, but instead with the Europeanization of the social security standards and hence the expansion of social security provision.

## **Chapter 7 – Conclusions.**

### **1. Introduction.**

The concluding chapter of the thesis, aims at reviewing the thesis theory in light of the evidence presented in the empirical chapters. The chapter presents the theory of the thesis, discusses its hypotheses, identifies the limitations of the discursive institutionalist framework according to its findings, and appraises the Europeanization process from the ‘bottom-up’. It also suggests possible ways discursive institutionalism could overcome its limitations and directions, towards which discursive institutionalism can move forward. Specifically, it proposes the refinement of the concept of governmental capacity under the light of other types of new institutionalist frameworks. Secondly, it suggests an addition to the simple-compound polity and statist-corporatist typologies. Thirdly, it presents two hypotheses that could help clarify the relationship of the institutional setting, policy preferences, and policy discourse.

### **2. Evaluating discursive institutionalism.**

This thesis considers the conceptual framework of discursive institutionalism (as developed by Vivien Schmidt 2002, 2006, 2008, 2010; Schmidt and Radaelli 2004). Although it is informed by the discursive institutionalist model, it does not pre-judge it. Rather, the aim is to appreciate specific discursive institutionalist hypotheses that have observable implications. Its core questions are:

- how does policy discourse mediate the process of policy adjustment?
- what is the mechanism of the interactive process of discourse?
- how do the government and the key policy actors pursue their preferences through policy discourse?
- what factors affect the discursive interactions and the effectiveness of policy discourse?

The thesis treats policy discourse as a variable that intervenes between EU pressures to adjust domestic policy (independent variable) and policy adjustment (dependent

variable). Its contribution is both conceptual and empirical. Conceptually, its theory focuses on two aspects of the discursive institutionalist framework. Firstly, it considers the core component of the theory that determines its new institutionalist identity, namely, the role of political institutional context in shaping the policy oriented discourse. The basis of the discursive institutionalist argument is the analytical distinction between compound and simple polities. Its main hypothesis is that different kinds of polities produce different types of policy oriented discourse. The second aspect of the discursive institutionalist framework the thesis analyses is the discursive interactions of key policy actors and their use of policy discourse as consensus and legitimacy building resources. In doing so, it addresses the criticism raised about the lack of clarity with regards to the empirical study of discourse (Radaelli 2003). Indeed, recently, Nicole Bolleyer and Claudio Radaelli (2009) criticised the discursive institutionalist framework for failing to capture the complexity of the policy process. Firstly, they stressed that the theory focuses too much on the governmental policy discourse and thus, fails to capture the discursive input of the rest of the policy actors. Secondly, they notice that the typology of compound and simple polities is too deterministic. Their argument is that the distinction between compound and simple polities focuses on the extreme cases that fulfil the criteria of the typology and hence, excludes all other cases that may be situated in between the simple-compound polity axon due to their institutional particularities (Bolleyer and Radaelli 2009).

The thesis tries to address the criticisms and contribute conceptually to discursive institutionalism by incorporating two hypotheses developed within, and used by the Neo-Positivist Narrative Analysis. The thesis suggests that the integration of the neo-positivist Narrative Policy Framework as proposed by Jones and McBeth (2010) on discursive institutionalism can help us overcome its methodological limitations and clarify the empirical study of discourse within a certain institutional context. Through this the thesis also hopes to cast light on the mechanisms by which institutions affect policy discourse and their impact on the policy process. The main proposition is that in order to understand the mechanisms of discourse and their role in the policy process, we need to look at the discursive form and the discursive interactions that are present during policy making and their policy problem definitions. The implication of integrating the neo-positivist Narrative Policy Framework with discursive

institutionalism is that the focus is not on necessity and appropriateness as such, but instead on how the necessity and the appropriateness of a new policy programme is causally justified.

Empirically, the thesis contributes to the study of the Greek pension reform during 1990-2002. This is an under investigated country and policy area, both of which have not been investigated within the discursive institutionalist framework. Moreover, the thesis contributes empirical evidence to discursive institutionalism; a framework that has been over theorised but not evenly tested empirically. During the period of study there were four pension reform attempts, two of which were initiated by the ND (New Democracy) right-wing government of ND (New Democracy), and two by the centre-left PASOK governments.

Specifically, drawing on Vivien Schmidt (2008, 2002), Schmidt and Radaelli 2004) as well as on Jones and McBeth (2010) the thesis tests the following three hypotheses:

H1. *The type of institutional system defines the function of the policy discourse the governments will mostly utilise at the policy process. If a polity is simple then governments will mostly utilise the communicative discourse. In contrast, if a polity is compound then the governments will mostly utilise the coordinative discourse.*

H2. *The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

H3. *A policy narrative will produce an effective policy discourse if the key policy actors or the public or both trust the narrator.*

Table 5 shows the results of the empirical testing of the thesis hypotheses. The first significant observation is that the evidence confirms the first hypothesis only partially. This is of great importance given that this hypothesis is situated at the core of the discursive institutionalist argument. The findings are in line with the criticism of Nicole Bolleyer and Claudio Radaelli (2009), regarding the complexity of the process and deterministic nature of the simple-compound typology.

The second observation is that the evidence confirms the second of the hypothesis and hence, it supports the methodological addition of narrative analysis to the discursive institutionalist framework. The evidence suggests, that treating policy discourse specifically as a policy narrative can cast light on the discursive mechanism the governments will use in order to lever their capacity to reform. Moreover, the Neo-Positivist Narrative Analysis Framework offers a clearer methodology as to how the discursive justification of the appropriateness and the necessity of policy change could be studied and analysed.

The third observation is that the empirical evidence confirms the third hypothesis. This suggests the hypothesis borrowed from the Neo-Positivist Narrative Analysis Framework, also offers a valuable contribution to the discursive institutionalist one as trust appears to determine the discursive effectiveness.

**Table 5 - Thesis hypotheses: empirical results**

<b>Hypothesis</b>	<b>Law 1902/1990</b>	<b>Law 2084/1992</b>	<b>Yannitsis Init.</b>	<b>Law 3029/2002</b>
H1	Yes	Yes	No	No
H2	Yes	Yes	Yes	Yes
H3	Yes	Yes	Yes	Yes

Additionally, the evidence of the thesis suggests that further research is necessary towards three major directions. Firstly, towards clarifying the role of institutions and their interplay with policy discourse into the policy process. Secondly, towards clarifying the relationship of knowledge and policy experts with policy discourse and the effectiveness of discourse. Thirdly, towards clarifying the relationship of discourse with policy preferences.

This section offered an overview of the thesis theory and of its empirical findings. The following three sections will look specifically at the findings related to each hypothesis across time.

### **3. Political institutional context and discourse: an awkward relationship.**

The evidence discussed in this section answer the question of how policy discourse mediates the policy adjustment process. They are also relevant to the first hypothesis of the thesis that looks into the relationship between policy oriented discourse and the institutional system within which policy adjustment is attempted. It argues that governments will use policy oriented discourse as a resource to legitimise or raise consensus about the necessity and the appropriateness of the new policy programme. Yet, governments operating in different institutional systems will use different types of discourse. In simple polities they will develop a thick communicative discourse and a thin coordinative one. In compound polities the coordinative discourse will be thicker than the communicative one.

The Greek system fits the characteristics of a simple polity. It is a unitary state, with a statist policymaking process and majoritarian representation system. Hence, the expectation according to the hypothesis is that the communicative discourse will be thicker than the coordinative one. The evidence of the thesis nevertheless confirms this only partially. Although the communicative discourse was thicker than the coordinative one during the first two reform episodes, the reverse trend is noted during the last two reform attempts. Indeed, despite the similarities in terms of the preferences regarding the overall economic policy paradigm, policy goals, policy design, and the framing of the policy problem ND governments promoted their agenda through a different policy process than did PASOK. Chapters Three and Four show that the ND governments sought primarily to legitimise their policy choices at the level of the general society and that the communicative discourse was thicker than the coordinative. In contrast, Chapters Five and Six show that PASOK governments sought to raise consensus amongst key policy actors and that the coordinative discourse was thicker than the communicative.

The main characteristic of both reform episodes coordinated by ND governments is that the trade unions and other policy actors were not involved in policy formulation. Indeed, both of the ND governments followed a statist policymaking process. Although the governments called the policy coordination process a ‘social dialogue’,



in practice it was never a forum where the new policy programme would be formulated in common on a corporatist basis. Instead, it was a process during which the policy proposals of the majority of the key policy actors were collected, but in the end the government formulated its policy plans alone. In fact, in the case of the second reform episode that resulted in Law 2084/1992, the social dialogue process completely lacked substance as the government used it as a smokescreen in order to prevent the key policy actors, the trade unions in particular, from formulating the new policy content.

In contrast, Chapters Five and Six show that there was an effort on behalf of the government to shift the policymaking process towards a more corporatist style, which was followed by the discursive shift from thick communicative to thick coordinative discourse. In both reform episodes, the government invited the trade unions and other key policy actors to get involved in policy formulation. Although the first reform episode did not result in a Law, the second reform attempt resulted in Law 3029/2002, the content of which was co-formulated to a great extent with GSEE. Nevertheless, the process was never really corporatist. Chapter Five shows that throughout the first reform episode coordinated by PASOK the policy process retained the conflictual and antagonistic characteristics of the statist tradition and eventually the social dialogue did not take place. Chapter Six on the other hand shows that the trade unions participated in the consensual policymaking process, which evolved through bilateral meetings.

Overall, the evidence of the empirical chapters confirms the initial assumption of the discursive institutionalist theory; that the policymaking process is linked to the type of policy discourse. At the same time however, they also indicated that the discursive institutionalist typology is not deterministic. Specifically, the evidence suggests that policy discourse is sensitive to changes in the policymaking process, even when they are not fundamental or permanent, and when the rest of the constitutive elements of the simple polity, majoritarian representation and the unitary state, remain constant. Indeed, the thesis shows that although Greece fits the simple type of polity, its governments will not necessarily produce a thick communicative discourse. The changes also affect the discursive interactions.

On top of that, the empirical chapters also show that the shifts in the policymaking process and discourse were also linked with the policy ideas the government wished to convey through its discourse and eventually its policy objectives. Specifically chapters three and four show that the government used its discourse to convey ideas about the pension policy design. Its objectives were to increase the cash-flow and to pave the way to a two-pillar system. On the other hand, the third reform episode took place within the wider context of modernization that conveyed programmatic ideas about the revision of the overall social policy philosophy, namely, growth-employment-competitiveness, the social contract, as well as the relationship of the parties as part of the overall modernisation of the country. Finally, chapter six shows that pension reform was only possible after the government renegotiated its programmatic ideas and revised the priorities of the modernisation of social policy.

In order to explain the variation of the findings, it might be useful to look deeper into the domestic institutional particularities that go under the radar of discursive institutionalist typology of policymaking processes, (statist, corporatist, pluralist) and to link this with the ideas discourse conveys. Chapter One has already discussed the particularities of the Greek corporatist Lavdas (1997), who can be conceptualised as ‘disjointed and distorted’, where ‘a combination of a set of corporatist organisational features and a prevailing political modality that lacks diffuse reciprocity, and remains incapable of brokering social pacts’ (1997: 17). In this context, Featherstone and Papadimitriou (2008: 59) describe the Greek policymaking process as a ‘weak statism’ rather than a statist one.

Overall, the evidence of the thesis suggests that it might be possible to refine the discursive institutionalist policymaking typology by adding the ‘weak statist’ type. In this context of the evidence, it might be possible to review a type of policy discourse that governments will utilise on the basis of the ideas conveyed through the discourse, as well as the type of policymaking process. Specifically, it might be useful for future research to assess the proposition that *governments operating within a weak statist policymaking tradition will utilise coordinative discourse when they wish to convey policy ideas and communicative discourse when they wish to convey programmatic ideas.*

Further research is necessary in order to establish the usefulness of this addition outside the Greek case, and to clarify and standardise the specific characteristics of the 'weak statist' type. Moreover, a weak compound polity type might also be introduced. Additional research is also necessary in order to establish the relationship of the 'weak statist' policymaking type with policy discourse.

#### **4. The narrative strategies.**

The evidence discussed in this section addresses the following questions: what are the mechanisms of the interactive process of discourse? How does the government and the key policy actors pursue their preferences through policy discourse? They are also relevant to the second hypothesis of the thesis that looks into the mechanism of policy discourse and the way key policy actors use it in order to promote their policy preferences. It predicts that policy discourse will take the form of policy narratives and that the losers of policy change will use narratives which increase the political cost and contain the policy issue to the key policy actors, whereas, the winners will try to minimise the political cost and expand the policy issue to society.

*H2. The losers from policy adjustment will use narratives that increase the political cost of policy adjustment and contain the policy issue. The winners will use narratives that minimise its political cost and expand the policy issue.*

The evidence of the thesis confirms this hypothesis and suggests that merging the Neo-Positivist Narrative Analysis with the discursive institutionalist framework is useful. Firstly, the empirical chapters show that in all of the reform episodes both the governmental and the key policy actors' discourse had the form of policy narratives. Specifically, the government devised the following four narratives:

- 'pension policy crisis' (1990-1992)
- 'population ageing' (1996)
- 'financial constraints' (2001)
- 'internal contradictions and inequalities' (2002)

GSEE on the other hand devised the following two narratives:

- 'neo-liberal threat' (1990)
- 'socio-economic disequilibrium' (1992-2002).

Secondly, the narrative strategies the policy actors used followed the pattern the hypothesis predicts. This answers the question raised by the thesis as to: what is the mechanism of the interactive process of discourse? The findings of the thesis regarding the narrative mechanisms can be summarised in the following seven points:

- 1) All of the narratives developed throughout the period of study based their stories on inadvertent causation, which focused primarily on the unintended consequences of the policy itself and/or the implications of changes external to pension policies.
- 2) The governmental narratives expanded the consequences of the policy problem to Greek society. In contrast GSEE's narratives contained the policy issue to the insured population.
- 3) The discursive interactions during the first three reform episodes were conflictual. The governmental 'pension policy crisis' and 'population ageing' narratives blamed specific policy actors for the policy problem. These were either the trade unions, the utilities (GENOP-DEI, OME-OTE) or bank sector unions (OTOE). In contrast, GSEE's narratives blamed the government for the policy problem. In fact Chapter Three shows that the 'neo-liberal' threat narrative accused the government of intentionally contributing to the policy crisis.
- 4) The policy narratives framed the policy problem differently, and justified the appropriateness and the necessity of their solutions on the basis of a different causality. The governmental narratives of the first three reform episodes located the policy problem in the pension arrangements and retirement preconditions, and suggested measures that restored actuarial fairness (retrenchment) and paved the way to a multi-pillar system. Instead, GSEE's narratives located the policy problem in the mismanagement and exploitation of the system by the government's deficit of services and the incapacity of the system to fulfil social needs. They also stressed the negative impact of the irrational operational framework and suggested measures that expanded pension provision of the extant pension system.

- 5) The policy narratives had a different approach to EU policy commitments. The governmental narratives, during the first three reform episodes stressed the fiscal constraints and the interconnection of pension reform with the EMU and economic growth. In contrast, GSEE narratives regarded the fiscal discipline as part of the financial problem of the system, which contributed to the deficit of services and the retrenchment of the size of pensions compared to the rest of EU member states.
- 6) Financial viability was included in the normative justification of all narratives. Yet GSEE's narratives were also in favour of the public and social character of the system, social solidarity, social protection, and other similar concepts. Instead, the governmental narratives of the first three reform episodes justified the appropriateness of pension reform, on the basis of social justice and equality, solidarity across sectors and the balance between social security, growth and employment (Lisbon targets).
- 7) Eventually the discursive interactions were consensual, as finally the government adopted GSEE's narrative (last reform episode). In this context, the 'internal contradictions and inequalities' narrative, both expanded and contained the policy issue and adopted all the key elements of GSEE's 'socio-economic disequilibrium' causal story as well as most of its policy preferences.

Overall, the narratives justified two different sets of policy preferences. The first set aspired to introduce in the long-run a two-pillar pension policy that would eliminate fragmentation, apply actuarial fairness, separate welfare elements from security, and partially privatise the system. This systemic understanding of the pension issue was favoured by the government and SEV. This set of policy preferences was also linked with the EMU, the Europeanization of the Greek economic structure, and the paradigm of economic liberalisation (Minutes of the General Assembly of the Greek Parliament 1990a: 14-22).

The second set of preferences favoured the extant Bismarkian pension system with its public and social character, as well the fragmented and preferential pension arrangements. It reflected a sectoral approach to pensions, in the sense that it

advocated the differentiation of pension provision across sectors and it was favoured by all the rest of the key policy actors, as well as the opposition and the policy experts. It was linked with unions, a demand-side model of economic growth and the Europeanization of social security, which included the convergence of social security systems to a single European one. An interesting observation at this point is the fact that SEV also supported the convergence of the level of pension provisions, despite the fact that it advocated the retrenchment of pension spending.

Eventually, the thesis's evidence suggests that the trade unions' narratives were asymmetric (Radaelli 1998: 2), in the sense that they were more acceptable than the governmental ones and hence, more effective. They managed to sustain the legitimacy of the extant pension policy and economic paradigm and to raise consensus between other policy actors. Indeed, various policy experts, the parties in opposition, GSEVEE, ESEE and even in some cases SEV aligned explicitly with the trade unions' 'socio-economic disequilibrium' or 'neo-liberal threat' narratives. At the same time, the unions' narratives enjoyed wide public backing, as evidenced by the general support for the walk-outs and strikes that took place during the first three reform episodes. In the end it was the government that either had to compromise its policy plans (first two reform episodes) and even revise its narrative on pension policy, in order to introduce the new Law (last reform episode). It also reviewed its position towards Europeanization, to a hybrid one that supported the Europeanization of the Greek social security system, or else its 'compatibility' with its European counterparts, within the broader framework of the Europeanization of the national economy, or else its 'compatibility' with priorities of the national economy within the context of the European and global competition.

This section focused on the findings related to the second hypothesis of the thesis. The following section will look into the evidence related to the third hypothesis and the effectiveness of policy narratives.

## **5. The effectiveness of narrative strategies.**

The evidence discussed in this section answers the question: what are the factors that affect the discursive interactions and the effectiveness of policy discourse? They are

also relevant to the third hypothesis of the thesis that looks at the effectiveness of policy discourse and it predicts that:

*H3. A policy narrative will produce an effective policy discourse if the key policy actors or the public or both trust the narrator.*

The evidence of the thesis confirms this hypothesis. Mistrust between the key policy actors and the government, or even between the members of the government was present during the first three reform episodes. In contrast, the last reform episode of the policy process was consensual and deliberations took place in good faith. The governmental policy discourse during the first three reform episodes was ineffective, whereas during the last one it was effective. Lack of trust was present or cultivated at various different levels. A common trait found in Chapters Three, Four and Five is that the lack of trust was grown to a great extent by the government itself. For instance, Chapter Three shows that the lack of coordination between the members of the government enhanced mistrust, not only during the policy process, but even before the social dialogue started. This includes, for example, the contradictory statements made by Mitsotakis and Souflias about the aims and the impact of the Law, and also the statements about the timeframe of the social dialogue in relation to the submission of the draft Law to the parliament. Similarly, Chapter Four shows that the unclear statements of the governmental spokesman about the privatisation of social security accelerated mistrust.

Furthermore, Chapter Five shows that mistrust was also present within the cabinet during the third reform episode. Yannitsis, for instance, was unwilling to discuss the governmental plans within governmental and bi-ministerial committees. In fact, he was suspicious of the Minister of National Economy of leaking the findings of the BGAD to the press. At the same time, Simitis was also reluctant to reveal his intentions to Yannitsis and Papantoniou, while other ministers were complaining of not being updated about the matter. Meanwhile various versions of the early findings of the BGAD report continued to be leaked to the press, cultivating mistrust within and outside the government, whereas earlier in the process there were questions as to whether the pension agenda should be opened at all due to intra-governmental frictions regarding the reduction of defence spending. Chapter Four also shows that

rumours spread over the approval of a secret study of the retirement regime of DEI - by its Director Theodoros Xanthopoulos - enhanced the uneasiness amongst key policy actors.

The governmental indecisiveness and lack of coordination compromised even more trust and the effectiveness of its discourse. Chapter Three shows that the government perpetually revised its coordinative discourse, its policy plan, and its strategy regarding the level of deliberations. While initially it seemed that social dialogue would take place at the level of expert committees, in the end, the government proceeded with bilateral negotiations. Moreover, the government failed to anticipate the early retirement wave. In an effort to control this phenomenon and its negative implications on the finances of the system, the government blocked the early retirement process, in this way reinforcing fear, panic and mistrust about its policy plans. In fact, Chapter Four shows that during the second reform episode the government also broke its promise to ADEDY and GSEE that it would not control the early retirement process. Chapter Five indicates another bad governmental choice, namely the informative seminar the government organised in order to curb opposition and mistrust. Nevertheless, the result was quite the opposite. as the BGAD representative painted a dark picture of the future of the system, affirming fears that a harsh pension reform was forthcoming and leaving the government even more isolated. Finally, Chapter Six shows that the good cooperation between the Ministers of Economy Nicos Christodoulakis and Labour Dimitris Reppas only emerged after the government had adopted the policy plans and discourse of GSEE.

Also, the evidence links that mistrust to the fact that the government did not use the policy experts input to formulate its policy proposals, or galvanise its discourse and its effectiveness. Indeed, Chapter Four shows that the government established numerous experts committees and even assigned a study to the IMF, without intending to follow the recommendations of their findings. In fact, in most of the cases the committees and experts reports were treated as a 'smokescreen' to cover the real intentions of the government. The Fakiolas Committee is the most prominent case. Similarly Manos, Yiannitsis and Reppas used the IMF and BGAD reports respectively, as a means to distract attention and minimise reactions to the governmental policy plans. The fate of the Spraos Committee was similar, although in this case, the government hoped that



the study would contribute, in part, to its coordinative discourse and the social dialogue in general. Despite this, the government distanced itself from its report on pensions as soon as it was announced.

While the government ignored the studies and the committee findings it had assigned, policy experts and key policy actors criticised the cognitive basis of the policy plans and draft Laws, feeding back insecurity and mistrust to the governmental policy plans. For instance, the Vice Director of IKA Ioannis Roupakiotis questioned the governmental calculations of the percentage of disability pensions during the first reform episode. Similarly, Aris Sissouras, the ex-Governor of IKA and a Professor of Health Economics, criticised the indexation to the civil servant's salaries the government promoted. In this context, they also raised concerns about the impact of the scientifically unsubstantiated draft Laws, on the long-term viability of the system, a policy priority that lay at the heart of the governmental discourse. For example Chapter Four indicates that even SEV questioned the cognitive basis of the governmental discourse, since the governmental proposals were not based on hard evidence and hence, there was no evidence that the proposed measures would make the system more viable. In this context, mistrust was cultivated amongst the key policy actors and the public about the real intentions of the government and the implications of its policy proposals, and eventually both the effectiveness of the governmental discourse and the content of its policy plans were compromised.

At same time, the majority of key policy actors had their policy plans informed by an expert body, and hence their discourse, as well as their criticism to the governmental discourse were substantiated. IOVE for instance was a resource for SEV, whereas the trade unions and the rest of the employers immediately adopted the Aggelopoulos' report policy suggestions. Chapter Four on the other hand, showed that GSEE produced its first scientific report on pensions in the form of 'alternative conclusions' to the Fakiolas Committee, which consolidated the coordinative discourse of GSEE, and to an extent that of the rest of the trade unions and the self-employed (GSEVEE, ESEE), and would provide the basis of their coordinative discourse and policy plans in the future. In late 1992 GSEE's think-tank, INE, was established, which according to Chapter Five and Six not only provided GSEE with its coordinative discourse but in fact, elevated GSEE to the only policy actor with a cognitively justified, concrete,

and publicised counter-proposal, consistently fortified with actuarial studies. At the same time, INE studies provided the basis for the improvement of GSEE's discourse. In fact, Chapter Five showed that while Simitis' government was trying to articulate its coordinative discourse, GSEE had already published its Green Bible on pensions. After minor revisions and the incorporation of the findings of the GSEE/ADEDY actuarial study, the Green Bible formed GSEE's 'alternative proposal', which according to Chapter Six was to a great extent, the basis of the governmental coordinative discourse that resulted in Law 3029/2002.

Finally, the thesis evidence shows that the neo-liberal reform agenda and the supply-side economic paradigm created fear and suspicion about the real and hidden implications of the suggested policy changes. In this context, opposition against these policy preferences came from all directions, including the government and the governing party itself. For instance, Chapter Four shows that although ND came to power on the basis of its neo-liberal agenda, which Mitsotakis presented at the Greek parliament immediately after the elections, ND parliamentarians and party members questioned the model of economic growth the governmental coordinative discourse promoted. For example, the ND MP Miliadiadis Evert, rejected neo-liberal orientation of the governmental policies, whereas other MPs criticised the governmental proposals for lacking social dimension. Likewise, Simitis came to power on the basis of his modernisation agenda, which was again agreed upon at the party level. Nevertheless, Chapter Five shows that by 2001 the traditionalist fraction of PASOK rejected Simitis' modernisation project. Instead, it supported the supply-side model of economic growth and the expansion of redistributive policies that were expressed by GSEE's coordinative discourse and specifically by its 'alternative proposal'. Finally, Chapter Three shows that even Simitis' 1985 stability plan, which did not really promote a supply-side growth, but nevertheless controlled public expenditure was soon replaced by a populist demand-side economic policy.

Additionally, the fact the economic policy paradigm the government promoted was criticised by a number of other policy actors also created uneasiness and insecurity. Chapter Three shows that the trade unions as well as GSEVEE and ESEE rejected the neo-liberal ideas of the governmental coordinative discourse and expressed their concerns about their implications on the future of pension policies, as well as the

labour movement as such. These fears were fed-back when various experts, as well as the opposition, supported the demand-side model of economic growth that GSEE's coordinative discourse promoted. For instance, Chapter Four shows that George Kyriopoulos, Professor of Health Economics criticised the government of social dumping. The coordinative discourse of the government was particularly criticised by the parties in opposition, who also supported GSEE's coordinative discourse. This was the case during the first reform episode, when PASOK's Andreas Papandreou, accused the government for promoting the interests of the upper class. Similarly the SYN President Charilaos Florakis, accused the government of attacking the living standards of the employees.

A similar pattern is observed in terms of the pension policy design. To start with all the empirical chapters show that even though SEV shared the governmental preference for a two-pillar pension system, it also shared preferences with the trade unions and employers associations, that in fact featured consistently in GSEE's coordinative discourse, such as, tripartite financing, the combat of contribution evasion and so forth. Chapter Three and Four on the other hand, show that policy experts and employers from the bank sector shared OTOE's preferences for a sectoral pension fund. In fact, although Aggelopoulos, and Zolotas were in support of the supply-side economic paradigm, they were also in favour of a policy solution that would preserve the preferential pension arrangements in the banking sector (elimination of fragmentation within sectors). Similar are the cases of the Governor of the National Bank of Greece, the EET, and the board of directors and vice-directors of Ktimatiki Bank, who also opposed openly the governmental proposal of integrating of the sectors' funds to IKA. In fact, Chapter Four shows that the board of directors and vice-directors of Ktimatiki Bank went so far as to openly support the strikes of OTOE. Similar is the case of the Professor of Health economics George Kyriopoulos, who criticised the governmental plans for a two-pillar system for essentially intending to use the assets of the auxiliary pension funds to finance the main pension deficits.

In this context, mistrust was cultivated about the real nature of the policy problem, the real intentions of the government, the implications and the appropriateness of the proposed reform. As the policy process evolved, the PM and the Ministers that were in charge were almost the only ones in favour of pension reform. Under these

circumstances the effectiveness of governmental discourse was compromised and its policy plans were revised. The first two reform episodes show that the ND government effectively dropped the idea of a two-pillar system, as it incorporated numerous amendments to its initial draft Law that compromised its systemic approach to the policy problem. Yannitsis' initiative is a more striking case, as not only the governmental coordinative discourse failed to raise consensus among the key policy actors, but the government even lost consensus within its own party, regarding pension policy as well as the modernisation project. In fact, Chapter Five shows that in addition to the traditionalist faction of PASOK, the modernisers faction was also against Yanntsis' plan. In the end the Minister of Labour was without allies, forcing the government to drop the idea of separating social security from welfare provision through a two-pillar pension system. Thus, it had to redefine its policy preferences at the party conference. The evidence of Chapter Six, shows that the government was able to proceed with pension reform only after it had adopted GSEE's coordinative discourse and policy plans.

Overall, the thesis evidence confirms the link between trust and discursive effectiveness. At the same time however, it suggests that the effectiveness of discourse may also be associated with the following three characteristics of the policy process that were more or less present throughout the period of study:

- the governmental capacity to plan and coordinate its actions
- the use of experts' knowledge in policy formulation
- the policy preferences and ideological incline of the policy programmes.

The remainder of this section will discuss these observations and suggest ways forward for further research.

#### The governmental capacity to plan and coordinate its actions

Overall, the empirical chapters suggest that it was the limited governmental capacity to handle the reform process that contributed to a climate of uneasiness and lack of trust. The lack of coordination between the members of the government and cabinet ministers, the bad planning, the continual leaking of the policy studies and plans to the press, the lack of clarity with regards its policy plans, its coordinative discourse as

well as the social dialogue process are elements associated more with the governmental capacity to steer the policy process and change pension policies. These elements however are not included in the original discursive institutionalist assumption about governmental capacity. Indeed, discursive institutionalism associates governmental capacity to reform with the type of state (unitary-federalist) system of representation (majoritarian-proportional), and policymaking processes (statist-corporatist). Again the implication here is that the discursive institutionalist typology of polities is not deterministic and that there is at least one polity (Greece) that challenges its assumptions.

At the same time however, there might be scope to refine the simple/compound polity typology. New institutionalist studies of the rational choice or the historical strand have a broader understanding of governmental capacity. Various authors refer to bureaucratic and administrative capacity as constitutive elements of the overall governmental capacity to reform (Pierson 1994: 36; Immergut 1992; Weaver and Rockman 1993: 32). Literature on Greece (Spanou 1996; Sotiropoulos 1993; Featherstone and Tinios 2006) associates the overall weakness of the government to deliver reform to the huge, dysfunctional, and ill-coordinated Greek state as well as the inefficient, complex, clientelist, and party-penetrated bureaucracy. Also Vivien Schmidt (2006: 224) vaguely touches upon the issue of clientelism in Italy. Hence, the concept of governmental capacity and for that matter the simple-compound typology might also be reviewed in the light of the definitions used by other new institutionalist strands, or even the literature on clientelism.

At this point, it may be useful to link the evidence discussed in this section with those of section three, regarding the policymaking process and the type of discourse. After all, the policymaking process is a constitutive element of the simple-compound typology and hence, of capacity. Specifically, the evidence discussed in this section and section three indicate that there might be scope to make another addition to the discursive institutional typology, this time at the polity-type level. It might be useful to add a 'weak' simple polity as an extra type that is characterised by a unitary, but inefficient state, majoritarian representation system, and a weak statist policymaking process. Under this scope the proposition made in section three can be revised as in *weak simple polities discourse will be thick at the communicative level when it*

*conveys policy ideas and thick at the coordinative level when it conveys programmatic ideas.*

This proposition also relates to the question raised by the thesis as to how discourse mediates the policy adjustment process. The question was mainly addressed in section three of this chapter and its specific handling of the policymaking process. Further research is necessary in order to distil and standardise the characteristics of the 'weak' simple policy and its relation with discourse, as well as whether such a type can be useful outside the Greek case.

#### Policy experts, knowledge and the governmental policy formulation technology

The second characteristic of the policy process that, according to the evidence of the thesis, is linked to mistrust and the effectiveness of discourse, is the input of policy experts and knowledge in policy process. Overall, the empirical chapters suggest that there might be a link between the effectiveness of policy discourse and the scientific substantiation of the policy programme/proposal. Although Vivien Schmidt (2000: 214-215) distinguishes analytically between policy discourse and its policy programme, she does not offer any insight of how their interplay might affect the effectiveness of policy discourse. In order to account for this interplay, it might be useful to look deeper at the policy formulation process rather than the policymaking one. The evidence of the thesis suggests that, the ability of discourse to build consensus over the new policy programme might be reduced when the policy programme is badly formulated. Recently Monastiriotis and Andreadis (2009) used the term 'reform technology' to refer to the 'deficient engagement' of expert knowledge in the policy formulation process. Their study concluded that badly designed policy plans are 'inherently incapable' of producing positive-sum outcomes. Raising consensus over incoherent plans is almost an impossible enterprise (Monastiriotis and Andreadis 2009). In this context a proposition that might be useful for future studies to assess is that *the effectiveness of policy discourse is restricted when the reform technology of policy actors is compromised.*

Further research is necessary in order establish the usefulness of this proposition outside Greece and in different policy areas than pensions.

### Policy preferences, discourse, and effectiveness.

Finally, the empirical chapters suggest that a link might exist between the consolidation of the new policy ideas amongst the preferences of actors, and the effectiveness of policy discourse. Specifically, the empirical chapters show that the governmental policy ideas about a two-pillar pension system and of a supply-side model of economic growth were only partially consolidated between policy actors, as well as within the government and the governing party. In contrast, the evidence of the thesis shows that the extant Bismarkian pension system, with its public and social character, as well the fragmented and preferential pension arrangements was favoured by the majority of the key policy actors, as well as the opposition and the policy experts, and members of the governing party.

Overall, the empirical chapters suggest that the relationship between policy discourse, policy preferences, and effectiveness might be in need of clarification. Specifically, they indicate that there might be a link between the consolidation of the new policy ideas in actors' preferences and the effectiveness of their discourse. Indeed, although the policy ideas of a two-pillar pension system and of supply-side economic policies entered the governmental preferences, they were not consolidated amongst the core actors: governmental, party, political actors, policy actors, and the experts. A possible way forward might be to look at the interplay of the ideational with the interactive dimension of policy discourse, in order to explain how the ideas consolidated in the ideational discursive dimension can impact on the effectiveness of discourse at the interactive one.

According to Vivien Schmidt (2002: 210), the ideational dimension performs a cognitive and normative function, by which new policy ideas redefine policy preferences and redirect actors' actions within institutions (Schmidt 2000: 110). On the other hand, the interactive dimension of discourse, performs a coordinative and communicative function, by which it offers a common language and a framework for the construction and the deliberation of the policy programme and ultimately, for consensus and legitimacy building (Schmidt 2002: 210). Schmidt asserts that policy discourse can lead to evolutionary change, when it conveys ideas that do not radically alter the policy objectives, instruments and ideals. Conversely, it can lead to revolutionary policy change, when it expresses policy ideas that alter all aspects of the

policy programme, its objectives, instruments and ideas (Schmidt 2002: 222-223). The empirical chapters of the thesis, suggest that the effectiveness of discourse it is not just a matter idea, but also an issue of them being consolidated into the preferences of policy actors. In this context a proposition that might be useful to assess is that *the governmental discourse will raise consensus for evolutionary change when the new policy ideas are consolidated into the preferences of the core governmental actors only; in such cases the discourse of the opponents of the new policy programme will be effective.*

Again, further research is necessary in order establish the usefulness of this proposition outside Greece and in different policy areas than pensions.

This section looked into the findings related to the third hypothesis of the thesis that focused on the conditions under which policy discourse is effective. The following section will turn to the process of Europeanization and will try to appraise it from the 'bottom-up'.

## **6. The adjustment of the Greek pension policy in response to EU policy commitments: an appraisal of Europeanization from the 'bottom-up'.**

In terms of Europeanization, the thesis's evidence contributes to the literature that identifies the domestic conditions which obstruct policy adjustment (Schmidt 2001; Boerzel 2000, Haverland 2003; Radaelli 2003). The empirical chapters highlight a set of domestic limitations that hindered the role of policy discourse as a governmental consensus/legitimacy building resource, and ultimately determined pension policy adjustment in Greece. The thesis's evidence shows that discursive institutionalism can facilitate the bottom-up research strategy, and offer insights about how the interplay of the domestic institutional setting and domestic preferences shape the process of Europeanization.

Indeed, in terms of policy results, the content of the introduced legislation reflects the limited Europeanization of pension policy. The adjustment of the Greek pension policy is largely a case of inertia (Bache and Jordan 2006: 28). None of the Laws introduced a multi-pillar, financially sustainable, adequate, and modern pension



system. With the exemption of EKAS, the means-tested benefit that was introduced in 1999, the amendment of the calculation formula and indexation (in particular of lower pensions) deepened the polarisation of pensions and had a negative impact on adequacy. It is indicative that the risk of poverty for those over 65 was 23% in 2007, which is higher than both the general population (20%) and the EU average (16%) (European Council 2009). Equally compromised, was the modernisation of the system, as none of the Laws dealt with flexible forms of employment, or in general, of occupational categories excluded from the system.

Similarly, little progress was made with regards to the policy design. With the exception of Law 3029/2002, that established the legal framework for the introduction of fully-funded occupational pension schemes, there were not any significant provisions to facilitate the development of second and third pillar of social security. On the other hand, some progress was made gradually for the elimination of fragmentation, a decisive step towards the two-pillar system. Each piece of legislation introduced elements that evolved the system towards a more systemic direction, with Law 3029/2002 providing for the integration of all main and auxiliary pension funds of the salaried employees, a measure which would reduce the number of main pension funds down to eight. It must be noted however, that the distinctions introduced between cohorts pre/ post 1983/1993, as well as the numerous transitional provisions enhanced fragmentation.

Finally, similar is the case of financial sustainability. The legislation promoted actuarial fairness only partially, as it did not concern all sectors. The liberal professionals, the farmers, media employees, and the mercantile navy sector, were excluded from the provisions of all laws. Likewise, the laws had very limited input with regards to capitalisation through the investment of pension fund assets, although this was a measure that all policy actors agreed upon. Overall, the new legislation facilitated the financial viability of the system to a certain extent, without really making the system sustainable in the long-run, and more importantly without eliminating the fiscal burden of pension expenditure. In fact Law 3029/2002 even expanded pension spending and provisions and regulated the statutory contribution to the system. It is indicative that pension expenditure in 2007 remained at 11.7% of the GDP (Eurostat).

The thesis evidence shows how the domestic institutional setting and policy preferences of domestic actors limit or even revise/customise EU goals at the domestic level. Overall, the empirical chapters suggest that there was limited agreement over the EU macro-economic and pension policy priorities. Although the country managed to join the EMU, fiscal discipline, as well as the structural reforms were actually questioned, not only by the social partners, but also by members of the governing party and the government itself. Indeed, both the ND and PASOK government came to power with an agenda that included commitment to joining the euro-zone, and a number of structural reforms. Yet, both parties failed to fulfil their goals. The ND neo-liberal agenda that included fiscal discipline, market liberalisation and a far-reaching pension reform was soon undermined, not just by the trade unions and the vociferous opposition of Andreas Papandreou, but also by its own members.

Simitis' modernisation programme, on the other hand, equalled Europeanization and its priorities in terms of structural reforms which were identical to the Lisbon programme ones: 'Employment, Growth and Competitiveness'. Specifically, they included the reduction of state intervention in the economy, labour market flexibility, pension reform and in general reducing inequalities in welfare provision. Despite the fact that the government managed to bring the country into the euro-zone, the modernization project and fiscal discipline were gradually questioned by the traditionalist fraction of PASOK, and latter by some of the modernisers, and in the end the government had to compromise its modernisation project and customise the Lisbon priorities from 'Employment, Growth, Competitiveness' to 'Employment, Growth and Social Solidarity'.

By and large, the empirical chapters show that the government and the majority of the key policy actors supported two different types of Europeanization for the biggest part of the period of study. On one hand, the core of the government aimed at the macro-economic Europeanization the country, which included fiscal discipline and EMU membership, pursuing the priorities of the Lisbon programme and introducing a multi-pillar, actuarially fair pension policy. On the other hand, the trade unions, GSEVEE, ESEE, the majority of the parities in opposition, including the traditionalist opposition within PASOK, and some policy experts, supported the Europeanization of

social security standards, which included redistribution and the expansion of the extant pension policy within the framework of a demand-side economic growth. For the trade unions, the preference for the later type of Europeanization was also related with their policymaking role. Indeed, Chapter Three shows that the trade unions were concerned about their policymaking role within a neo-liberal economy. However, by the time Law 3029/2002 was voted for, the governmental position to Europeanization was adjusted towards a hybrid type, that aimed at both the Europeanization of Greek social security system, within the framework of the Europeanization of the Greek economy.

The preferential discrepancies were not the only factor to limit Europeanization. The thesis's evidence points to two systemic constraints that restrict the input of agency in the policy process; purge discourse as recourse of consensus/legitimacy building from the governmental tool-kit, and ultimately limiting the capacity of the Greek government to instigate policy change in response to EU policy commitments. Namely, the thesis shows that the limitations in the governmental reform technology and its capacity to plan and coordinate its actions 'amputated' its discourse, cultivated mistrust, and ultimately tightened support for the Europeanization of social security standards rather than relaxing it. Both of these elements are complementary to characteristics that have already been identified as obstacles to Europeanization in Greece, such as, the dysfunctional and ill-coordinated and socially penetrated state, the inefficient bureaucracy, and the 'disjointed and distorted' nature of Greek corporatism and so forth.

Overall, the Greek case illustrates the limits of the process of Europeanization in two respects. Firstly, it shows the limitations of the EU to deliver reform in high priority areas. The lack of hard EU constraints in the area of pensions and the implicit support to a multi-pillar pension system, signify a limited will to act in this policy area on behalf of the EU. Indeed, pension reform was associated directly with soft law only (framing), through the OMC and the Lisbon programme priorities. Instead, hard EU stimuli for pension reform were not linked to pension policy as such, but instead most of the time they were the derivatives of hard law related to a complementary policy area (positive and negative integration), such as the single market regulations,

competition policy, EU loan preconditions for fiscal discipline, or the EMU convergence criteria.

Secondly, the evidence of the thesis shows that EU policy commitments and their implications are interpreted differently domestically, as they reason differently with domestic preferences, norms and values. This, in combination with institutional limitations to reform capacity, results in discrepancies (that EU tolerates), both in terms of performances and effects across member states, as well as in terms of policy priorities between the EU and the domestic level. The Greek case is indicative of that, as while EU membership is highly valued amongst the Greek political class and society, the policy commitments stemming from this membership are not accepted. The variation in the domestic responses and the lack of unity of political purpose at the EU level raises questions as to what the future of the EU might be, given the continuous enlargements and the incorporation of countries that face greater reform challenges than Greece. On the other hand, Greece's limited reform capacity raises the question of whether Greece can live with Europe, whereas, the generalised aversion to structural reforms and the supply-side model of economic growth raises the question of whether Greece wants to adapt to Europe.

## **7. What has happened since 2002?**

In March 2004, ND came back to power with less eager intentions to deal with pensions. During the first term of his premiership, the new PM Kostas Karamanlis was more committed to the full implementation of Law 3029/2002, rather than initiating a new reform process. Karamanlis was too conscious of having a similar fate as Mitsotakis and Simitis, whose attempts to reform the pension system caused them considerable political cost. By the end of the first ND's term in office, little progress was made towards pension reform. Instead, a set of laws were introduced regarding the investment of pension funds assets and the management of their portfolios, as well as other operational matters and pension arrangements of specific sectors (i.e. banks, engineers).

The ND government was more active during its second term (2007-2009) as it eventually it introduced Law 3655 in 2008, which essentially expanded the logic of

the previous legislation (3029/2002) to sectors that have been traditionally excluded from pension reform initiatives, such as, the liberal professions, media employees and so forth. Specifically Law 3655/2008 grouped together similar pension funds and reduced the total number of pension funds from 175 to 13, that is, to 5 main pension funds, 6 auxiliary and 2 welfare ones. Despite the progress in reducing fragmentation, the Law did not bring the system closer to the multi-pillar pension paradigm in any way. Neither did it include provisions affecting its financial sustainability, adequacy and modernisation.

In October 2009, Greece found itself in the midst of an unprecedented economic crisis. By the end of 2008, the economic growth experienced during the previous decade came to an end. Greece's economic weaknesses, such as weak control of public expenditure and inadequate fiscal management, endemic tax evasion, structural weaknesses and statistical misreporting, made it very vulnerable to the 2008-2009 global financial crisis. Already, in 2009 the Greek economy was contracting and in April 2009 the country was subjected to an excessive deficit procedure. The elections of October 2009 brought PASOK back in power. The government was soon taken aback by the size of the fiscal problem, which nevertheless it was not able to calculate with precision, due to Greece's accounting and statistical systems. The continuous revision of Greece's fiscal positions ignited the concerns of the international markets about Greece's fiscal position. Soon financial markets stressed that Greece was in danger of default on its foreign borrowing, and between December 2009 and April 2010 three major rating agencies downgraded Greek bonds to 'junk status'.

After a painfully long (both for Greece and the Euro) period of deliberations and negotiations, eventually a €110 billion rescue deal was agreed for Greece on 2 May 2010, based on funding being shared between the EU states, by two-thirds (€80 billion) and the IMF, by one-third (€ 30 billion). The rescue package came along with a fiscal adjustment programme supported by a set of structural reforms, including pension reform. In response Law 3863 was voted on 12 July 2010, that introduced a new architecture to the system and a number of changes in the retirement preconditions and pension arrangements, that severely reduced pensions for the future generations. These included changes in the calculation formula, indexation, preconditions of retirement, replacement rates and introduction of solidarity

contributions, so as to finance the existing deficits. Moreover, the holiday bonuses were excluded from the calculation of pensions. In terms of the architecture of the system the new Law included:

- a basic flat rate pension of €360 (2010 rate )
- a contributory pension
- three main pension funds: salaried workers, farmers, and self-employed
- abolition of early retirement schemes
- revision of the heavy and unhealthy occupations
- introduction of a new framework for certifying disability
- the state guarantees the sustainability of the system (including auxiliary funds)

Despite these changes, the Law treats favourably certain occupational categories, as with the reform episodes discussed in this thesis. Specifically, the increase of the retirement age does not apply to employees in banks, state-owned enterprises, and the media who entered the system before 1983. Secondly, the unification of the pension fund is postponed for the time being, for the employees of the Bank of Greece, and the liberal professions. Thirdly, the Law did not strengthen the second pillar i.e. occupational pensions. Finally, there are concerns as to the degree to which the Law will facilitate adequacy, since the amount of the flat rate basic pension is below the poverty line (according to EU-SILK data of 2007 the poverty threshold is €540 per month).

## **8. The limitations of the thesis and research agendas for the future.**

The thesis findings are limited in three distinct ways: Firstly, the focus of the thesis theory is within the discursive institutionalist framework. As such, it does not assess discursive institutionalism vis-à-vis alternative conceptual frameworks; neither does it juxtapose policy discourse to other variables. Nevertheless, the findings of the thesis highlight the role of policy preferences, the governmental reform technology and the governmental capacity to steer the reform the process in the process of pension policy adjustments. These are indications that future discursive institutionalist studies might need to look outside the model, in order to appraise the role of policy discourse in comparison with other variables, and clarify and strengthen its explanatory power. Of

particular significance, is the clarification of the relationship of policy discourse with interests, a dominant variable of public policy explanations of policy adjustment. This kind of study would also be addressing the criticism raised by Colin Crouch about discursive institutionalism remaining unclear as to which degree discourse matters (Crouch 2004: 635-636).

A second limitation of the thesis is that it focuses at specific types of EU stimuli, namely positive integration (EMU convergence criteria) and framing (OMC and the Lisbon programme), as well as that, it refers solely to pension policies of the Bismarkian type. Hence, further research is necessary that will include a different combination of EU stimuli, policy areas or type of pension policy.

Thirdly, the thesis looks at the pension reform attempts that took place during 1990-2002. Nevertheless, since then, two more significant initiatives took place, which resulted in two pieces of legislation. In fact, the last pension reform attempt took place under the monitoring of the IMF and the EU. Hence, additional research is necessary that would take into account the variation of EU stimuli and juxtapose the findings and the theoretical propositions of the thesis with the more recent reform episodes.

On the whole the thesis highlights the following research agendas: Firstly, towards clarifying the role of institutions and their interplay with policy discourse into the policy process. Secondly, towards clarifying the relationship of knowledge and policy experts with policy discourse and the effectiveness of discourse. Thirdly, towards clarifying the relationship of discourse with policy preferences. Fourthly, towards looking at discursive institutionalism in conjunction with other conceptual frameworks, in order to appraise the role of policy discourse in comparison with other variables, and clarify and strengthen its explanatory power. Finally, towards empirically testing discursive institutionalism against different policy areas and stimuli for policy adjustment.

## **9. Conclusions.**

The conclusions of the thesis confirm four central observations. Firstly, that the post-positivist Narrative Analysis Framework facilitates discursive institutionalism

methodologically. The study of policy discourse, in the form of narratives, offers a guide to how policy discourse can be studied. Moreover, narrative analysis helps to untangle the discursive interactions and to integrate the discourse of policy actors, other than the government into the analysis of the policy process. In this sense, narrative analysis assists discursive institutionalism, to grasp the complexity of the policy process and to clarify the role of policy discourse as a policymaking resource. In particular, the use of narrative analysis for the study of the Greek attempts to reform pensions during 1990-2002, in combination with the process tracing method of the thesis, indicated various directions towards which the discursive institutionalist framework can evolve.

The second observation is that the discursive institutionalist typologies are not deterministic. Institutions, nevertheless, do matter and policy discourse is sensitive to institutional change, even when it is superficial and not permanent. In this context, policy discourse is also sensitive to the institutional particularities of each country, and in that sense the simple-compound typology, as well as the associated types of discourse might be in need of refinement. The refinement of the concept of capacity in the light of other new institutionalist approaches might be appropriate. In this context, there might be scope for the addition of a weak simple type of polity as well a weak type of policymaking process, but this has to be further investigated in the light of single case and comparative studies. Moreover, the type of policy discourse seems to be linked with the level of ideas discourse is conveying. This observation also needs to be further researched, possibly within the context of a reviewed typology of polities.

The third observation is that trust is not a useful variable to the discursive institutionalist framework. Instead, the effectiveness of discourse is possibly linked to the policy formulation process and the consolidation of new policy ideas into actors policy preferences. Badly formulated, and ill-informed policies, are harder to justify normatively and cognitively and hence raise consensus about them through discourse. In this context, further research is necessary in order to clarify the relationship of policy discourse with knowledge and policy experts. Finally, the effectiveness of policy discourse is also associated with the policy preferences of policy actors. The consolidation of the new policy ideas amongst governmental actors is necessary for



policy discourse to have an effect. Again, this needs to be investigated in the light of comparative of single case studies.

A final observation is that the process of Europeanization in the area of pension is restricted by a number of factors, that include the type of policy constraints the EU offers to domestic governments and ultimately its limited will to act in this policy area; the policy preferences and priorities of domestic actors and the public; and the capacity of the government to formulate and substantiate a scientifically sound policy programme and orchestrate/steer the reform process.

Overall, the thesis suggests that further research is necessary in order to clarify the relationship of discourse with the type of ideas it conveys, and its institutional context within the framework of a complex policy process. Under this scope, it suggests a number of propositions that could facilitate the refinement of the discursive institutionalist model, by either refining its polity and policymaking typologies; accounting for the relationship of policy experts, knowledge and discourse in policy formulation; and clarifying the relationship between the ideational and interactive dimension of discourse. Additional studies are necessary, both at comparative and single case study level on the basis of refined typologies and concepts.

Finally, thesis findings show that pension policy adjustment is a complex enterprise, because it is a normatively heavy policy, that plays an important socioeconomic role. On one hand, it redistributes income and offers individuals security from old age risks. On the other hand, as one of biggest contributors to public expenditure it has significant macroeconomic effects. These two aspects have been linked to opposing paradigms of economic growth and hence have contradictory implications in terms of their policy goals and overall socioeconomic objectives. In terms of the transition to a multi-pillar paradigm, the policy implication is the privatisation of the social security risk, in the sense that the risk is transferred from the society to the individual. This policy paradigm has been associated with the transition from a demand, to a supply-side model of economic growth. In this context, discourse can only build consensus about the necessity and appropriateness of the adjustment of Bismarkian pension policies, to a multi-pillar pension design, on the top of an established consensus about the supply-side economic policy model. The empirical evidence of the thesis supports

this. Specifically, they show that resistance to pension policy adjustment was not just due to preference for the extant Bismarkian pension policy, but also due a generalised lack of support (coming from various policy actors) for the supply-side model of economic growth.

## Appendix

### List of Interviewees

- Platon Tinios, pension policy expert and Simitis' advisor (1996-2001), member of the Council of Economic Experts (SOE), conducted the economic studies for law 1902, and offered expert support to the IMF in 1992, participated to policy formulation (1990-1992).
- Savvas Rombolis, scientific director of INE/GSEE and member of all the expert committees composed by the governmental and social partners representatives throughout the period of study (GSEE)
- Kostantinos Kollias, Trade Union Secretary of ND (2004-2009), Secretary General of ADEDY (1994-2004), Member of the Executive Committee of ADEDY (1990-1999), member of the executive committee of the Economic and Social Committee (OKE) that processed the opinion on the drafts of law 3029/2002, affiliated to DAKE
- Philippos Tavis, Deputy Organisational Secretary of GSEE since 2004, member of Deputy Director of the Labour Centre of Athens (1995-2004), member of OTOE and the Labour Centre of Athens (1990-1995), affiliated to DAKE
- Lambros Papaioannou, legal advisor of SEV, member of the executive committee of the Economic and Social Committee (OKE) that processed the opinion on the drafts of law 3029/2002
- Giorgos Koutroumanis, Deputy Minister of Labour, President of the Panhellenic Federation of the Employed at the Organisations of Social Policy POPKOP (1998-2009), member of the General Council of ADEDY, affiliated to PASKE
- Athanasios Papaioannou, social security expert at the Economic and Social Committee (OKE), member of the coordinator of the working committee of OKE that processed the opinion on the drafts of law 3029/2002.

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