Debt Crisis – MoUs: Return to the Middle Ages for the working world

Blog

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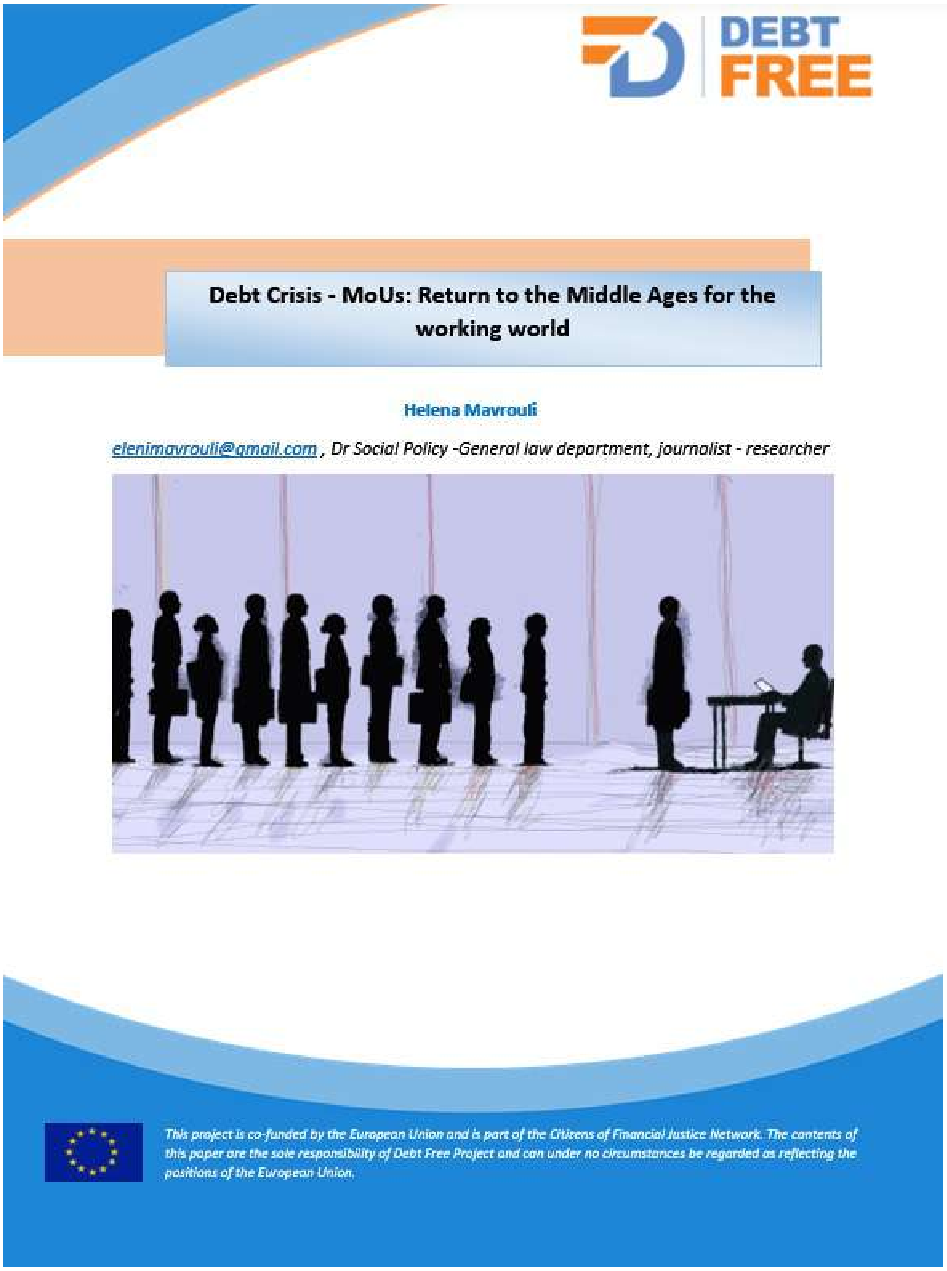
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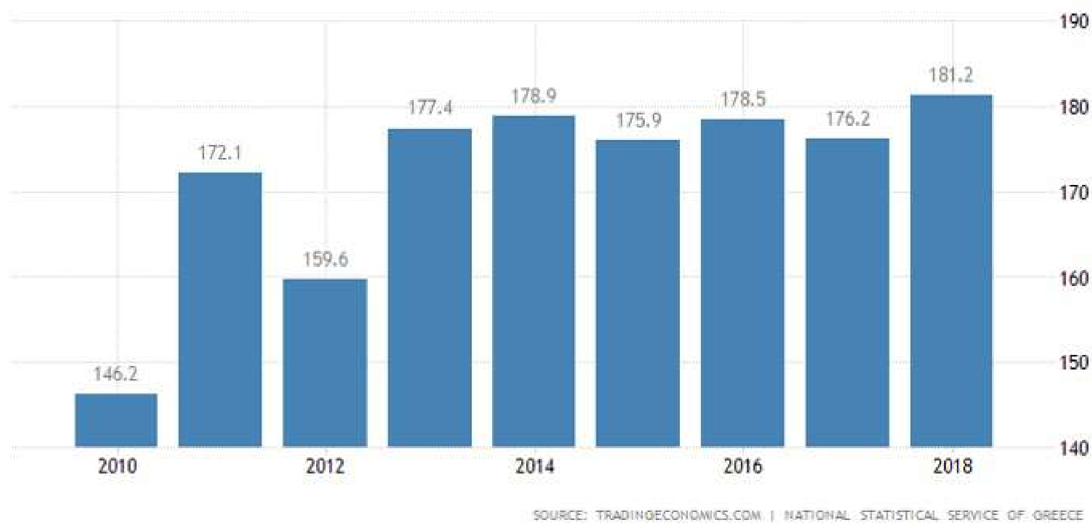
On the occasion of the debt crisis in Greece and the adoption of the Memoranda, a series of measures were implemented with the excuse of “supporting the Greek economy”, which led to the complete deregulation of the labor market. These changes did not come as a shock. These are changes that have been taken place over the last 20 years, with gradual and complementary interventions, focusing on enhancing competitiveness and reducing labour costs with the primary tool being the introduction of a wide variety of measures to encourage and develop labour flexibility.[i] However, if anything is worth noting, is the blistering pace of adoption of these measures in such a short period. This experience is truly unprecedented for European standards, which is a Greek innovation.[ii] **Despite these drastic changes and the substantive dismantling of labor laws as well as the violation of constitutional provisions, no debt reduction estimates have been confirmed.**



Greece's public debt in % / GDP 2012 – 2019

This fact, one might say, reinforces the belief that the policies pursued were no exception but part of the prevailing view of the European Union which adopts the need for radical reforms on the European labour market with the stated goal the enhancement of competitiveness and employment [iii],[iv]

In Greece, the policies to strengthen labour flexibility since the early 1990s and onwards which aimed at reducing the cost of labour on the grounds of improving competitiveness, meet two more traditional methods of maintaining wage costs at low levels, compared to those in the rest of Europe. First, the average annual full-time wages corresponds, in 2009, to 68% of the average annual wages within the 15 member states of the Eurozone and to 97% of the EU with countries (e.g. Bulgaria) with salaries 1 / 10 of the corresponding Greek.[v]

Also, the widespread illicit flexibility associated with labour and insurance law violations, with the indicative phenomenon of the unsecured employment rate of 22% in 2009, reinforced low-cost management policies in Greece. **At the same time, however, Greece along with Portugal, who both maintained the lowest labour costs in the eurozone, also maintained together, the last position in competitiveness level proving that competitive economies require primarily quality products rather than interventions in wage cost.[vi]**

1. **Small History of Labor Rights**

National-level bargaining on the national minimum wage was first established in Greece in1935 and has been a core element of the post-war collective bargaining system. The National General Collective Agreement (NGCA) not only determined the minimum wage but also set the floor for employment and working conditions and workers' rights (working time, leave, rights of part-timers, apprentices, student workers, equal treatment, funding of training, severance pay and so on). National-level bargaining on sectoral or occupational minima was the second most important feature of the Greek collective bargaining system. Company-level bargaining was added to this level after 1974 and company-level agreements always improved over sectoral and occupational minima.[vii]

State intervention was a basic feature of the post-war wage-setting system and its role was to make collective bargaining outcomes compatible with the targets of incomes policy either through direct control of wages or through state-controlled compulsory arbitration, which was established in 1955. In 1982 a system of automatic indexation of wages to inflation was put in place but was abolished in 1990. In the same year, a new law on "free" collective bargaining replaced compulsory arbitration by agreements declined sharply. Despite these changes, the Ministry of Labor kept its prerogative to extend collective agreements to non-unionized employees and employers, which accounts for the high coverage of employees by collective agreements.[viii]

In the late 1990s, the bargaining rounds between management and the strong unions in public utilities and banking were decoupled from those between the National Confederation of Greek Labor (GSEE) and peak employers' organizations on the national minimum wage.

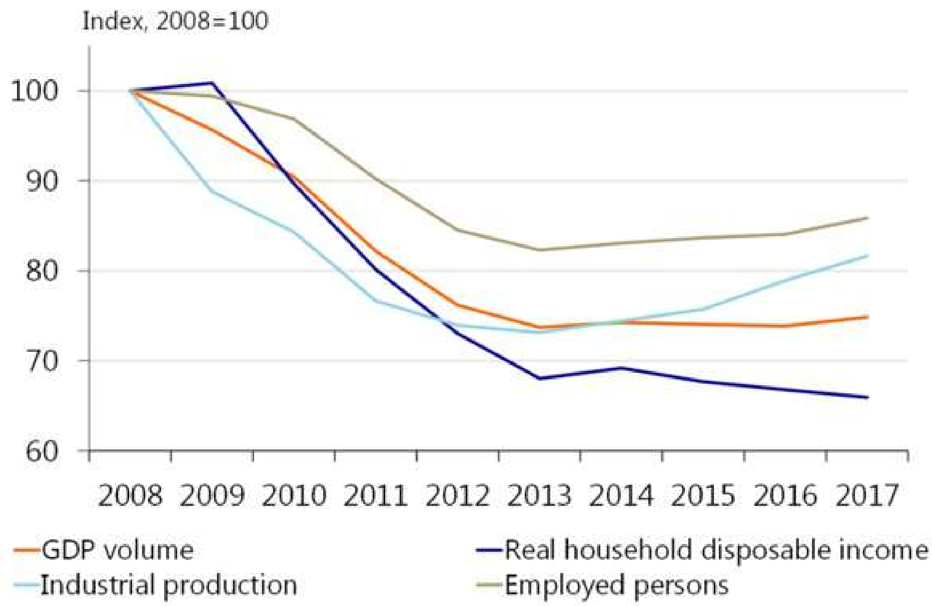
At the onset of the current crisis overall wage inequalities were substantial. In 2008Greece ranked sixth among OECD countries in this respect. In the same year, in-work at-risk-of-poverty rate of employees was 8.1 %. However, the national minimum wage was above the poverty line and its gap with the average wage was small by international comparison. **In 2009, the national minimum wage was 45.2% of the average wage, the third highest rate among EU countries that had a national minimum wage. However, Greece's absolute ranking was average and much lower than most Eurozone countries.**[ix]

The Greek economy in 2009 exhibited a double edged weakness in terms of budget deficits and a mounting public debt combined with an increasing external trade deficit. In 2010, the Greek Government decided to advocate a "rescue" plan (Memorandum I in April 2010)which has been since then continuously reformed and extended (notably in July 2011 and in February 2012, the so-called Memorandum II, which included a "haircut" of the public debt).

The events that led to these developments are highly debated until today. There are still remaining questions unresolved about the extent of the problem, its management by the then Government and the rationale for the policy advocated. **Was the Greek crisis a specifically "Greek" crisis, or was it the result of the financial crisis in 2007–2008?** Though such a question may seem superficial, it is worth noting that the Greek Government approached the issue as if it resulted solely from mismanagement in the past. As a result, the Government over-dramatized the situation, interest rates in the financial markets increased rapidly and the burden of refinancing accumulated public debt became unbearable. **In conceiving the "Greek crisis" as a specifically Greek one, the Government created the wrong psychology in the financial markets, allowing speculation to take place on the country's borrowing needs and the euro**.[x]

Whatever the reasons that led the then government to adopt this attitude, the end result of this public rhetoric on the crisis has been simple: if Greece is responsible for its own crisis, the Greek people have to pay the price. **This might explain both the reaction of certain European countries and several press publications at the time. It also explains why aspects of the Memoranda Agreements have taken the form of a vindictive policy.** Such a conceptualization of the Greek crisis was more than welcomed by the Reinstitutions. On the one hand, it eased the pressure for major reconsiderations of policies and institutional changes in times of hard financial conditions. On the other hand, the Greek Memorandum I provided a guiding post for the offensively called "PIIGS".[xi]

Turning to the numbers of the Greek crisis, the budget deficit in 2009 stood at15.6% per cent of GDP while public debt amounted to 129.3% per cent of GDP in the same year. Interest rates on Greek public loans had been climbing, making further borrowing extremely costly for the Greek economy. The agreement between the Greek Government and the European Union, the European Central Bank and the International Monetary Fund (Memorandum I), provided new loans for the Greek State and established a rather ambiguous program of public-sector cuts and restructuring, and increased taxation on wage earners, pensioners and independent professionals. It also contained a number of policy proposals, mainly in the areas of labor market regulation and provisions, pensions, and health and education cuts. Their implementation drove the country's economy, the labor market, the citizens' income and their living standards to the worse point of the last years.



Source: Eurostat

2. **MEMORANDA**

With regard to the labor market, Memorandum I was based on the assumption that the Greek labor market had been largely inflexible. Legislative action was taken in order to deregulate and/or increase the institutional flexibility of the market. **Thus, an intensive policy of internal devaluation was activated, which continues up to now. This policy aim sat reducing wage and non-wage costs on the assumption that such reductions will give rise to price reductions and to export expansion. This increase in exports may compensate forth falling internal demand (reduced private consumption and state expenditure).Today it is widely accepted that Memorandum I has failed to achieve its targets**, mostly with regard to public debt reduction, and to anticipate the depth of recession it created. In 2011, public debt as a proportion of GDP climbed dramatically (162.8%) and unemployment rose to extremely high levels (more than 20%). [xii]

High unemployment rates, recession and wage reductions, as well as surging proportions of undeclared casual employment, have also put the viability of the pension funds into question. **In early 2012, Memorandum II was adopted, after a long debate both in Greece and among the Troika partners. Putting aside the question of the debt haircut and its impact on the viability of the Greek debt in the near future, the Memorandum II policy design is based on the assumption that the policy advocated in Memorandum I has been correct, but that its implementation was inefficient.** It imposes, therefore, further measures towards the deregulation of the Greek labor market and more reductions in public services, wages and salaries, coupled with an ambiguous program of privatization.[xiii]

The whole series of the legislative interventions in the Greek labor market that took place within the context of the two consecutive binding agreements on economic and financial policy, known as "Memorandum" transformed the Greek labor relations system from a quite protective model for the workers towards an over-flexible system. **During only 22 months (May 2010 to March 2012) Greece has witnessed an unprecedented, in terms of scale and speed, process of legislative reform in the field of labor relations**, especially as regards the state's involvement in:

(a) The mechanisms of wage determination in the private sector of economy through free collective bargaining between the social partners, I The broader functioning of the labor market[xiv]

Aims of the package of structural reforms related to labor relations are:

1. **Ensuring "flexibility in employment size," or in other words to facilitate redundancies – recruitments, both in legal and economic level by reducing their costs.** As early as the first memorandum, the cost of redundancies is reduced by shortening from 24 to 4 months of the maximum notice period in case of termination of contracts, and by reducing the half-year severance pay for long-term employees (from 24 to 12 months) and thereby reducing the cost of layoffs to 14 salaries for workers in this category. At the same time, it is easier for employers to pay severance payments in more and lower installments than in the past, limiting the partial payment of compensation from the 6-month salary to 2 months. Also, extends from 2 to 12 months, the minimum time period required for the payment of compensation by the employer after the termination of the indefinite employment contract. Finally, the limit on group layoffs increases from 4 to 6 employees for companies employing 20-150 employees and from 2% to 5% for larger companies while the decree is abolished as the percentage approval process for redundancies that exceed these limits.[xv]
2. Ensuring the "flexibility of the content of employment", by adopting flexible forms of work such as temporary or part-time employment, employee lending, teleworking, etc.
3. Ensuring "flexibility in organizing working time", or abolition of 8 hours per day, possibility of more working hours per day and less the next day, calculation of working hours on an annual basis, reduction of overtime,
4. "flexibility in the formation of wages", i.e. reduction of minimum wages differentiated by age, depending on the level of unemployment at local, sectoral or national level, salary determination depending on the business rather than the industry, practically marginalization by decentralization of the collective bargaining process.[xvi]

3. **PUBLIC SECTOR**

Between 2009 and 2013 public expenditure was reduced by 29.7%, GDP shrank by 20.8%and tax revenues declined by only 10.1% as a result of the great increase in the tax burden for employees, pensioners and independent professionals and a much lesser increase in the tax base. In 2010, public sector employment decreased by 10 % overall. **After negotiations with the creditors, the Greek government committed itself to reducing public employment by 150,000in the period 2011–15, which corresponds to a further 20 % reduction. Although the attrition rule and the mobility scheme in force were considered sufficient for meeting the target, the Troika has exerted pressure for "up-front mandatory exits" that would "send a powerful signal that the taboo against public sector dismissals is finally being broken"**. This means that the stakes were much greater than just fiscal consolidation. As result, the government has committed itself to 4,000 dismissals in 2013 and 11,000 in 2014.**Official administrative records indicate that employment in general government declined by34% between the end of 2009 and the end of 2013.**[xvii]

It is worth mentioning that **Greece had one of the lowest rates of public employment among OECD countries, with general government employing just 7.9% of the total labor force in 2008[xviii], before the debt crisis' outbreak,** in a period of time when across the OECD area, the share of government employment ranged from 6.7% to 29.3%, with an average of 15%. In 2008, in Germany the share of public employment in the labor force was 9.6%***[xix]***, in Spain was 12.3%[xx], in Portugal 12.1%[xxi], in Italy 14.3%[xxii], in Ireland 14.8%[xxiii], (PIIGS), in UK 17.4%[xxiv] and in France 21.9% (the OECD data concerning France are dating from 2006 in this report)[xxv]

The reduction in employment in the public sector occurs with the gradual establishment of the 1: 5 ratio (in 2011 the ratio was 1:10) between recruitments and retirements (one recruitment for every five retirements), the elimination of jobs, the introduction of measures of availability, the pre-retirement availability, the labour reserve that translates into indirect redundancies, and the percentage of productive and counterproductive employees, create a suffocating atmosphere of job insecurity in the public sector. These developments limit the percentage of employment in the public sector by 22% (with data up to 2016) significantly lower than the corresponding figures recorded in most European countries.[xxvi]

Change in regular workforce in the public sector, 2009–2015

2009	2010	2011	2012	2013	2014	2015
692,907	667,374	646,657	629,114	599,207	576,856	566,913

Source : https ://www.eurofound.europa.eu/publications/article/2016/greece-reducing-the-number-of-public-servants-latest-developments

At the same time, there is a general reduction in wages ranging from 20% -55% through direct legislative interventions in salaries and benefits and from the abolition of collective agreements and personnel regulations, with particular emphasis on removing additional protection against redundancies for public servants in relation to the private sector. Moreover, the weekly working hours are increased from 37.5 to 40 hours in full compliance with those in force in the private sector, burdening employees with additional tasks and intensifying work rates as a result of the lack of staff created by the policy of reducing employment in the public sector. Staff shortages, in fact, are being addressed in some areas of the public sector through subsidized public benefit programs implemented by third parties (employee lending model), and refer to low-speed employment relationships with wages far below the minimum wages in private sector.[xxvii]

Employees with private law employment relationship in the public sector.

Even before the country's accession to the Financial Support Mechanism and the signing of the Memorandum, during the enactment of provisions (with Law 3833/10), which provided for the drastic reduction of salaries, wages and allowances of employees in the narrow (by 12%) and the wider public sector (by 7%), regulations are introduced that provide for the annulment of collective agreements or collective arrangements, on the basis of which employees with a private law employment relationship were paid in the wider public sector.[xxviii]

4. **PRIVATE SECTOR**

In Memorandum 1 (May 2010 – L.3845 / 10) regarding labour relations in the private sector, Chapter III under the title "strengthening the labour market and income policy", aims to flexibly shape wages (harmonization with reducing public sector wages) in order to reduce labour costs over a long period of time. In the revision of institutions includes:

1. The expansion of apprenticeship time,
2. The revision of the provisions for collective redundancies and
3. Facilitating the expansion of part-time employment.

In the context of the implementation of the Memorandum, the provision for the possibility of a final settlement of the disputes between employees and employers regarding the terms of remuneration and employment with an appeal of the side of employees in the Arbitration procedure is reconsidered, as from now on, both parties should agree to initiate the appeal procedure, and not appeal unilaterally as was the case with Law 1876/90**.** In the direction of ensuring greater flexibility both in terms of working conditions and wages, falls the challenge of the right of each minister to declare a Collective Labor Agreement as generally mandatory for all employers/companies –if it covers 51% of the employees (par. 2 of article 11 of Law 1876/90)-, and the adoption of article 37 of Law 4024/2011, at least for as long as it is deemed necessary until the successful implementation of the

The need to accelerate the adoption of these measures is restated in all updated programs leading up to the second memorandum adopted in 2012.

The issue of labor market reforms is being pushed back into the second Memorandum (February 2012) with the decisions of the European Council on 26-27 October to reduce public debt (PSI) and to conclude a new loan agreement of € 130 billion.

Central to these interventions are: a. the gradual but very rapid reduction with administrative legislative measures of labor costs in the private sector, culminating in Law 4046/12 (Memorandum 2) and b. the drastic horizontal reduction of the minimum wages of the National General Collective Labor Agreement, as well as the salaries of the sectoral collective bargaining agreements through the Act of the Council of Ministers no. 6 / 28-2-2012.[xxx]

These interventions are adopted by law with the wording of paragraph 6 of article 1 of Law 4046/12 which refers to "ensuring the rapid adaptation of the labor market and strengthening the institutions of the labor market" and determines that "they constitute full rules of law of immediate application". In this way, all the textual binding actions undertaken by the Government and referred to in the relevant annexes to the Memorandum become immediately applicable, while on 29-2-2012 the Act of the Council of Ministers no. 6, concerning the application of the measures to the minimum wages and collective bargaining agreements. The text speaks of measures which aim to reduce unit labor costs by about 15% with the objective "employment protection" and "eliminate the competitiveness gap".[xxxi]

This intervention in the hardcore of labour relations is, first of all, a prerequisite for the approval of the new loan and the restructuring of the public debt, while at the second level it concerns the insistence of the partner-lenders (which is accepted by the Greek governments) for exercising policies of "internal devaluation", considered to be a condition for the recovery of the competitiveness of the Greek economy.

This pressure was exerted despite the fact that labor costs in the economy as a whole fell by 14.3% (during the first quarter of 2010 to the third quarter of 2011), and even more so in the private sector with "champion" the hotel-catering industry, where the relative reduction over the same period amounts to 32.5%.

In the field of labor relations, the measures of Memorandum II concerned three general categories of interventions as follows:[xxxii]

– Collective agreements (collective agreement now has a maximum duration of 3 years, and if during the negotiations between the social partners no agreement is reached with within three months, then the wage of the employee returns to the basic salary with the general benefits)

Fixed-term contracts are converted into open but with standard dismissal procedures – not "permanence."

Wage increases are frozen based on the employee's years of work provided by law and Collective Bargaining Agreements until unemployment falls below 10%.

Abolition of unilateral appeal to arbitration by employees while arbitration now has the right to decide only on the issue of basic salary.

– Minimum wage adjustment

Reduction of the minimum wage level from the National General Collective Labor Agreement by 22% at all levels (guided by comparable states such as Portugal and Central and Eastern Europe)

Freezing of the minimum wage until the end of the program

An additional 10% reduction in the minimum wage for young people up to 25 years of age

Reduction of social security contributions paid by employers by 5%. To avoid a financial impact is foreseen closure of small special-purpose funds with social low priority spending, such as the Workers' Housing Organization, and further reduction of pensions through contribution base expansion.

– Commitment to further action if there are no immediate results

"Reforms" in the law of individual labor relations

Memorandum II also provides for extensive reforms in almost the entire law of individual labor relations, in the direction of facilitating and establishing flexibility, through a series of legislative changes. Their main general feature is the strengthening of managerial prerogative and the retreat of the protective provisions of labor law to avoid unilateral adverse change in working conditions (i.e., **the employer's right to change or modify working conditions without the consent of the employee is strengthened**).[xxxiii]

It is important to note that according to estimates by INE / GSEE (Institute of Labor of the General Confederation of Greek Workers) a reduction in unemployment below 10% (a term set in order to reconsider the increase in wages based on workers' years of work) is not likely to occur, under the policies pursued, before 2036![xxxiv]

The third Greek Memorandum, Act No 4336/2015 introduced into the Greek legal system, ensures the implementation of measures which are introduced across the EU according to "best practice". The concept of "best practice" stands for a practice which is "necessary" and which is followed with or without the Memorandum form.[xxxv]

The written agreement stipulates that any change in the labor market presupposes the approval of the lenders along with the commitment of the Greek side not to return to the pre-memoranda era because of their anti-development content. These commitments weaken the possibility of repealing the hundreds of memorandum labor deregulation provisions, which were imposed as development measures, as their possible reversal will be interpreted by lenders as an anti-development action.[xxxvi]

5. **CONSEQUENCES**

Surveys between 2010 – 2012 showed that some manufacturing sectors were reducing personnel while increasing overtime work. Unpaid overtime hours have increased since 2008, although part of this increase may be attributable to the flexibility of the time arrangements consolidated in Law 3986/2011. Unpaid overtime work seemed to have a strong sectoral concentration**. In seven out of 23 industrial sectors, 100% of the overtime hours were unpaid**.[xxxvii]

Overall, the massive reforms of Greek labor law that took place between 2010 – 2012 have brought about a serious deterioration in employment conditions by any reasonable measure. At the same time, they have failed to deliver any positive results in terms of employment creation.[xxxviii]

The difference in the bargaining procedures of, and results obtained by, associations of persons and enterprise trade unions is clearly reflected in the wage concessions achieved. Two-thirds of all agreements concluded with associations of persons have reduced wages to the minimum wage of the General National Collective Agreement as amended (this cut the minimum wage by 22%). Around 33% of the agreements reached at the enterprise level by trade unions have managed to retain previous wage levels. Wage reductions resulting from individual agreements between employers and employees far exceed reductions obtained by collective agreements at the enterprise level (both by trade unions and by associations of persons). Individual agreements resulted in 22.2% cuts (unweighted; 22.9 % weighted), while collective agreements obtained average cuts of 18.8 % (17.4 % weighted).[xxxix]

One further conclusion from the existing evidence is the central role played by the national minimum wage. Not only did this wage set the minimum for labor remuneration, but it also provided a yardstick for deviations from the minimum. As the

According to twoIOL expert missions workers' rights have suffered under austerity from both the severity and the scope of the measures borne by workers, as well as government intervention to limit the freedom of collective bargaining and the scope of collective agreements. **The two ILO expert missions, found that austerity measures conflict with ILO Conventions.** In the one of these reports the Committee of Experts on the Application of Conventions and Recommendations (CEACR) expressed its serious concern at the cumulative effect of wage and pension cuts on workers' income levels and compliance with labor standards related to wage protection. In the same report the CEACR also deplored the growing delays in the payment of wages and the accumulation of arrears due to widespread insolvencies and lack of liquidity. Besides, in response to complaints by the GSEE, the ILO Committee on Freedom of Association found that the collective agreement system has been dismantled through repeated and extensive statutory interventions in free and voluntary collective bargaining.[xli],[xlii]

The most dramatic impact of the implementation of the EAPs is reflected in the unemployment rate. As Theodoropoulou (2016) pointed out, unemployment has been over responsive to the fall of the GDP and especially to the implementation of the internal devaluation policy.[xliii]

Source: statista.com

Unemployment exploded – peak rate: 28% in September 2013 –, while the share of long-term unemployed rose to 74.4% in 2014 (second quarter) from 40.9% in 2009 (second quarter). The youth unemployment rate reached its highest level – 60.6% – in 2013, while employment and working conditions drastically deteriorated and educated young people started migrating abroad in thousands every year. And it has to be mentioned **that the unemployment rate does not include the self – employed, who are a very big part of Greek working population! Fertility dropped sharply, with live births having declined by 18% between 2009 and 2013.**[xliv]

This unemployment rate exceeds the historical highest rate recorded in the late '50s, a period of exacerbation of external migration. It is estimated that the percentage of real, rather than statistical, unemployment is higher by at least 3 percentage points compared to officially recorded figures. If we take into account the 150,000 who emigrated abroad during the crisis, and the 300,000 who are oriented to foreign migration, the number of real unemployment is actually higher. **Finally, it is pointed out that**

the unemployment subsidy in Greece is particularly low in height and duration, as a specific indication of the deficient welfare state, since it does not correspond to a percentage of the lost salary, but rather to 57% of the general minimum.[xlv]

Source: Kennedy, G. (2018)[xlvi].

Between 2009 and 2013 nominal wages per head in the economy as a whole declined by 18.9% while real wages fell by 25.2%.[xlvii] **The range of wage cuts in the private sector ranged from 15% to 60% and in the public sector from 20% to 55%.** In the private sector, it is estimated that the average wage reductions recorded through operational collective agreements and individual employment contracts are about 22% and 24%, respectively, far exceeding the memorandum target of reducing unit labor costs by 15%. Finally, it is estimated by the Labor Inspectorate that salaries in 90% of employment contracts arise on the basis of individual negotiation instead of collective due to the decisive changes in the system of collective bargaining. This dramatic reduction in wages is affected by the excessive strengthening of the employer's position by providing the facilitation of redundancies and the possibility of converting contracts into flexible and lower wages.[xlviii]

The swelling phenomenon of the decline in full-time employment in favor of flexibility, corresponding to 52% of new contracts, is accompanied during Memoranda era from the pattern of converting full-time contracts into part-time by 350% and in job rotation, with reduced weekly working days, in which case the measure is unilaterally imposed by the employer the relevant increase approaches 1.300%!!![xlix]

This development leads to a significant shrinkage in wages of up to 60% and a parallel reduction in wages and working hours, since 15% of the contracts of job- rotation refer to employment of one day a week, building job insecurity and precariousness. There is also an increase in the percentage of uninsured labour from 22% to 40% with multiple side effects at the level of wages and security funds.[l]

In August 2019, unemployment rate was at 16,7%, with this rate at 22,4% for young person between 25- 34 years old and at 20,7% for women.[li]This general unemployment rate is the highest in EU, with Spain at the second position. (14,2%).[lii] **In 2018, in the private sector, 571,000 people were paid less than € 500, while 251,000 thousand people were paid less than € 250 for a total of 3,922,523 employees (even a few hours a week). (INE GSEE, 2019)**[liii]

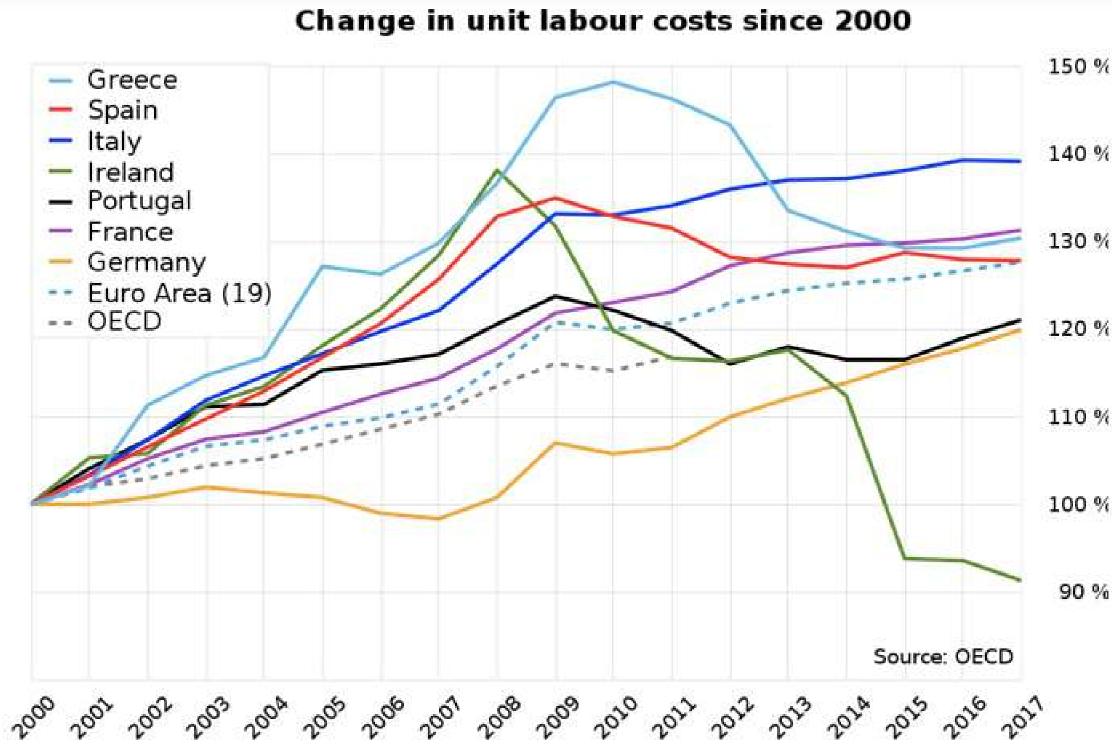
Indicative of the situation is that in from the new employment contracts made in October 2019, only 37.22% were full-time agreements, according to data published by the information system of the Ministry of Labor ERGANI. One in two recruitments, 49.26%, were part-time, while 13.52% were labour rotating contracts. It should be noted that even in this small percentage of full-time contracts, a part concerns contracts with an expiration date, i.e. fixed-term or project contracts. A similar picture is given by the figures for the first ten months of 2019. Specifically, 42.29% of new contracts were part-time, 12.16% on shifts and only 45.55% were full-time.

According to the above, it is no surprise that in 2019 in Greece (20.2%) along with 8 other Member States, namely Romania (23.6 %), Bulgaria (23.4 %), Lithuania (22.9 %), Latvia (22.1 %), Spain (21.6 %), Estonia (21.0 %), Italy (20.3 %) and Croatia (20.0 %), one fifth or more of the population was viewed as being at risk of poverty.[liv]

Also, the percentage of people who are at risk of poverty even though they are working has increased as Ziomas, Bouzas, Capella and Konstatinidou (2019) show at their research[lv].

6. **CONCLUSION**

Much of the focus on competitiveness has exhausted itself in two issues: (a) a hiatus in the collective bargaining process between social partners at the national level, resulting in the institution of the level of minimum wage decided by government decree, and (b) minimum wage reduction and pension cuts. Wage compression was considered essential for fostering competitiveness, given that the internal devaluation policy aims strictly at the enhancement of the cost competitiveness.



By Spitzl – Own work, CC BY-SA 3.0, https://commons.wikimedia.org/w/index.php?curid=18515208

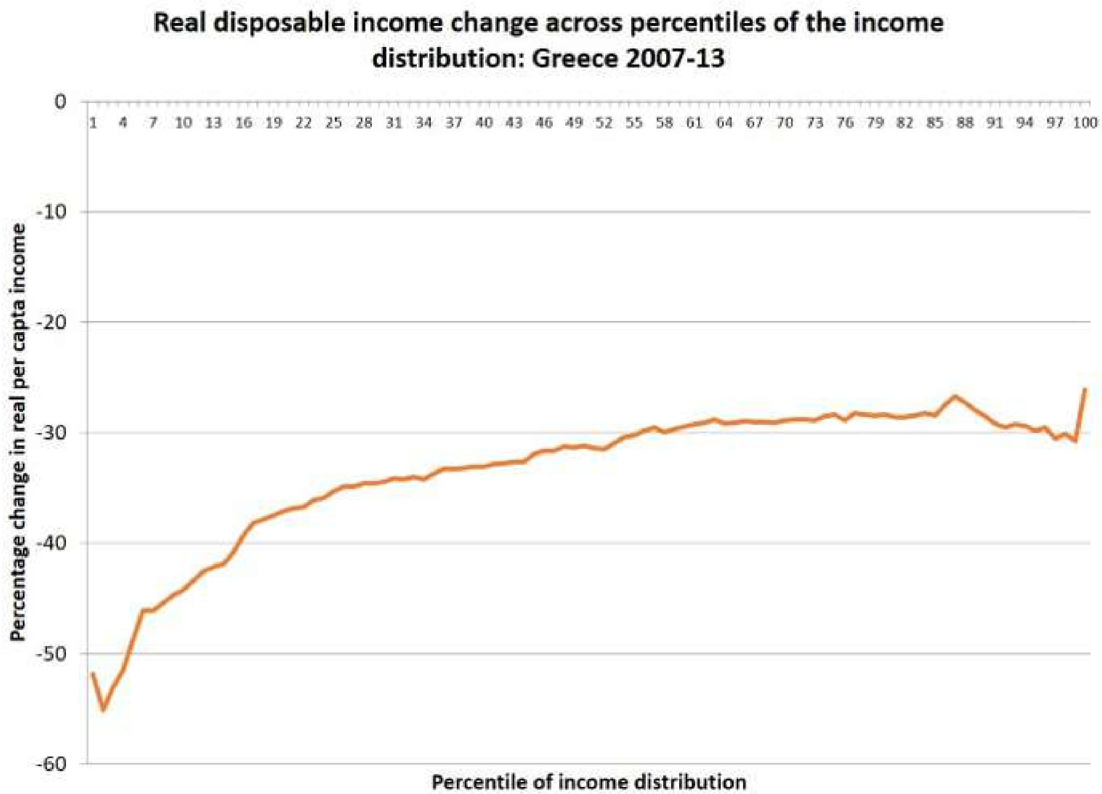
This strategy has been found to be inadequate in a number of ways. First, reductions in the wage bill had a negative immediate effect on domestic consumption and thus on GDP, as is the usual case with the implementation of this type of policies[lvi].In addition, the negative impact has been augmented given the wage-led growth regime of the Greek economy[lvii]. Second, the fall of domestic consumption led to an explosion of unemployment, a reduction in the level of employment, increasing poverty. The already inefficient social security system could hardly cope with the actual needs of the society, a condition intensified by fiscal austerity[lviii]

Third, the decrease in GDP and employment provoked a reduction of labor productivity, thus resulting in no progress in the improvement of competitiveness., This constitutes one of the main reasons behind the failure of internal devaluation. Fourth, the international economic and geopolitical environment has acted as a barrier to an export-led strategy, due to a number of headwinds. In this context, the systematic reduction of the global growth rates estimates of the IMF (WEO 2016) should not come as a surprise.[lix]

The changes made in the public sector (described above) have failed to increase GDP or improve competitiveness. Instead, they have created serious shortages of staff and undermined the quality of basic social services such as health, education, justice and public security[lx].

Source: Kennedy, G. (2018).

As the development economist Branco Milanovic states analyzing[lxi] the data published by Lis Cross-National Data Center on income and inequality “Greece between 2007-13 combined the worst parts of Italy and Spain: everybody lost in real terms (the line is negative throughout) and the losses were the largest for the poor, and the least for the rich”.



Source: Milanovic twitter

Nonetheless, all this evidence of failure had no effect to the central choices of Greece's creditors or of the main direction and focus of EU's policies. The concept of "best practices", that is mentioned at the 3rd Memorandum, reveals the real intentions behind the different forms through which the measures were introduced to Greece. To legislate on the basis of "best practices" means to take into account the labor law reforms introduced in 2016 in France and in 2015 in Italy—i.e. in countries without Memoranda—to restore competitiveness. ***Therefore, it means that on the basis of uneven development and capitalist competition, the labor law legislation reaches a point of convergence necessitated by these conditions of intensified contradiction and expressed in the concept of "best practices".[lxii]***

Crucially, the ratification of all three Memoranda by the Hellenic Parliament took place with the use of the emergency parliamentary procedure. As a result of the use of this exceptional procedure, there was no substantive public consultation over the reforms. This was justified on the basis that «it was not possible to accommodate participatory methods when Greece was about to default on its loans». **In addition to this, the legislation included in Memoranda arguably contradicts certain rights safeguarded in the Greek Constitution (such as Articles 22 and 23, i.e. the right to work and the freedom to unionize respectively).** These obstacles were overrun by the alignment of the will of the judiciary to the will of the executive due to reasons of "overriding public interest" as all the relevant decisions were saying.[lxiii]

The Memoranda of Understanding, therefore, can be seen, according to Kivotidis (2017), as a unity of form and content: a form of implementation (as is, for instance, the Open Method of Coordination) of a "necessary" content, which itself changes on the basis of concrete antagonistic interests. The exceptional circumstances of the "unprecedented crisis" justified the Greek bail-out, but the measures accompanying the bail-out are justified as necessary to fulfill normal "obligations" of EU Member States, i.e. budgetary efficiency and an economic policy coordination to achieve growth and competitiveness.[lxiv]

without changing the EU Treaties, EU competence to matters not provided for by the Treaties – i.e. areas of social security, wages and social costs (linking wages to the private sector with wages in EU countries, wage freeze in the public sector, raising the retirement age limit, initiating flexicurity, diminishing Healthcare benefits etc.)[lxv].

To sum up, the system of bodies and procedures for economic coordination in place in the EU was revised and reinforced in 2011 (with the adoption of the "six-pack"), in 2012 (with proposals on the "banking union" and the setting-up of the European Stability Mechanism (ESM)), in 2013 (with the adoption of the "two-pack"), in 2014 (with the setting-up of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM)), and in 2015 (with the establishment of the European Fund for Strategic Investments (EFSI))[lxvi]. This means that, actually, almost all EU members are in constant fiscal supervision that shapes their financial and social policy and their policy on working conditions[lxvii] and Greece has been used, in a way, as "guinea pig".

One could say that the Greek crisis case and the consolidation of the results implied by the measures for the labor market were an excellent experiment regarding the scheduled general changes in the European labor market. The deregulation of labor relations, through painless formalities for a radical reform of the European labor market, is a solid choice of European policies in the last decades, adopting the terms of neoliberal globalization and the "liberalization" of the Greek labor market and turning a eurozone country into a special economic zone. Under the pretext of the crisis, an ultimate successful experiment in Greece was implemented and is being implemented for general developments on the old continent, despite the failure of the declared goals of the memorandum programs.

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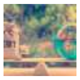

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