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Collective Bargaining and Social Pacts: Greece in Comparative Perspective

ABSTRACT ■ What are the institutional prerequisites for the creation and maintenance of centralized collective bargaining and social pacts? This article compares Greek experience since 1990 with that in other countries, arguing that societies are likely to diverge on how they respond to the issues of changing bargaining structure and tripartite policy-making. While neo-institutionalist approaches, and particularly their 'varieties of capitalism' variant, can go a long way in interpreting these diverse responses, they have problems accounting for institutional change. To accomplish this we need a more dynamic understanding of how past institutional arrangements in combination with current tensions over particular issues, and the costs and opportunities presented to actors, give rise to distinctive responses.

KEYWORDS: collective bargaining ■ Greece ■ institutionalism ■ social pact ■ variety of capitalism

Introduction

The breakdown in the 1980s of neo-corporatist arrangements, prevalent in many western European societies, encouraged social scientists to proclaim the end of centralized collective bargaining and social pact agreements, with a convergence towards decentralized bargaining driven by market forces. An underlying assumption of convergence theories is that technological restructuring and economic internationalization have weakened labour and rendered centralized bargaining obsolete. Moreover, it is believed that globalization and labour market restructuring necessitate cutbacks in public welfare and greater reliance on market mechanisms.

However, such claims have been widely questioned, particularly from the neo-institutionalist perspective (Crouch and Streeck, 1997; Hall and Soskice, 2001; Hollingsworth and Boyer, 1997; Kitschelt et al., 1999; Soskice, 1999). While all European countries have experienced pressure

to reform their labour relations and social security systems, the direction of reform has not been uniform across countries. Moreover, the mechanisms employed to carry out reform have differed, in turn affecting the outcome. Not only does coordinated collective bargaining persist in many countries (Golden et al., 1999), but there was a widespread revival of concertation and social pacts in the 1990s as the basis for social and economic reforms (Ebbinghaus and Hassel, 2000; Regini and Regalia, 1997; Rhodes, 1997; Royo, 2002).

Against this background, this article examines two interrelated developments in Greece since 1990: collective bargaining arrangements, and attempts to reform employment arrangements and the social security system through social pacts. It is argued that institutionalist perspectives are better suited in explaining recent developments than convergence theories, but there needs to be a more dynamic understanding of how past institutional arrangements in combination with changing economic circumstances and shifts in the balance of power affect social actors' responses. Particular emphasis is placed on the circumstances under which actors are likely to exhibit 'institutional learning'. Before turning to the empirical investigation of these issues we briefly consider arguments put forward from the neo-institutionalist perspective as a basis for understanding developments in collective bargaining and concerted policy-making.

The Role of Institutional Arrangements

Neo-institutionalist perspectives stress the need to focus on the variety of social and economic arrangements present in contemporary capitalist societies: countries respond differently to economic challenges according to prior institutional arrangements. This implies that there are choices to be made in economic governance, even if many of these choices are circumscribed by current institutional arrangements.

The main proposition underlying this perspective is that actors' behaviour is path-dependent, meaning that previous shaping of institutions steers responses to problems and challenges in a particular direction. The most common definition of institutions is that of North (1990), as norms and rules of the game that guide the structuring of organizations. Institutions are historical constructs that shape the way interests are structured; the institutional arrangements of a society coordinate economic actors and provide the tools, resources and cognitive frameworks that allow them to respond to challenges (Hollingsworth, 2002; Hollingsworth and Boyer, 1997).

One of the main institutionalist arguments is that the state, formal associations (for example unions) and informal networks are just as

important as markets in economic governance: their interventions modify the performance of markets and hence firms' behaviour. In particular, institutions are a mechanism of instilling trust. But some societies are in this sense more institutional than others, with arrangements other than markets playing a greater role in economic governance (Crouch and Streeck, 1997).

Following Soskice (1990, 1999), neo-institutionalists commonly distinguish between coordinated market economies (CMEs), such as Germany, and liberal market economies (LMEs), such as Britain and the USA. The primary difference between these two types centres on the degree to which economic activities are determined by market forces as opposed to other coordinating mechanisms. Emphasis is placed on how firms and business associations interact and pool resources. Within CMEs, firms coordinate their activities on such matters as wages, training programmes and research, while the state sets the framework within which this is accomplished. Industrial relations are coordinated through employer and labour associations on a national and/or sectoral level. By contrast, in LMEs firms lack centralized organizations and coordinating mechanisms and rely much more heavily on market mechanisms to generate the necessary resources. Within these economies labour relations are decentralized, and deregulated labour markets prevail.

The 'varieties of capitalism' (VoC) approach differs from previous attempts to categorize countries by their institutional characteristics, and particularly from the neo-corporatist literature, in that convergence is not expected. While the VoC approach does not primarily focus on forms of collective bargaining and policy-making, it provides insights as to why societies differ on these dimensions. Moreover, it improves on the neo-corporatist literature by considering factors other than the organizational strength of labour (see also Regini, 2003). For example, in CMEs it is employers who seek coordination and centralized bargaining as the best way of achieving their economic goals. In contrast, in LMEs firms are not in a position to build institutional structures to incorporate labour, which has led governments to reduce the influence of unions and impose change unilaterally (Hall and Soskice, 2001; Soskice 1990, 1999). This approach is particularly relevant to understanding recent social pacts, because unlike the corporatist policy-making of the 1970s, today's efforts are not a result of labour's strength but of increased competitive pressures that drive governments to cut back on welfare spending and limit labour's bargaining position in the labour market (Ferner and Hyman, 1998).

The virtues of the VoC approach notwithstanding, there are also certain shortcomings. It has little power to explain change or to account for variations in policy-making not only between but also within countries (Regini, 2000). An underlying assumption is that the prevailing institutional arrangements will persist: CMEs are expected to remain

organized, regulatory and socially supportive, so that reforms occur through cooperation and concertation between the state and collective associations. LMEs, on the other hand, are expected to weaken further their regulatory mechanisms and social supports (Kitschelt et al., 1999). Moreover, policies enacted in different areas are believed to be inter-dependent and complementary, and tied to a particular national cultural style. In short, responses to current economic challenges are expected to follow the logic inherent in their respective production systems. In reality, however, policy responses are rarely reached without tension and there is rarely only one outcome available.

Part of the problem emerges from the fact that the VoC literature focuses on a limited number of countries that are very close to the ideal-type models constructed. In these countries it has been common for policies enacted to be complementary and consistent, and to reflect the predominant policy style. In part this was the case because both the CMEs and the LMEs examined were considered relatively successful, and as a result there was little pressure for institutional change. However, this has been changing during recent years and even countries like Germany are experiencing increased pressure to introduce reforms that challenge some of the existing institutional arrangements.

In addition, when one examines countries that do not fit neatly into either the CME or LME categories, and particularly countries where policy failure has been common, such policy consistency is rarely observed. Moreover, where 'policy failure' is identified tensions are likely to arise over the adjustments to be made, and responses will deviate from the current path. This has been the case in many countries of southern Europe, where social pacts for introducing reforms have been widely used, even though these countries do not share those institutional characteristics that are commonly identified with concerted policy-making. Some parallels may also be noted in central and eastern Europe.

For the dynamics of change to be better understood, a more fine-grained analysis of institutional arrangements is needed, as well as a better understanding of what motivates actors' responses to change. While these are in part shaped by pre-existing institutional arrangements, changing circumstances and shifts in the balance of power are likely to encourage actors to interpret reality in a new frame. Policy outcomes are much more likely to be the joint result of past institutional arrangements and path-dependent behaviour, on the one hand, and, on the other, the tensions and frictions arising between those sectors of society seeking change and those wanting to preserve existing arrangements (Berger and Dore, 1996).

Change will be harder where institutional arrangements are deeply embedded and are supported by a wide section of the population. In contrast, where the rules of the game are less explicit, political conflicts and power relations assume a greater weight in decision-making. In order

to have a better understanding of the dynamics of change, the role of political actors and particularly of the party system in mediating social conflicts must be considered; such factors are very important in determining the type of adjustment policies pursued and their chances of success.

The following section will outline some of the distinguishing features of the system of economic governance that has prevailed in Greece. Recent developments in collective bargaining and attempts at concerted policy-making are then examined.¹ Finally, Greek experience is placed in comparative perspective in order to gain a better understanding of the factors leading countries to adopt different strategies for coping with similar challenges.

A System of State-led Coordination?

Greece is closer to what has been termed 'state capitalism' (Boyer, 1997; Schmidt, 2002) than to either the CME or the LME model. In this variant of capitalism the state plays an active role in economic development, mediates relationships between firms, and between firms and financial capital, and determines industrial relations outcomes. However, in Greece, as in most South European countries, the state lacks the institutional capacity to ensure economic efficiency. Moreover, southern Europe also displays weak social protection, lack of cooperation between social partners and inequality of incomes and opportunities.

In Greece, late economic development combined with strong economic protection and suppressed wages, at least up until 1974, hindered the growth of competitive industries. The state intervened in the economy through numerous subsidies and tariffs, and in the 1970s and 1980s through large public enterprises. Economic development was largely concentrated in small, labour-intensive, low added-value firms and a large service and agricultural sector. In the postwar period, many firms owed their existence to insulation from foreign competition through protective legislation and the suppression of wages (Gianitsis, 1988; Tsoukalas, 1987). This situation was reinforced by the presence of a large black-market economy, estimated at 35 percent of GDP. Despite the seemingly strong role of the Greek state, it was unable to carry out the necessary reforms to allow the Greek economy to develop in line with the rest of Europe (Lymberaki and Tsakalotos, 2002). The clientelist organization of the political system contributed to policies being to a large extent determined by particularistic interests of groups that retained close relationships with the ruling party. Rules and norms were neither clearly defined nor always observed. While in the 1990s there was a change in rhetoric and policy, with emphasis on privatization of large

state enterprises, this has neither changed substantially the overall structure of the economy, nor has it brought about the desired competitiveness of its productive forces.

The model of economic development achieved in Greece was based on a highly controlled system of collective bargaining, for many years excluding labour from policy-making. A postwar system of collective bargaining developed that was highly centralized and controlled by the state, which retained the right to exercise compulsory arbitration. The state also intervened to control the leadership of the monopolistic trade unions (General Confederation of Greek Labour [GSEE] in the private sector, Chief Directorate of Public Employees Associations [ADEDY] in the public). These practices were the product of the decades of authoritarian rule up to 1974, but persisted even after the transition to democracy; however, such intervention failed to curb union activity, and accentuated divisions along partisan lines that cut across union organizations at all levels. The effort by the state to control labour and impose incomes policies, and the desire by political parties to gain influence through unions, resulted in highly adversarial labour relations, demonstrated by the exceptionally high rates of strikes towards the end of the 1970s and for most of the 1980s (Mavrogordatos, 1988; Zambarloukou, 1997).

Unions derived their strength primarily from the fact that they were tightly connected to the political process, and not from their collective bargaining capacity. These close ties were often of a clientelist nature and helped boost unions' political influence. One of their main sources of strength derived from the disruptive capacity of certain sections of labour, particularly in nationalized enterprises, public utilities and banking. These sectors formed the backbone of the union movement in the 1980s. In addition to being the most militant, these unions maintained close political ties to the socialist party (PASOK), which was in power for most of the 1980s. The eve of the new decade brought about major changes in collective bargaining procedures accompanied by changes in the tactics adopted by unions and employers respectively. It is to these changes that we now turn.

Centralized Collective Bargaining: New Meaning for an Old Practice

By the 1990s it was clear that the prevailing model of industrial relations did not deliver the desired outcomes: the politicization of labour conflicts had allowed important sections of labour to gain concessions from the state and employers, but, with growing unemployment and budget deficits, this model was yielding diminishing returns. The government

sought to disengage from the processes of collective bargaining so that 'social partners' could resolve disputes autonomously and thus facilitate wage restraint, which was necessary for Greece to meet the Maastricht convergence criteria and increasing economic competition.

A new law in 1990 abolished compulsory arbitration as a means of resolving disputes and replaced it by a system of mediation, with arbitration available only if requested by both sides, or by unions when employers refuse negotiations. Collective bargaining over pay remains highly centralized, with agreements signed between GSEE and the main employers' associations to establish the minimum wage and serve as a guideline for agreements signed at sectoral, occupational and local levels. The new law also enables all firms with more than 50 employees to sign enterprise agreements, impossible for most firms previously.

The abolition of compulsory arbitration has placed pressure on unions and employers' associations to negotiate and reach consensus, since they can no longer rely on the state to intervene in case of deadlock. The first general agreement reached in 1991 settled for moderate minimum wage increases over a two-year period; previously one-year agreements were customary. Under the new arrangements a broader set of issues related to work organization were discussed, such as hours of work and health and safety (Mouriki, 2001), allowing greater coordination between the agreements signed at different levels. Unions have exhibited unprecedented moderation by Greek standards: wage increases have been modest and strike activity has declined substantially (*EIROOnline*, 2003).

Overall there is little indication of decentralization of collective bargaining, and the total number of agreements signed per year remains unchanged. However, sectoral agreements seem to be gaining ground over occupational agreements that predominated before the introduction of the new law. While bargaining at sectoral level suffers from the presence of numerous federations (over 60), the truth is that there was even greater segmentation under the previous arrangements. On the other hand, there is little indication that enterprise agreements are gaining ground, even though their signing has been facilitated by the new law: there was some increase in 2001, but year-to-year fluctuations are common. A recent survey of Greek firms has shown that 84.5 percent based the wage rates on sectoral collective agreements and only 0.5 percent on enterprise agreements (Kouzis, 2002).

Appearances are to some extent misleading: the presence of numerous small enterprises and an undocumented labour force has always meant that labour relations are less regulated than the official bargaining system might imply. Moreover, there are large tourist and agricultural sectors that rely heavily on seasonal employment where it is easy for employers to use flexible employment arrangements that are not found elsewhere. This phenomenon is accentuated by a large influx of undocumented

immigrants. While these developments indicate that Greek labour is becoming more vulnerable, their negative impact might be restricted by greater coordination in collective bargaining.

Another development since the introduction of the new law is the reduction of the number of agreements reached through arbitration. In the 1980s these represented on average 42 percent of all agreements, but the proportion fell to about 14 percent of the total.² It is the weak unions in the private sector that usually resort to arbitration, when employers refuse to negotiate and give wage increases along the lines proposed by the general collective agreements (Koukoules, 1997); no centralized agreements have been signed through arbitration procedures. Hence bipartite negotiations are today assuming greater weight than during the previous decades.

Developments in collective bargaining need to be understood as the joint result of existing institutional factors and the way unions and employers interpret the opportunities and costs of alternative options within the new economic and political context. Both had learned to organize and promote their interests through centralized associations and believed that they could defend their interests best if centralized forms of representation and bargaining were preserved. Furthermore, neither expected to promote their interests merely through market mechanisms, given that markets did not act spontaneously but were highly regulated. The primary role of the state in coordinating all economic activities encouraged all sides to address their demands or grievances to the government and to try to enter into a special relationship with political actors. This enhanced their eagerness to maintain the bargaining role of their respective national associations.

Unions' willingness to show moderation needs to be understood within the context of both the weaknesses of Greek labour and the changing economic circumstances of the 1990s. As already noted, the presence of a large unofficial economy and undocumented labour, in combination with numerous small family-run firms and a large percentage of self-employment, has meant that in practice a large section of the labour force was not unionized and remained outside collective bargaining. In the vast majority of Greek firms unions cannot be formed, since 96 percent of firms employ fewer than 21 employees, which is the minimum union membership demanded for a union to be established in an enterprise (Kouzis, 2000). Labour's position has been further weakened by technological change and the opening up of the Greek economy to foreign competition, which has led to the closure of a number of industrial enterprises. The impact was even greater because of extensive privatization and the reduced capacity of the state to intervene in economic affairs. These factors, along with rising unemployment (over 10 percent from the mid-1990s) and declining union density

(currently about 33 percent), led to the erosion of union strength at enterprise level.

Unions' strength had derived mainly from their ability to act in a coordinated way and from their ties to the political party system. In contrast, their bargaining power with private employers was not particularly strong and was further weakened as a result of economic crisis and industrial restructuring. The abolition of centralized bargaining would have significantly undermined union power and restricted union influence to a few sectors of the economy. At the same time, it became apparent to unions that for centralized collective bargaining to be maintained and to continue to play an important role, they could not continue the strategy of confrontation that had prevailed in the past, given that their capacity to gain concessions through confrontation was severely limited within the new economic context of the 1990s. Moreover, following the abolition of compulsory arbitration, centralized bargaining could only remain effective if they were willing to accept compromise. The union leadership needed to find alternative strategies to sustain a central role in social and political outcomes, and decided to adopt a more consensual and moderate style as part of a strategy. Thus union behaviour can be seen as shaped in part by previous institutional arrangements that rested on centralized associations and bargaining, and in part as the result of 'institutional learning', triggered by their weakened labour market position and their desire to retain political influence. This was facilitated by a weakening of partisan divisions within the union movement.

Employers also supported the disengagement of the state from collective bargaining, because they believed that government interference accentuated industrial conflict and had ceased to be effective in achieving wage restraint. However, all employers' organizations, particularly those representing manufacturing industry, wanted to maintain centralized collective agreements. They tended to believe that national bargaining by GSEE was more likely to preserve industrial peace, by restricting the activity of the more militant union factions, and that national agreements reduced uncertainty and allowed employers to plan ahead. This was particularly true if agreements were signed on a two-year basis, as was customary after 1990. Conversely, bargaining decentralization could lead to greater uncertainty and tension.

Institutional factors also help explain employers' continued support for centralized bargaining: they were organized in centralized associations and wished to preserve the status and influence of these. This is particularly true of the Association of Greek Industry, which enjoyed considerable political leverage. Centralized bargaining provided employers, like unions, with an important role in economic governance that they could use to seek concessions from government. In addition, the interests of the numerous small employers could best be served through

centralized associations, since they did not have the direct access to the state which many large employers enjoyed. At the same time, the presence of a large unofficial economy offered exit mechanisms for those employers unwilling to adhere to collective agreements, undermining collective regulation in practice.

Tripartite Social Pacts: A Difficult Challenge

Tripartite concertation was never an established instrument in Greece. While attempts at consultation between the state, employers and labour were often made, they were never consistently pursued but tended to be of an ad hoc nature. Moreover, the state usually initiated such consultation in order to gain union consent to particular policy initiatives, never in order to create a permanent policy forum (Gabroglou et al., 2001; Kouzis, 2000). Thus such efforts came to be treated with suspicion, particularly by the unions. During the past two decades there have indeed been more systematic efforts to establish tripartite concertation, but with limited success. Two recent efforts stand out, directed at achieving reforms in labour market organization and social security.

In 1997 the government invited union and employer representatives to negotiations on the themes of growth, competitiveness and employment. After seven months of dialogue a 'confidence pact' was signed between the labour confederations of the private and public sector, employers' associations and government. Its terms were to be taken into account in the adoption of the new labour legislation and included 12 points, covering public investment as a means of creating jobs, improved skills training, active labour policies, and structural changes in the labour market designed to combat unemployment. In addition, the partners agreed to wage moderation. The pact largely excluded issues on which there were major disagreements, or referred to them only in very general terms. In particular, the proposal for increased labour flexibility, which was supported by employers but opposed by unions, was not included. However, the government included labour flexibility in legislation introduced in 1998, provoking fierce labour protests. The new law set the framework for part-time employment and flexible working-time arrangements. In practice, however, many of its clauses remained inactive, particularly those on flexible work time, because they could not be implemented without prior agreement between unions and management (Mouriki, 2001).

In 2000 the social partners were once more invited to present their views on employment and unemployment. The central issue was again the organization of work time, but agreement could still not be reached and GSEE withdrew from the negotiations. The government introduced

a new law unilaterally, designed to enhance flexibility in working-time arrangements and to regulate overtime and redundancies. This was criticized by both labour and employers, but for opposite reasons: the unions believed that it would lead to the deregulation of labour, while employers believed that it introduced new rigidities and would increase labour costs.

A similar fate followed efforts to reform the social security system. This issue was on the agenda for many years: the system was highly fragmented and delivered very unequal benefits to different occupational groups and different generations, and there were widespread doubts as to its viability (Matsanganis, 2002). In 2001 the centre-left PASOK government put forward a reform plan, and invited unions and employers to discuss the proposed changes. These would have raised the retirement age to 65 for all employees and reduced the final entitlements for most. The reforms would have streamlined the pension benefits for most lower-paid employees, without, however, radically changing the way the social security system is organized. Both GSEE and ADEDY rejected the proposals outright, and a massive wave of strikes followed, after which the government was forced to withdraw the proposal.

One year later unions and employers' organizations were invited to discuss the reform of the social security system from scratch. However, a climate of mutual suspicion had already been established, making serious negotiations impossible. Following inconclusive consultations with the unions, in June 2002 the government introduced a reform bill which contained much more limited reforms than the initial proposals. Despite this, both the public and private sector unions disagreed and called for a general strike. The government proceeded unilaterally and introduced the proposed reform of the social security system.

These failures to achieve tripartite policy-making reflected in part the lack of trust between social partners and the absence of a culture that promotes dialogue and consensus. Social actors were accustomed to influencing the state through their particularistic ties with political actors rather than through official channels of consultation. For unions, reaching a compromise was made more difficult by the partisan divisions that run across the labour movement and the close connection between political parties and union leaderships. As union organizations affiliated with opposition political parties almost always opposed reforms proposed by the government, even those unions affiliated with the ruling party were forced to adopt a more confrontational stance so as not to be accused by other labour factions of failing to protect workers' rights.

However, the absence of institutions promoting consensus and negotiation was not the only factor inhibiting concertation and successful social pacts. As evidence from other countries indicates, such institutional

supports are neither sufficient nor always a necessary condition for concertation to be achieved. Introducing reforms that are likely to lead to diminished benefits for large sections of the labour force are a difficult endeavour even in countries where concertation has been the norm in the past. In the 1990s, social pacts on labour market and social security reforms were more often achieved in countries like Italy or Ireland without a strong tradition of concertation (Siegel, 2005). This shows that while past institutional arrangements influence actors' assessments, changing circumstances will incline them to reassess their policy options and to weigh the opportunities and costs of entering into concerted policy-making.

Unions in Greece had much to lose by accepting the proposed reforms, given that these were highly unpopular among their members. Moreover, they were not offered anything substantial in return. Conversely, they knew that they could exert greater pressure on the government through confrontation than at the negotiating table, where they also had to face the employers' side. Unions retained close ties to the political party system while their strength was greatest in public enterprises, giving them the power to veto many government initiatives. In contrast, their position vis-a-vis private sector employers was rather weak, which partly explains why they have opted out of an adversarial strategy in bipartite collective bargaining.

The final outcome of these reform efforts reflects to a greater extent the tensions present and the political stakes confronting the government. The fact that, for the most part, it introduced much more moderate reforms than initially intended reflected the political costs of each solution and the relative power exercised by the various groups affected by the proposed measures. As pointed out by Kitschelt et al. (1999), mass-party organizations and networks of clientelism hinder changes that are likely to affect important constituencies. In Greece the clientelist organization of politics has meant that policies privileged certain groups over others, in ways that were neither in accordance with market criteria, nor based on a rationale for social equity and redistribution of income, but reflected ties to the ruling party (Petmezidou-Tzoulouvi, 1992; Sotiropoulos, 2003). The fact that unions were able to resist reforms put forward by the government, and particularly those concerning the social security system, must be understood in light of the particularities of the political party system and the clientelist ties formed with sections of labour. The proposed changes of the social security system would have particularly affected those groups that formed the backbone of the union movement in Greece, namely public utility employees and the banking sector, which were also traditionally affiliated with the ruling socialist party. In addition they threatened the benefits enjoyed by a number of powerful professional groups. Restricting the benefits enjoyed by these

sectors of labour entailed a high political cost, which largely explains why the government did not proceed with its initial proposals.

While both employer and union behaviour was influenced by prior institutional arrangements and ideological preferences that made pact-building a very difficult endeavour, the outcome might have been otherwise if power relations and political alignments were different, and if social actors had been forced to rethink their options. At the same time the ability of unions to resist many of the intended changes cannot be explained in terms of power relations alone. Unions in Greece are, for reasons mentioned in a previous section, not very strong in a strictly market sense. Thus the capacity to block adjustment policies must be seen in terms of both the relative strength of sections of labour and their links to the political system. This factor raised the costs of introducing unpopular reforms, which explains why change has been so slow. It also explains in part why the unions did not feel pressured to enter into a process of political exchange.

Comparing Results Across Europe

Recent pressures towards the deregulation and decentralization of industrial relations and cutbacks in social spending have left no country unaffected. Nevertheless, not all countries responded in the same way. Moves towards greater deregulation and decentralization have gone furthest in LMEs, while in CMEs and state-led market economies the outcomes vary. While in many ways these countries have also moved towards greater liberalization, it is significant that in other respects greater coordination seems to have been achieved.

In Europe, changes have gone furthest in the UK, where low institutionalization of non-market forces has facilitated the unilateral action of employers and government in introducing further decentralization and deregulation of industrial relations and working conditions. The role of trade unions has largely been restricted to collective bargaining at enterprise level, but bargaining coverage has fallen sharply and individual contracts are becoming the norm. Welfare benefits have been reduced and market mechanisms increasingly determine industrial relations.

In CMEs such sweeping changes have been prevented and governments have been more eager to bring about reforms in a concerted way; but this has not always been possible. On the whole, it has been relatively easier to reach agreement on a collective bargaining strategy and structure than to deal with pressures to reform the social security system or to bring about greater labour market flexibility. Even though decentralizing tendencies have not been totally avoided, with the exception of Sweden, most countries have not radically altered their collective

bargaining structures and in some cases there has been a shift towards greater coordination.

Germany had for a long time resisted pressures for change but in the 1990s the dual effects of global competition and the costs of unification put increasing strain on existing arrangements. While changes towards a greater market orientation can be detected, the main features of the system have not been altered. Collective bargaining at sectoral level has been maintained as the dominant form of negotiation, while industrial relations remain for the most part cooperative. The persistence of collective bargaining arrangements in Germany can be explained by the fact that the majority of employers continue to favour existing arrangements as a source of stability and social peace. There are, however, increasing tendencies for sections of labour to be left outside the scope of collective bargaining, particularly because many small employers have opted out of the process, especially in the East. As a result a dual labour market is increasingly evident (Thelen and Kume, 2003).

While consensus continues to characterize collective bargaining, efforts to reform the social security system and bring about greater flexibility in employment relations through tripartite policy-making have been unsuccessful. In the past it was customary for changes on such issues to be piecemeal and implemented following bilateral negotiations with government. In 1996, an initiative was made to develop formal tripartite concertation, following the offer by the largest trade union to accept wage restraint in exchange for employment creation measures and the maintenance of welfare benefits. The Kohl government sought to take forward this 'alliance for jobs' but added to the agenda its own plans for welfare retrenchment, and the talks broke down. The Schröder government elected in 1998 revitalized the alliance, in a new effort to bring about reforms through tripartite concertation. Though the alliance formally continued until 2002, little was achieved partly because the sense of crisis that pushed unions in other countries to consent to reforms was absent. Moreover, the institutional legacy of welfare corporatism paradoxically inhibited a tripartite social pact, because it provided unions with a veto role in government policies and accustomed them to making concessions only when offered something in return. It has also been easier for German unions to accept piecemeal changes through less official channels of bilateral consultation than to agree to far-reaching 'package deal' reforms, in part because the sectoral organization of German unions makes it hard for them to determine a common strategy (Hassel, 2001).

Italy has gone the furthest in bringing about change through concertation and pact-building: surprisingly, given its long history of adversarial industrial relations and the weak institutionalization of collective bargaining and policy-making. In 1993, against a background of political and economic crisis, the first 'technocratic' (non-partisan) government

led by Amato promoted an agreement between unions, employers and government, which committed unions on moderate wage increases and abolished the cost-of-living sliding scale (*scala mobile*). In exchange, it replaced the fragmented bargaining processes with a more hierarchical and coordinated system, allowing unions a greater say in policy-making. In 1995, the second technocratic government led by Dini made one of its priorities the reform of the pensions system. In contrast to the first Berlusconi government which it replaced, it succeeded in mobilizing the necessary support to bring about reforms. This was achieved by bringing unions into the policy-making process and taking into account many of their concerns, including their wish to minimize the losses for older workers (Regini and Regalia, 1997). Unions, for their part, undertook the task of persuading their rank and file of the necessity for change, and referendums were held across the country on the issue (Baccaro, 2002). Employers disagreed early on, demanding more radical changes, and left the process; the reform was thus based on a bilateral agreement between the unions and government. The following year, however, a tripartite employment pact was signed, introducing greater labour market flexibility in exchange for measures to combat unemployment.

The Italian and Greek cases share many similarities but also display important differences. Both countries had a tradition of adversarial industrial relations and unions plagued by partisan divisions. Economic pressures and growing insecurity among workers created doubts about the continuing capacity of unions to defend rank-and-file demands. The need for greater stability to meet new challenges led the government to enhance the institutional role of labour, while in exchange unions conceded wage moderation. Employers, too, consented in an effort to gain the desired stability. The process was facilitated by the crisis situation stemming from a series of political scandals, poor economic performance and the urgent need to meet the Maastricht convergence criteria and join the euro. The latter, coupled with the low returns of previous adversarial relations and the low institutionalization of bargaining arrangements, facilitated institutional change, leading to greater coordination of industrial relations.

Italian and Greek unions reacted differently to attempts at pact-building. The different responses should be attributed primarily to the different political climates that prevailed in the two countries, which led unions to interpret differently the alternative costs and benefits of consenting to the proposed reforms. Italian unions had fewer chances to exert political pressure to stop the reforms, in part because the technocratic government that came to power in 1995 was less susceptible to such pressure. Moreover, the crisis that prevailed in the political system and the economy was so severe as to persuade the unions that it was in their interests to compromise in order not to lose more in the long run. The

fact that the pensions agreement took place only between unions and government legitimized the processes in the eyes of rank-and-file workers. Despite organizational divisions, all main unions shared common perspectives: they were persuaded that the social security reform was the best compromise, and also saw a long-term gain from being included in the policy process.

In contrast, the Greek unions felt that they could veto social security reforms because of their close ties to the ruling party, which they could use to exert pressure on the government, while the strength of partisan conflicts made internal opposition more effective. The lack of political consensus over the proposed reforms made it harder for unions to sell these to their rank and file, which explains why they were rejected even on those occasions when their introduction appeared inevitable. Moreover, the Greek government made no systematic attempt to engage in dialogue with unions and failed to persuade them that they would gain something in return. While Greece and Germany differ greatly in their institutional characteristics and the organizational basis of trade unions, in both countries the latter decided not to accept the reforms promoted through tripartite consultation, in large part because of their capacity to veto government decisions. In neither country were the unions persuaded that they had something to gain by entering into a tripartite agreement.

Conclusions

While neo-institutionalist analysis can go a long way in interpreting actors' responses in different countries, it has difficulties interpreting changes in institutional behaviour. In order to have a better understanding of actors' responses to change we need to combine institutional analysis with a more actor-centred approach. The examples presented above show that while past historical and institutional legacies help to shape actors' interpretation of reality and constrain their behaviour, there are still choices to be made. Moreover, historical legacies during periods of crisis might prove a springboard for dramatic changes. This is demonstrated in the case of Italy and to a lesser extent Greece, which have undergone some of the more radical changes in collective bargaining and social policy-making. In both countries, the shared feeling that previous arrangements no longer delivered the desired results facilitated shifts in institutional behaviour.

On the whole, centralized or coordinated collective bargaining and tripartite social pacts are more likely in countries where non-market mechanisms have always had a more central coordinating role. But this in and of itself does not guarantee that they will in fact occur. It has been easier to maintain or even enhance centralized or coordinated collective

bargaining than to negotiate tripartite pacts. This can be explained by the fact that both unions and employers have so far felt that they have something to gain by compromising on collective bargaining arrangements, whereas social pacts on welfare and labour market reforms imply more fundamental concessions on the part of unions — in effect, they can represent a zero-sum game. In this sense the signing of such pacts constitutes, in most cases, a deviation from previous practices, and the decision to accept such a compromise involves primarily a strategic choice. Social pacts between unions, employers and the state are more likely to be achieved when unions judge that the alternative of not consenting would have more far-reaching negative outcomes in the long run. In contrast, where unions maintain a strong veto role in government decisions they are less likely to concede.

NOTES

- 1 The article takes into account developments up to the spring of 2004, when the conservative New Democracy party was elected to office.
- 2 Figures are provided by the mediation and arbitration service, OMED. Arbitration agreements have increased since 2001, reaching 23 percent in 2003, but they remain far below the pre-1990 level.

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