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The main purpose of this paper is to examine the labour market and social policy transformations in the 2000s in the Southern periphery of Europe and Turkey in light of the broader picture, i.e., the neoliberal organisation of capitalism. It will be argued that for a thorough examination of concrete policy transformations this integrative character should be taken into consideration and specific cases should be examined as part of this broader process/project. Four interrelated questions, all of which are matters of broad discussions and research agendas will be addressed. Following an introduction, the second part will consider the relation between neoliberal state restructuring and the social and labour market policy transformation. The third part will briefly review two broad families of contributions (institutionalist and Marxist perspectives) to the question of diversified/variegated character of capitalism, more specifically, its neoliberal orientation. The following section will be concerned with European integration and its interplay with national social and labour market policy configurations. The fifth section will present inferences on the transformations in these policy areas in three concrete cases in the 2000s, Greece, Spain and Turkey, which can be identified as peripheral in terms of their integration in the European project. Finally, the conclusion will present general inferences derived from the paper as a whole and prospects for further research.

**Keywords:** labour market and social policy reform, capitalist diversity, European integration, European periphery
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1. Introduction

Contrary to the declared aims of restoring growth and stability, the trade and financial liberalisation processes carried out after the crisis of the 1970s have been followed by a series of economic crisis in different countries and regions. Programs carried out by the governments before and after the crises have not been successful in rendering countries crisis-immune, stable and sound places for sustainable growth. Furthermore crises have created new opportunities for the implementation of neoliberal reforms, that is to say, for overcoming the reluctance to change. The fields of labour market and social policy are among the most prominent areas where these reform initiatives have been carried out in the last three decades.

Compared to the ‘golden age’, neoliberalism has been marked by a considerable deterioration of living and working conditions for the labouring classes. The era following the crisis of the 1970s has witnessed welfare and labour market reforms and increasing marketisation/commodification of social life as flexible employment patterns have gradually become widespread and pension systems and welfare services have mostly been bound to market imperatives. Furthermore, by leaning upon the neoclassical assumption that unimpeded markets will bring along the optimal utilisation of all economic resources (including labour power) due to the existence of

\[1\] The major rationale behind the strategy of labour market flexibilization has been to ease the labour hiring and firing for the employers by diminishing related costs and making necessary legal amendments. Within the neoliberal policy agenda flexibilization has also been framed as one of the most important remedies for the problem of unemployment and tools for facilitating the entrance of the so-called ‘vulnerable’ segments of the society (especially the poor, youth and women) into the labour market. The precarious work patterns formulated as part of this framework have many different forms such as part-time work, temporary agency work, short-term and contingent work, independent contracting, job-sharing and home-based work etc (Kalleberg, 2000: 342), which have gained prominence in different countries and in changing degrees. These working patterns have been propped up by active labour market policies such as mandatory job-search programmes, temporary work experience programmes, vocational training, life-long learning, mobility grants (Cockx, 2000: 461; ILO, 2003: 14,27,33) etc., which target the ‘inadequate levels of education and training on labour supply side’ (ILO, 2003: 7) and the so-called mismatch problem in the labour market.

\[2\] Many of the contributors who attempt to examine these transformations refer to the conceptual tools of decommodification and (re)commodification and tend to stress neoliberalism’s excessive adherence to the market logic in the organisation of different aspects of social life when compared to the former, welfare state capitalism. Although the privatisation of the state welfare services, i.e. their recommodification, has brought along an increasing reliance on market forces in the provision of welfare services and the maintenance of livelihoods of the labouring classes (cf. Gill, 1995), it is important not to see these processes on the basis of a dichotomy between the state and the market.
the so-called trickle-down effect (Johnston, 2005: 135) especially in the ‘developing countries’, liberalisation has been proposed by international financial organisations as the most prominent remedy against poverty and unemployment (cf. Johnston 2005: 138-139).

The main purpose of this paper is to examine the labour market and social policy transformations in the 2000s in the Southern periphery of Europe and Turkey in light of the broader picture, i.e., the neoliberal organisation of capitalism. It will be argued that for a thorough examination of concrete policy transformations this integrative character should be taken into consideration and specific cases should be examined as part of this broader process/project.

Four interrelated questions, all of which are matters of broad discussions and research agendas will be addressed. Second part will consider the relation between neoliberal state restructuring and the social and labour market policy transformation. The third part will briefly review two broad families of contributions (institutionalist and Marxist perspectives) to the question of diversified/variegated character of capitalism, more specifically, its neoliberal orientation. Following section will be concerned with European integration and its interplay with the national social and labour market policy configurations. The fifth section will present inferences on the transformations in these policy areas in three concrete cases in the 2000s, Greece, Spain and Turkey, which can be identified as peripheral in terms of their integration in the European project. Finally, the conclusion will present general inferences derived from the paper as a whole and prospects for further research.

2. Neoliberal Restructuring, State and Labour

The form of capitalism that has shaped the economic and social relations globally since the 1970s has been identified as neoliberalism. It has been conceptualised in a variety of manners with different analytical and conceptual tools that are believed to be characterising the particular organisation of capitalist relations since the 1970s. Although its ideological and theoretical roots are diverse and go back to several classical liberal philosophers and economists, neoliberalism as a set of policies and a political project started to emerge by the second half of the 1970s as a response to the
crisis stemming from diminished growth rates and high inflation combined with high unemployment, i.e., stagflation (Radice, 2011: 127; Dumenil and Levy, 2005: 9). The collapse of the Keynesian compromise due to the crisis of capital accumulation and restoration of class power (Harvey, 2006: 13-14) accompanied by challenges stemming from industrial militancy in many of the capitalist centres (Gamble, 2006: 20) paved the ground for new policy initiatives. The general framework of these initiatives was shaped by a critique of state involvement in the economy and the doctrine of monetarism, the main tenet of which was to make sound money (Gamble, 2001: 128, 131). The abandonment of the Bretton Woods monetary order in 1971, which had been based on fixed exchange rate system centred on dollar that was tied to gold, and thereafter the floating of all the major currencies gave an important boost and signalled a shift to monetarist ideas and policies (Gamble, 2001: 128-129; Radice, 2011: 127-128). The era under consideration was also marked by a considerable increase in capital flows, financialisation and internationalisation of production.

Furthermore, the purposeful abandonment of interventionism aimed at achieving full employment was one of the fundamental components of neoliberalism, which was accompanied by labour market flexibility measures, attacks on labour organisations and state welfare provisions (Lapavistas, 2005: 33; Gamble, 2001: 131). Despite its assault on state intervention, neoliberalism, like its 19th century ancestor, was not a doctrine of weak or necessarily minimal government (Gill, 2000: 51). It has not implied a ‘minimal government’ or limited state intervention. In the words of Munck (2005: 63):

“… in terms of reconfiguring the state we can say that neoliberalism has transformed the state rather than driven it back as Hayek would have liked. The much-vaunted policies of ‘deregulation’ (removal of state regulatory systems) have, in fact, been creating new forms of regulation with new market-oriented rules and policies to facilitate the development of the ‘new’ capitalism”.

The intellectual origins of neoliberalism encompass a variety of sources including neoclassical economics, the Austrian critique of Keynesianism and Soviet-style socialism, monetarism and the public choice school (Saad-Filho and Johnston, 2005: 2; Robison, 2006: 4), which have started to gain currency from the 1970s onwards as the so-called ‘golden age’ of capitalism had reached its limits. Although neoliberalism
is intellectually associated with the writings of Friedrich von Hayek and Milton Friedman’s monetarism and although it emerged as a critique of interventionism, in practice it has encompassed elements that do not exactly overlap with the theoretical contributions of these figures and that to some extent contradict with them (Lapavistas, 2005: 30, 34; cf. Munck, 2005: 60; ). While the affinity is rooted in the belief that free operation of the markets will deliver the best possible outcomes, the distance at issue has stemmed mainly from neoliberal inclusion of an emphasis on market friendly state intervention and institution building.

For the neoliberal conception state intervention is only undesirable when it produces outcomes for the sake of itself, otherwise state is essential –to use Douglas North’s conception- as an institution acting as a ‘third party’ (North, 1990: 35), not for the sake of particular capitals but for the well-functioning of the market, due to the fact that market does not necessarily generate favourable results. State as an actor in that sense is also important in order to initiate change within the society. What is at stake is, so to speak, an anti-Hayekian conception of the state (cf. Munck, 2005: 63) that is rationalist- constructivist and that has important regulatory roles to be performed in a market-friendly fashion. Accordingly, despite the ideological attacks on state economic intervention, intervention has stayed alive during the neoliberal era by changing its form and by abandoning the post-war Keynesian emphasis on full employment and social welfare (Lapavistas, 2005: 35).

Thus, among the characteristics of the neoliberal state restructuring in general it is necessary to mention the call for a ‘strong/efficient/effective state’ as an idealized goal. This strong state has been envisaged as the initiator of market-friendly reforms, as a chief agent of the structural adjustment/transformation. Although it has been framed to be in contrast with the ‘rent-seeking behaviour’, this has not implied ‘impartiality’, but a partiality carried out in a particular manner for the attainment of the goal of combining growth with stability. To put it more bluntly, what has been projected is that the state should not only withdraw from its productive activities and prepare the necessary ground for the operation of the market via deregulation, that is

\[\text{In order to stress this partial character of neoliberal state restructuring Gill uses the term oligopolistic neoliberalism, which is identified by him as ‘oligopoly and protection for the strong and a socialisation of their risks, market discipline for the weak’ (Gill, 1995: 405).}\]
to say, via policies such as trade liberalisation, reduced public spending, privatization and financial liberalisation by means of which an enabling environment for the private sector can be set. It should also consolidate this environment via engaging in a different sort of regulatory action by means of which the institutionalization of this setting can be achieved and the economy/market can be rescued from the ‘government failures’ on a persistent and a secured basis. In parallel with this, by the 1990s a shift of emphasis towards a new interventionism and market friendly regulation, especially within the international institutions, has started to come to the forefront⁴ (Lapavistas, 2005: 30). This, however has not brought with it the abandonment of the emphasis on free markets and the promotion of (trade, financial, labour market) liberalisation. Put it more bluntly, the dual emphasis and reliance on free markets and state intervention/regulation have constituted inherent tendencies of neoliberalism⁵.

⁴ These two tendencies have been articulated plainly in the frameworks of the so-called Washington and Post-Washington Consensuses. In his 1990 dated article, ‘What Washington means by policy reform’ Williamson described the Washington Consensus as a set of economic policy reforms on which he argued the institutions in Washington had a reasonable degree of consensus (in the 1980s) (Williamson, 1990). The original consensus emerged in the 1980s as the neoliberal counterpart of Reaganism and Thatcherism for the ‘developing countries’ and encompassed the ideas of reliance on market forces as the motor of economic growth and the reduction of state intervention and expenditure (Fine, 2002: 2). Different elements of the Washington consensus had been incorporated in the structural adjustment programmes and in the policy advices of IMF and World Bank that are imposed as conditionalities for the granting or renewal of loans (ibid. 9). However, in practice it is hard to argue that the goal of market liberalisation could be combined with limited state intervention and expenditure. And by the late 1990s, as the East Asian and Latin American crises erupted, a new discussion arose mentioning the emergence of or need for a new consensus, which emphasised (among others) upon the importance of market friendly institution building, social capital, democratic governance, poverty reduction and empowerment (Robison, 2006: 6; Rodrik, 2002). Joseph Stiglitz first attempted to formulate the constituents of the ‘new’ consensus in a detailed manner, and identified the ‘new’ role that should be played by the state as being a ‘complement to markets’ (1998: 24; see also Stiglitz, 2004). As also implied by Stiglitz (2004), the post-Washington consensus framework have not encompassed a critique or abandonment of (trade and financial) liberalisation, privatisation and marketisation etc. It was rather stressed upon the implementation failures, problems stemming from inadequate institutionalisation and the need for consolidation. In a parallel fashion, the ‘discretionary’ state interventions have been targeted and the need to build institutions that would render the ‘political discretion’ obsolete have been emphasized. As such, as indicated by Lapavistas (2005: 38), the Washington consensus and Stiglitz’s alternative share the basic premise that markets are superior in terms of the allocation of resources and the organisation of the economy. Thus, the new interventionism in general, and the Post-Washington Consensus in particular, has not represented a break with neoliberalism and it has not challenged neoliberalism’s core with its persistent emphasis on the need for free markets (ibid. 30-31, 35).

⁵ Gamble also claims that neoliberalism has included these tendencies in a contradictory manner from its very inception. While the former corresponds to the belief that markets should be allowed to operate under as few impediments as possible, for the latter an active state creating and sustaining necessary institutions is required for the market to reach its full potential (Gamble, 2006: 21-22). The common ground of these two strands is identified by the author as the priority given to the market within social relations and the reference to an active state (ibid. 22). Correspondingly, Gamble addresses this combination of free economy and strong state as the hallmark of and the main source of contradiction
Some prefer to call these two tendencies in new terms such as ‘roll-back neoliberalism’ and ‘roll-out neoliberalism’ (Peck and Tickell, 2002: 384) in order to refer the destructive and creative moments of the process of neoliberalism and as respectively connoting the pattern of deregulation and dismantlement, and the active state building and regulatory reform. According to this reading there have been phases of neoliberalism and shifts among them. Accordingly, while early 1970s marked with ‘abstract intellectualism’ of Hayek and Friedman, neoliberalism witnessed a transformation towards the state restructuring projects of Thatcher and Reagan during the 1980s, i.e. a transformation from ‘proto-to roll–back neoliberalism’ occurred (ibid. 388). This second phase then transformed in the early 1990s into another one, the roll-out neoliberalism, which has been socially more interventionist and has emphasized more upon institution building and which also identified by the authors as ‘deep’ neoliberalisation (ibid. 389, 396).

The processes of deregulation and reregulation or institution building, which attempted to be identified with above mentioned concepts by Peck and Tickell, in fact, rather than being consecutive processes, have mostly been intertwined and have not been carried out cumulatively in an ordered manner. As it will be portrayed in the last part in relation to the labour market reform trajectories in Greece, Spain and Turkey, in all three cases these two strategies have been pursued concurrently in the 2000s.

Like neoliberalism in general, the labour market and social policy configurations in the neoliberal era in particular have also embodied liberalisation cum institution building components and processes. Thus, the increasing concern in institutions and institutional change within the fields of social and labour market policies have also been accompanied by a parallel policy agenda of targeting the so-called ‘institutional rigidities’ and of building appropriate institutions. As an extension of the argument that labour market imperfections can cause unemployment, it has been claimed that state intervention might be necessary for the improvement of information flows, within neoliberalism, which he also prefers to call as the Lockean and Hobbesian sides of the neoliberal dilemma (ibid. 22, 28-29).

6 The authors use the term ‘shallow neoliberalism’ interchangeably with the ‘roll-back neoliberalism’ (Peck and Tickell, 2002: 388), which, together with their other conceptual creations, cause a conceptual inflation.
formation and enforcement of flexible employment contracts and thereby increasing employment levels (Lapavistas, 2005: 37).

As such, the transformations in social and labour market policies have implied the acceleration of the initiatives towards integrating the labouring classes with capitalism via ‘systematic but palliative measures’, that is to say, by compelling them systematically to sustain their livelihoods through precarious means such as flexible employment and targeted social assistance schemes. Accordingly, although “the accumulation of capital necessarily leads to the polarisation of overwork and unemployment, prosperity and destitution” as indicated by Clarke (2005: 55), these polarisations have widened in a considerable manner in the neoliberal restructuring process.

Having said this, it is worth emphasizing that neoliberalism has been experimental and continues to be so. It takes lessons from crises of capital accumulation and initiates new measures to manage and prevent them innovatively and in an experimental manner. Various ideological sources and policy initiatives have been generated to fix and overcome its dilemmas, some of which have managed to be successful and have been consolidated to a great extent. As Gamble (2006: 35) points out, neoliberalism has already mutated and will mutate through the impact of a variety of groups and ideologies contesting its hegemony and influencing its trajectory.

Furthermore, ‘any restructuring is necessarily geographically uneven’ (Ward and England, 2007: 15; cf. Harvey, 2006: 33-34) and neoliberal restructuring is not an exception. It is therefore necessary to consider different neoliberal hegemonic constellations, rather than taking neoliberal restructuring as homogenous (Plehwe et al., 2006: 3). The following part will be devoted to examining different neoliberal constellations in their unity and a critical engagement with different theoretical and empirical contributions.

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7 Harvey uses the term of ‘uneven geographical development of neo-liberalism’ in order to refer ‘that its implantation was as much an outcome of diversification, innovation and competition (sometimes of the monopolistic sort) between national, regional and in some instances even metropolitan models of governance and economic development, rather than the imposition of some model orthodoxy by some hegemonic power, such as the US’ (Harvey, 2006: 33-34).
3. Making Sense of Capitalist Diversity in the Neoliberal Era

How to read capitalist diversity has been a lively debate among many contributors in different sub-disciplines of social sciences. The debates are rooted in different theoretical traditions and usually the disciplinary division of labour does not thoroughly reflect the commonalities among several contributors. Thus, although authors from different sub-disciplines of social sciences have contributed to the debate on national institutional and practical differences of capitalism, it can be argued that in a variety of such sub-disciplines different sorts of institutionalism have become the dominant paradigm for comparative analysis (cf. Radice, 2000: 719-720; Coates, 2005: 16). The debate and research agenda that is called ‘Varieties of Capitalism’ (VoC) has gained a distinctive place in the study of capitalist diversity by the 2000s. Although the roots of its broad framework go back to 1960s, the VoC has mainly become an ascendant paradigm in the field of comparative political economy especially by the publication of Hall and Soskice’s (2001) edited collection of Varieties of Capitalism: The Institutional Foundations of Comparative Advantage. This particular approach and research agenda has developed in parallel with a broad theoretical family often referred to as ‘new institutionalism’ which has different variants such as historical, rational choice and sociological institutionalisms (Aspinwall and Schneider, 2000; Hay and Wincott, 1998). What unifies these variants can be regarded as the explanatory power they attribute to the institutions in the understanding and examination of social reality, and particularly (for the main concern of this paper) in the understanding of capitalist diversity and their emphasis on the path-dependent characteristics of institutional configurations.

Marxist approaches on the other hand, rather than relying upon institutions, take the relations of production and class struggle as their starting points in the analysis of capitalist diversity. Furthermore, while the institutionalist approaches stress the divergences, path-dependent character of institutional configurations of different capitalisms or policy regimes; Marxist approaches tend more to stress and examine the unifying and integrative aspects of capitalism as a particular mode of production and global organisation of relations of production. However, this does not necessarily imply that the question of capitalist diversity is non-essential for a Marxist reading.
The following discussion will revolve around these two broad families’ inferences on the capitalist diversity, i.e., the variegated/uneven character of the capitalist organisation, in the era of neoliberal restructuring.

3.1. **New Institutionalism and the Capitalist Diversity**

Intensified scholarly interest in the diversity of capitalisms and differences in the institutional structures of capitalist societies can be dated back to the 1960s, which has constituted the roots of a broad line of theory and research often referred to as new institutionalism (Crouch and Streeck, 1997: 1; Radice, 2000: 719). Different variants of new institutionalism such as rational choice, historical and sociological institutionalisms, broadly share the methodological premise that institutions are endowed with particular logics and explanatory powers and they imply ‘path dependent’ characteristics which render them resistant to radical transformation.

In parallel with this and within the context of the question of capitalist diversity, new institutionalism is also characterised by its emphasis on ‘persistent’ divergences among national trajectories and policy configurations (cf. Coates, 2005: 17). This is also accompanied by an attempt to examine these national trajectories with reference to broad types, categories of national economies, capitalisms or policy structures. As a theoretical family dwelling upon the path dependent characteristics of institutions (or institutional complementarities), one of the main problems immanent in institutionalist perspectives is concerned with examining institutional change. As such, they generally tend to externalise the triggers of institutional transformation.

**VoC perspective** is one of the prominent institutionalist contributions to the question of capitalist diversity. As framed in Hall and Soskice’s contribution, it is originally based on a bipolar distinction in the form of two ideal types of liberal market economies (LME) and coordinated market economies (CME) 8. The underlying argument is that ‘national political economies can be compared by reference to the way in which firms resolve the coordination problems they face’ (Hall and Soskice, 2001: 4)

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8 However, these ‘types’ (used in more or less similar manners) have had a longer past. Albert (1993) for instance identified and compared the Anglo-American and the German-Japanese or Rhineland varieties with an emphasis on the ‘merits’ of the latter. Furthermore, as it is aptly pointed out by Bruff (2011: 4) despite the intense debates within the literature on issues such as the number of varieties, whether they are pure or hybrid and whether it is possible to move from one variety to another, the differences among contributions are mainly of degree and not of kind.
These two ideal types, epitomised by the United States and Germany, are respectively identified by market and non-market forms of coordination. In other words, while the former is associated with coordination based on market mechanisms, the latter is identified with coordination achieved through non-market means (Howell, 2003: 106; Amable, 2003: 13).

One of the main underlying assumptions of this binary distinction is identified by the contributors of the VoC literature as the ‘institutional complementarities’, which can also be read as an extension of the general new institutionalist emphasis on ‘path dependency’. This term refers to the inner connections and coherence among different institutions within a national model/regime, the existence of which gives rise to the regime’s resistance to radical change. To put it more bluntly, the particular combination of institutions, i.e., the institutional complementarities, lead institutions to evolve in a combined and path-dependent manner the transformation of which again occur along pathways and imply new equilibriums (Deeg and Jackson, 2007: 153, 158). In parallel with this, it is argued that as a response to the common pressures stemming from globalisation (understood as external to the nation states and varieties of capitalism) a ‘dual convergence’, that is to say, a convergence within clusters but not between them, has occurred (cf. Howell, 2003: 108; Hay, 2005: 107; Macartney, 2009: 455).

Furthermore, VoC has emerged as an attempt to examine contemporary national capitalist diversity in relation to firm behaviour (Hall and Soskice, 2001) and it is often located under the framework of rational choice institutionalism (Hall and Taylor, 1996: 25; Hay, 2005: 110), which is characterised by its reliance on methodological individualist premises and game theoretic explanations (Aspinwall and Schneider, 2000: 4, 7; cf. Hay and Wincott, 1998: 954). In parallel with this, the importance of institutions is supposed to lay on their capacity to shape interaction among economic actors and to solve coordination problems of firms (Howell, 2003: 105). Accordingly, it is argued that different national institutional configurations can have ‘comparative institutional advantages’ vis-à-vis the firm behaviour (ibid. 108).

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9 Although varieties of capitalism literature emerged as and has mostly relied upon a firm centred rational choice institutionalism; the distinction between the coordinated and liberal market economies have been referred to by different institutionalist analysis, regardless of being firm centered (see for example Schmidt, 2007).
This functionalist approach to national institutional configurations is reflected thoroughly by Hall and Soskice’s statement that ‘institutions, organizations, and culture enter this analysis because of the support they provide for the relationships firms develop to resolve coordination problems’ (2001: 9). Alongside this functionalist outlook, the VoC perspective developed by Hall and Soskice is also marked by logical, cause-effect inferences concerning the functioning of two varieties, which render their analysis ahistorical. As pointed out by Bruff ‘capitalism as a historically specific economic system is unduly neglected, leaving us with descriptively rich but analytically limited studies of national political economies’ (2011: 6). Furthermore with its bipolar reading of the capitalist varieties (Hay, 2005: 107) and its problems with theorizing institutional change (Hay, 2005: 107; Radice, 2004: 188) it can hardly propose an accurate way of examining capitalist diversity and its transformation.

Many other new institutionalist contributors rely on similar typologies in their analyses of capitalist diversity and particularly in relation to the question of policy convergences and divergences in several institutional fields, without relying on a firm centred and rational choice analysis. One of the most prominent ones of these contributions is referred to as historical institutionalism, the central concern of which is on different ways that political action is conditioned by institutional trajectories.

As a general tendency theorists who locate themselves within this perspective have emphasized upon the divergences between different institutional settings by exemplifying them in different comparative and case studies. The transformations of national policy structures starting in the 1980s and gaining prominence by the 1990s onwards have been conceived by many historical institutionalists as part of the question of divergence and convergence. Most of them have embraced the notion of ‘change in persistent diversity’ by referring to different indicators (internal and external triggers of change and persistence) when supporting their arguments (see for

10 Their following inferences plainly reflect this tendency (Hall and Soskice, 2001: 16): “We would argue that British firms must sustain their profitability because the structure of financial markets in a liberal market economy links the firm's access to capital and ability to resist takeover to its current profitability; and they can sustain the loss of market share because fluid labor markets allow them to lay off workers readily. By contrast, German firms can sustain a decline in returns because the financial system of a coordinated market economy provides firms with access to capital independent of current profitability; and they attempt to retain market share because the labor institutions in such an economy militate in favor of long-term employment strategies and render layoffs difficult”.
example Kitschelt et al., 1999; Pierson, 2001; Swank, 2001). In relation to institutional change, globalization (and Europeanisation) is understood as an external element having secondary importance when compared to the domestic challenges, which are again conceived as external to institutions. Furthermore, states and institutions are regarded as autonomous actors having their own interests stemming from and/or framed by their historical, path dependent trajectories.

Historical institutionalist perspectives have produced a great amount of scholarly work and have supported their premises and inferences with a variety of case studies, which help in explaining the diversity among different states in terms of their policy structures. They also have shown that even in the period of restructuring there have been important divergences among different social and institutional settings. However, their methodological premises do not let them reckon with the processes and relations underlying different trends towards continuity and change, policy convergence and/or divergence. Furthermore, institutionalist perspectives in general cannot explain the question of why capitalism transforms on a global scale and has been embodied differently in different social settings. As argued by Coates (2005: 19), their institutional determinism cause most of the institutionalist approaches to treat national economies in isolation from each other and not as parts of a broad global economy as well. Institutionalist perspectives also do not take into consideration the rationale behind the neoliberal restructuring, its content and political economic integrity. Accordingly, they provide fragmental readings of the transformation and do not include an examination of how, why and by the initiation and involvement of which actors the process at issue has come into existence. It is this integral character that Marxist approaches tend to (or have claimed to) rely upon as a starting point.

3.2. Marxist Approaches to Capitalist Diversity in the Neoliberal Era

Different veins of Marxism are implicitly or explicitly concerned with the nature of the uneven development of capitalism, its reproduction, reflections and underlying reasons. Marxist approaches mostly refrain from generating typologies which tend to be ideal- typical and ahistorical. They attach more importance to the examination of capitalism as a mode of production and as an organising global phenomenon and its different stages (as in the case of traditional Marxist distinction between the competitive, monopoly and state-monopoly stages) (cf. Radice, 2004: 183-184;
Coates, 2005: 21-22). However there are also attempts to examine the dynamics of capitalist diversity and unevenness. In this section two of them (variegated neoliberalism approach and neo-Gramscian perspectives) will be addressed, which directly propose answers to the question of ‘variegation’ in a critical dialogue – among others- with VoC perspective in particular and institutionalist approaches in general.

The term ‘variegated neoliberalism’ is employed as part of an approach that has the claim to transcend ‘varieties-style reification and classification of economic-geographical difference, in favour of a more expansive concern with the combined and uneven development of ‘always embedded’ capitalism, and the polymorphic interdependence of its constitutive regimes’ (Peck and Theodore, 2007:733). Variegated neoliberalism, which is regarded as being rooted in geographical political economy (Brenner et al., 2010: 207), political geography (Macartney, 2009: 451) or economic geography (Peck and Theodore, 2007: 762) stresses the inherently variegated character of neoliberalism. It is even argued that ‘what is significant about neo-liberalism is its diversity; in essence it is defined by its diversity’ (Macartney, 2009: 458).

This emphasis of inherent variegation is referred to as an argument directed against the neoliberal emphasis on the unitary logic of the market and one-way-best policy strategies (Peck and Tickell, 2002: 387). Instead, it is argued that as opposed to such neoliberal assumptions and expectations, neoliberalism has been variegated in terms of criteria such as ‘the scale and scope of state intervention, forms of capital and labor market regulation, the constitution of institutions of social regulation, patterns of political resistance and political incorporation, and so forth’ (ibid. 387-388).

Furthermore, according to the ‘variegated neoliberalism’ approach, while VoC literature subsumes neoliberalisation under a regime type, historical materialist approaches\textsuperscript{11} portray it as an encompassing global phenomenon (Brenner et al. 2010: 207). Variegated neoliberalism, which is regarded as being rooted in geographical political economy (Brenner et al., 2010: 207), political geography (Macartney, 2009: 451) or economic geography (Peck and Theodore, 2007: 762) stresses the inherently variegated character of neoliberalism. It is even argued that ‘what is significant about neo-liberalism is its diversity; in essence it is defined by its diversity’ (Macartney, 2009: 458).

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\textsuperscript{11} One of the approaches that is differentiated from the ‘variegated neoliberalism’ perspective by Brenner et al. (2010) is the one which they refer to as Historical Materialist Approaches to International Political Economy (HM-IPE) and with which they enter in a critical engagement almost only with reference to the writings of Stephen Gill. They argue that HM-IPE has three defining characteristics: first it understands neoliberalism on the analytical level of the global capitalist system, not as a regime type, policy orientation or ideology; second they conceive globalisation as a product of neoliberalisation; and finally it is argued by them that although HM-IPE approaches reject simple convergence arguments they regard neoliberalism as a disciplinary all-pervasive framework which has constraining effects on national institutions, politics and ideologies (ibid. 192). As such HM-IPE,
Moreover, although the governmentality approach transcends these two tendencies to a great extent, it has the tendency, with its ‘low-flying, rigidly anti-systemic orientation’ to obscure the macro-spatial dimensions of the neoliberalisation processes (ibid. 201-202, 206). However, it is argued that despite their deficiencies, ultimately all three approaches have particular merits and it is possible to selectively appropriate insights from each of them (Brenner et al. 2010: 206-207; cf. Peck and Theodore, 2007: 758).

Moreover, variegation that is defined as inherent to the neoliberalisation processes is associated with two kinds of variegation (differentiated in parallel with the ‘phases’ of neoliberalisation process) that refers on the one hand to the uneven development of neoliberalization and on the other hand to the neoliberalization of regulatory uneven development (Brenner et al., 2010: 207). While the former is associated with the neoliberalisation of the 1970s and early 1980s [the so-called roll-back phase] and is regarded as being characterised by ‘the path-dependent differentiation of market-oriented restructuring strategies’, the latter refers to the claim that in the ‘subsequent rounds’, i.e., in the deepening phase, neoliberalisation built upon this regulatory uneven development and brought along the neoliberalisation of the uneven institutional configurations (ibid. 211, 213-215).

The variegated neoliberalism perspective provided by Brenner et al. (2010) seems to focus on the inherently variegated or uneven character of the neoliberalisation process as a matter of emphasis, rather than as an analytical tool (or a set of tools) to understand the nature and forms of variegation at hand. Furthermore, their attempt to read variegation in relation to its two dimensions -the uneven development of neoliberalization, and the neoliberalization of regulatory uneven development- cannot provide us an explanation of the element of variegation in them. Rather, it seems to be a reading of the trajectory of neoliberalism in two stages/waves with an attachment of variegation. In other words, it attempts to provide ‘an analytical basis for decoding the

according to Brenner et al. is characterised with a relative neglect of regulatory restructuring processes scaled nationally and sub-nationally (ibid. 194) since it regards neoliberalisation as a process of downward imposition of the ‘disciplinary agendas of global institutions’ (ibid. 196). Once they define such a homogenous approach under the head of HM-IPE, the authors differentiate their position as being sensitive to the national and sub-national scales (ibid. 196).
path-dependent, unevenly layered and patterned evolution of neoliberalization processes during the last three decades’ (Brenner et al. 2010: 211). It however provides an emphasis of variegation\(^\text{12}\) rather than an analytical basis as such.

Another prominent approach that (among its other agendas) engages in the question of capitalist diversity is the neo-Gramscian perspective(s). Different contributors of the neo-Gramscian perspectives mainly locate themselves within the discipline of international relations and the field of European integration. As such, they lean upon a historical materialist critique of the mainstream international relations approaches by deriving insights from Antonio Gramsci and Robert Cox, who initiated by the 1980s-a critical theory of hegemony in the discipline of international relations (Bieler and Morton, 2006: 9-10).

Transnationalism, and more specifically its historical materialist reading, is a crosscutting conception among different neo-Gramscian perspectives. It is understood as a simultaneous process occurring concurrently at the subnational, national and international fields, the dynamics of which are determined by a variety of interests and conflicts (van Apeldoorn et al., 2003: 39). Accordingly, the notion of

\(^{12}\) An important attempt of operationalising the concept of variegated neoliberalism is offered by Huw Macartney (2009), who employs it as an analytical tool in his examination of three nationally oriented transnational capital fractions and who attempts to examine why neoliberalism (in the European scale) is variegated. As such, Macartney’s conceptualisation of variegated neoliberalism differs from that of above discussed authors mainly on the grounds of its inclusion of class agencies into analysis as a constitutive element. According to his analysis, underlying reason of the variegation is rooted in the differences (and incoherence) between the competing projects of transnational fractions of capital (in his case, the Atlantic, the Rhenish and the Gallic fractions that have roots respectively in British, German and French financial systems) (ibid. 471). Macartney, then defines three ideal types of financial systems with reference to particular representing country cases (capital market-based (UK), state administered credit-based (France) and co-ordinated credit-based (Germany) financial systems) and argue that a particular type (capital market-based financial system) has come to the fore due to the liberalisation and integration imperatives at the heart of variegated neo-liberalism (2009: 458). While Macartney focuses on the variegated character of the ‘neoliberal consensus’ at the transnational level by an examination of transnationally oriented fractions of (European) capital, he does not discuss the embodiment or nature and development of this variegation at the national and sub-national levels. Thus the prominent variegation is understood as lying behind the hegemonic projects of the fractions of transnationally oriented capital at the transnational level. It is implied that the national variegation, i.e. the particular neoliberal restructuring and policy formation processes in different national contexts, is determined by the contingent and fragile consensus among the hegemonic projects of the three nationally rooted and transnationally oriented capitals. Such a type of reading leaves open the question of the interplay between transnational projects/processes and national policy configurations in different European contexts (both in the mentioned ‘homes’ of the three transnationally oriented capitals and the rest).
globalisation as an external pressure on the states is criticised and attempted to be transcended by an emphasis on the need to think beyond distinctive national economies (Bieler, 2006: 26-27; Bieler and Morton, 2011). The class struggle and the Gramscian concepts that neo-Gramscian perspectives utilize - such as hegemony, historical bloc, and organic intellectuals - are also applied by different contributors in relation to transnationalism. As an extension of this, the examination of the creation of hegemony at the transnational level and the identification of a transnational class have been important agendas of neo-Gramscian approaches (Hardy, 2007: 19) and they tend to examine national variations in light of the integrative character of the transnational hegemonic projects and processes.

In that respect, within the context of their discussion on the relation between geopolitical territoriality and capitalist accumulation Bieler and Morton (2011: 20) emphasize the need to consider transnationalisation of production and finance since the early 1970s for a thorough understanding of the relation between capitalism and the international state system. Yet, the transnational state thesis (see Robinson, 2003 cited in Bieler and Morton, 2011) and its appreciation of the national states as ‘transmission belts’ and as being suppressed by a transnational state apparatus embodied in a set of political institutions is also criticised by the authors (Bieler and Morton, 2011: 22-23). Accordingly, they argue that these kind of approaches ‘neglect the differentiated outcome of specific class struggles within forms of state through which the restructuring of capital and socio-spatial relations are produced’ (ibid. 24).

Emphasising upon the importance of the perpetuation of the state system for the furtherance of capitalist social relations, the authors also stress upon the need to conceptualise the internal relationship between this continuity and the changing configuration of global capitalism due to the transnationalisation of production processes (ibid. 27-28). According to them, this relation can be understood by an examination of the ways in which the interests of transnational capital become internalised in different, individual forms of state that are parts of a global economy characterised by uneven development (ibid. 34, 36). Internalisation in this respect refers to the emphasis that ‘transnational class forces of capital do not (…) confront the state as an external actor, but are closely involved in the class struggle over state hegemonic projects at the national level (ibid. 33-34)’. The variegation at issue is thus
understood as stemming from the differences in the internalisation of the interests of the transnational class forces\textsuperscript{13}.

3.3. \textit{Inferences on How to Make Sense of Different Labour Market and Social Policy Reconfigurations}

The discussion on how to understand and examine the national variations as part of a broader neoliberal restructuring process have important implications for the concrete examinations of particular policy configurations in different national contexts.

As it is discussed above institutionalist perspectives tend to examine the persistent diversity among different national policy complexes on the grounds of their path-dependent transformation vis-à-vis different sorts of pressures exerted externally upon institutions in a fragmental manner. Thus, according to this reading institutional

\textsuperscript{13} Another influential neo-Gramscian contribution to the examination of neoliberal/capitalist diversity is Ian Bruff’s ‘common sense’ approach. Drawing on a critique of the VoC approach on the grounds of its institutional reductionism and its parallel tendency to neglect capitalism Ian Bruff argues that there is a need to search for a more holistic approach for the explanation of the evolution of national political economies, which considers that institutions are, rather than being the foundation of, are themselves founded upon social life (2011: 2). Taking this as a starting point he attempts to put forward a framework based on Gramsci’s writings on ‘common sense’ with the aim of understanding varieties in capitalism without falling into institutionalist traps. Bruff also criticises ‘transnational historical materialism’ on the basis of its institutional isomorphism, i.e., its implicit argument that transnational level penetrates the national level in a uniform manner and the latter falls into line with what the former dictates (2010: 618). He also regards that although being fruitful, the uneven and combined development literature, due to its emphasis on historicity, has developed more as a way of examining pre-contemporary capitalist societies than of contemporary capitalist societies (ibid. 621). He indicates that his approach has important similarities with ‘the nationally oriented neo-Gramscian literature’ and in his account it goes beyond this literature through its focus on ‘common sense’ (ibid. 616). He claims that the latter, enables his analysis ‘to extend the reach of neo-Gramscian analyses of the trajectories of national varieties of capitalism’ (ibid. 617). According to him, it is not enough to argue that institutions are rather than being impersonal structures are characterised by formalised rules, practices and conventions; thus there is a need to go further and acknowledge that ‘it is via the historical accumulation of ‘common sense’ sediments of thought that certain rules, practices and conventions take priority over others’ (2011: 11). He argues that they are ‘the thoughts humans hold about the world’ which render societies (in a diversified manner) capitalist (Bruff, 2010: 617). Policies and institutional configurations also embody different versions of common sense, by the analyses of which the trajectory of variety of capitalisms can be understood (ibid. 617). Although Bruff’s emphasis that institutions are not external to capitalist social life but that they are grounded in capitalist conditions of existence (2011: 11) is of great importance for the examination of capitalist diversity, two prominent problems with Bruff’s common sense approach can be identified. First is related to his ambiguous application of the concept. Accordingly, he refers to common sense as ‘our common sense’ (2010: 627), common senses of contending social groups and coalitions (ibid. 625); different societies’ common senses (ibid. 624-625); historically accumulated common sense sediments (ibid. 626); and the versions of common senses that institutions embody (ibid. 617), without necessarily explicating them. Thus, it seems that the term needs to be discussed, defined and operationalised in a more clear-cut manner. Second, the distance and tensions between how ‘we’ conceive our social reality; the actual organisation of capitalism in different forms; and the emergence, composition and transformation of hegemonic projects (such as neoliberalism) seem to deserve more discussion. Otherwise, the term ‘common sense’ itself will be exposed to the risk of being an empty signifier.
formations adapt themselves to new conditions (such as those triggered by Europeanization or globalisation) in line with their particular trajectories. As such institutionalist approaches have important drawbacks in terms of reckoning with the institutional and policy changes and the reasons underlying the integrative character of the policy transformations.

Marxist approaches on the other hand tend to examine the historical trajectory of capitalism on the grounds of the relations of production it encompasses and in consideration of its integrative and uneven character. From the discussion above on the Marxist approaches to the question of capitalist diversity it can be inferred that for a thorough examination of concrete policy transformations this integrative character should be taken into consideration and specific cases should be examined as part of broader processes/projects. Put differently, it is important to consider the development of neoliberalism as a global process/project and by taking into consideration its variegated character without disregarding that particular national policy configurations are grounded in capitalist relations of production.

Making sense of national policy variations also requires an examination of the interplay between the transnational processes/projects and national policy configurations, given the fact that transnational level does not penetrate the national level in a uniform manner and the latter is not subordinated and dictated by the former (Bruff, 2010; Bieler and Morton, 2011). In such an examination it seems more proper to make sense of the relation between different scales as processes of interaction or interplay rather than subordination. This means to acknowledge that not only the transnational processes/projects such as neoliberalism have differently internalised in the national contexts (Bieler and Morton, 2011) but also policy configurations employed in line with this broader picture at the national levels in different manners and the tensions they engender shape the neoliberal trajectory and its mutations. One of the most recent manifestations of this can be seen in the post-2009 sovereign debt crisis in Greece (that at the time of writing poses the risk of spreading to some of the other peripheral members of the EU), the tensions and contentions that have risen during this crisis has been accompanied by a questioning and (possibly) a reorientation of the European project.
Thus for a discussion on how national social and labour market policy transformations are experienced in neoliberal lines and in distinctive manners within the European integration process, the interplay between national and transnational contexts should be considered in an integrated manner. In parallel with this, it is necessary to start the examination by indicating that the European-wide policy transformations have not been homogenous and the particular organisation and tensions engendered by the social and labour market policy transformations have implied important differences. Accordingly, the neoliberal orientation of the European integration project has been accompanied by important labour market and social policy transformations on a European scale and this broader orientation has been embodied differently in different national contexts. The Following part will focus on the relation between the integration process and social and labour market policy transformation in the peripheral contexts.

4. European Integration, Social and Labour Market Policy Transformation and the Peripheral Contexts

The European integration process that was initiated in the 1950s and accelerated by the mid-1980s has been a project of economic and monetary integration from the start. At the end of the 1990s with the establishment of the Economic and Monetary Union (EMU), the European integration process and its interplay with the member states has intensified, especially due to the convergence criteria it has established concerning public budgets and government debts. The formation of the single market and the restrictions on fiscal and monetary policies of member states has raised the question of the autonomy of member states in national policy making processes. Thus, the question of the autonomy of the member states in framing and constituting social and economic policies, which had also started to be questioned by the 1980s as part of the globalization debate, have come to the fore in a more intense manner. Different members’ modes of integration in the European project have also implied differences, like the neoliberal reform trajectories that have been experienced.

This part will discuss the interplay between European integration and labour and social market policy transformations at the European and the national levels. The discussion will revolve around two interrelated questions, which are parts of broader
discussions. First there will be a concern with the relation between European level policy configurations and the national social and labour market reform initiations. The latter will focus on the unevenness of the integration and peripheral members’ positions vis-à-vis the European project.

4.1. The Interplay between European Integration and National Social and Labour Market Policy Configurations

The Treaty of Rome, by which European Economic Community was established in 1957, did not envisage European social policies that would bind member states. It (and the Treaty of Paris (1951) as its predecessor) had an outlook which purports to the idea that prosperity would result from the so-called trickledown effect14, that is to say, efficiency and growth would bring more wealth and more jobs15 (Bonefeld, 2002: 118; Bieler, 2006b: 81; Geyer, 2000: 22; Bieling, 2006: 12; Kleinman, 2002: 84). In parallel with this, ‘social harmonisation’, i.e., the integration of the forms of social policy making of the member states, was seen as an end-product of economic integration (Hantrais, 1995: 1), and additional initiative for social policy making at the Union level, which was already organized and oriented at the national levels, was regarded as unnecessary. Thus, quintessentially, the most prominent element of the policy formulations at the Community level was the promotion of fair competition and the elimination of competitive disadvantages. Accordingly, the risk of social dumping had been one of the most important rationales of reservation for different parties to social policy harmonisation. Social dumping, which roughly corresponds to those seeking competitive advantage by lowering labour costs, standards and wages (Hantrais, 1995: 9; Alber and Standing, 2000: 100) came also to the foreground when Greece, Portugal and Spain joined the Community in the 1980s (Hantrais, 1995: 10).

As it is pointed out by many contributors the integration trajectory, from its very inception on, has been marked by a subordination of social policy to economic integration (Kleinman, 2002; Bieling, 2006, Scharpf, 2002, Holman, 2004). Furthermore, although the Union’s involvement in the social field remained quite limited during the early integration process (Kleinman, 2002; Bieling, 2006, Scharpf,

14 This is also called the ‘spill-over effect’ in the literature, which broadly refers in this context to the assumption that progress in economic integration would spread into other policy areas.

15 Kleinman argues that due to this underlying assumption, the fundamental orientation of the Treaty of Rome was ‘neo-liberal’ and ‘pro-market’ (2002: 84; cf. Bonefeld, 2002)
2002, Holman, 2004), the period after the mid-1980s has witnessed a ‘more activist’ social policy orientation (Kleinman, 2002: 86). Two important steps that marked the era, the Single European Act (1986) and the Maastricht Treaty (1992), were attempts towards the creation of the Single European Market; and the acceleration of integration brought along an emphasis upon the need to deepen the ‘social dimension’ (Geyer, 2000: 40-42). Labour market policies became the most prominent aspects of European social policy in those years. An emphasis on dialogue between social partners (Social Dialogue) was also set as an important social policy element (Geyer, 2000: 44).

The establishment of the Economic and Monetary Union by the Maastricht Treaty (The Treaty of European Union) signed in 1992 marked an important step in the integration process. It prescribed the introduction of the single currency and the formation of European Central Bank in the late 1990s, the primary object of which was the price stability. The formation of Monetary Union was carried out in line with the stipulated stages until 1999 (Geyer, 2000: 52). As part of this process, limitations on the fiscal policies of member states was set by the Stability and Growth Pact that was adopted in 1997 and which set the limits of 60% national debt relative to GDP and 3% budget deficits. The European Central Bank was established in 1998 and the single currency was introduced in 1999. All these steps towards the accomplishment of fiscal austerity, centralization of monetary policies and efforts towards the maintenance of price stability are combined with a ten year strategy for the European Union determined at the Lisbon Summit in 2000: ‘to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion’ (cit. in Ederveen and Mooij, 2003: 4).

In a parallel fashion, starting from the mid-1990s, EU involvement in social policy accelerated and widened correspondingly with the acceleration of neo-liberal restructuring. The social agenda started to be dominated by the issues of tackling unemployment and social exclusion (Kleinman, 2002: 92). A series of supply-side labour market measures within the scope of the general goal of the promotion of employment were agreed on by the late 1990s,\(^\text{16}\) which came under the name of the

\(^\text{16}\) See http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/europeanemploymentstrategy.htm (retrieved on 27.06.2011) for more information on the European Employment Strategy.
European Employment Strategy (EES). While emphasis on the ‘social dialogue’ between partners has been maintained, new measures and a method called the Open Method of Coordination (OMC) have been introduced. These policy making processes put an emphasis on convergence and coordination on the one hand and divergences between member states and respect for their autonomy on the other. The OMC commenced at the Lisbon Summit in 2000 as a new method of decision and policy-making instrument, and was identified with instruments such as benchmarking, mutual learning and peer review (Wincott, 2003: 536). It also set certain procedures such as the preparation of national action plans, national and European data collection and comparison of indicators (ibid. 536). This method, in which European legislation was explicitly excluded (Scharpf, 2002: 652), also widened the range of social policy issues in which European coordination is required. Accordingly it encompassed fields that are ‘relating to poverty and social exclusion, health care and long-term care as well as pensions’. Furthermore, as the Union enlarged the principle of subsidiarity was emphasized by the policy documents with a stress on the preservation of competitiveness; and references to harmonisation were abandoned (Kleinman, 2002: 90).

Acceleration of the economic and monetary integration process, together with Union-level promotion of and coordination of activities based around active labour market policies and getting rid of ‘structural rigidities’, accompanied by the coming to the fore of the so-called ‘legitimacy crises’ and ‘democratic deficit’. In Taylor and Mathers’ words “Powerful and undemocratic forms of regulation have developed at the European level that have both facilitated and legitimated a massive programme of liberalisation, deregulation and privatisation within member states and have constrained levels of public spending and public debt” (2002: 39). The Union level answer to this ‘legitimacy crisis’ came in the Lisbon Summit in the form of the declared aim of ‘modernizing the European Social Model’. This model was

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17 This dual emphasis on convergence and divergence and their contradictory coexistence is regarded by Holman (2004) as part of an attempt to reconcile economic and monetary integration with the illusion of national self determination, which he calls as ‘new populism’.

considered to be unique in its dual focus on economic and social dimensions\(^\text{19}\) and its aim of balancing the two\(^\text{20}\). In a parallel fashion the ability to combine economic efficiency and social welfare was an aim of the Union in the 2004 Draft Constitution, and it was indicated that this goal would be achieved by working for a ‘highly competitive social market economy, aiming at full employment and social progress, a high level of social protection’ and by combating ‘social exclusion and discrimination’ (cit. in Johnson, 2005: 6).

From the early integration period of the late 1950s and 1960s to the 2000s, there has been a shift of emphasis from ‘social policy as an end product of economic integration’ towards ‘social policy as a necessary and \textit{sine qua non} component of growth and economic efficiency’. This emphasis has also developed in interaction with the monetary integration. Thus flexibilisation, active labour market policies, transformation of the pension regimes and the abolition of the ‘social rigidities’ have framed as part of the goals of increasing growth and competitiveness under the single currency and the fiscal limits set by the Stability and Growth Pact. This has raised the question of policy autonomy and limits on policy choices of the member states. As part of this, and in relation to the fields of social and labour market policies it is frequently pointed out that constraints are imposed through economic integration, which acts upon the member states in framing and implementing policies in these fields (Scharpf, 2002: 666; van Vliet, 2010: 272). This emphasis is even more apparent with regard to the so-called peripheral contexts.

An important pitfall which this widespread approach embodies can be identified as an oversimplification of the interplay between the European and national levels stemming from a cumulative envision of the member states as if they are homogeneous in terms of class relations. As it is indicated above, institutionalist accounts tend to regard European integration as a phenomenon that is external to the national processes, which are characterised by stableness arising out of their

\(^{19}\) http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/EUROPEANSOCIALMODEL.htm (retrieved on 28.06.2011).

\(^{20}\) One of the most prominent attempts of the Union in regards to this goal was balancing the social and the economic dimensions is the promotion of ‘flexicurity’, that is combining flexible forms of employment with appropriate social security measures.
institutional path dependencies. From this point of view, member states –under similar pressures- give path dependent answers to the ‘external’ restrictions and this lay behind the divergences among their policy configurations (see Pierson, 1998; Scharpf, 2002).

In order to avoid such a cumulative envision and externalisation, it is important to differentiate the state autonomy understood within the framework of the state-class relations and the shift of scale in policy formation from national to a transnational level. The above depiction of the relation between the two scales seems to take the first for granted and rely on an understanding of the erosion of the autonomy of one institution (the member state) vis-à-vis another one (European Union). Contrary to such understandings of state autonomy (or lack of it), the European integration process and its interplay with the member state level is understood in this study as a scalar shift from the national to the European level in terms of policy formation processes. Which are based on the configuration of class relations (alliances and conflicts) at the national as well as transnational scale.

Having said this, it can be argued that the introduction of a single currency has implied the cessation of particular monetary responses to the crises in the member states. Accordingly, monetary policy as a tool of increasing ‘competitiveness’ has become out of the question. Devaluation as a policy option has thus ceased and instead restrictive fiscal and wage policies were initiated (Becker and Jäger, 2011: 15; Bonefeld, 2002: 133). Accompanied by the limits on budget deficits, debts and inflation rates the monetary integration has implied an economic adjustment carried out mainly through labour markets (cf. van Vliet, 2010: 272; Lapavistas et al., 2010: 2), the main characteristics and impacts of which has varied in different members depending on their form of integration in the European project and more generally in global capitalism (cf. Lapavistas, 2010). Put it differently, pressures on labour have been applied in different forms and degrees as the primary means of improving competitiveness in different national contexts, by the application of labour market flexibility, pressures on wages and welfare provisions (cf. Lapavistas et al. 2010: 6; Milios and Sotiropoulos (2010: 237).

As it is depicted above, the Union has played important roles in framing social and labour market policies in the forms of principles, goals and guidelines, a role which
became more active by the mid-1980s and which was accelerated by the initiation of the monetary integration process in the early 1990s. Although the general framework and contents have referred to flexibilisation and getting rid of social and labour market ‘rigidities’ with the aim of increasing levels of employment, labour productivity and thereby competitiveness, the way they have been applied in different member states, their ‘starting points’ (Lapavistas et al. 2010: 21), the tensions and contentions they engender have varied considerably.

4.2. European Integration and the Peripheral Contexts

Contrary to the declared aims set out by different observers, rather than abolishing the unevenness of capitalist development in different member states the European economic and monetary integration has exacerbated it (Michael-Matsas, 2010: 491; cf. Dunford and Smith, 2000: 172). In the words of Agnew (2001: 30):

‘… uneven economic development across the continent is seen not as a temporary state of affairs to be corrected by policies from Brussels but accepted as an inherent feature of the future of Europe, indeed as an attractive feature of an “integrated Europe” in which common rules of property and capital mobility prevail everywhere but that institutionalizes differences in incomes and standards of living between a core area, a peripheral Europe, and an external Europe’.

While the analysis and discussions about the place of the peripheral contexts in the European integration process and the ways in which the integration project has been configured in relation to them have not been equally elaborated as the ways in which the ‘core’ European members shape the integration trajectory, mainly following the 2007-2009 world economic crisis and accompanying sovereign debt crisis in Greece the former question have more intensely come to the agenda.

The related literature refers to the core/periphery distinction mainly by considering the enlargement processes and the corresponding geographical groups of states. Accordingly, while the southern European members are regarded as ‘old’ periphery (and sometimes referred to as PIGS corresponding respectively to Portugal, Italy, Greece and Spain), the Central and Eastern European (CEE) members that joined the Union in the late 2000s are called as ‘new periphery’ (Stockhammer, 2011). The
integration of the latter, i.e. the so-called ‘transition countries’, in the European project have implied important peculiarities given their transition from state socialism in the late 1980s and early 1990s to ‘open market economy’ with a belief that opening would bring along greater prosperity and similar living standards with the Western economies (Dunford and Smith, 2000: 170).

With regard to Eurozone membership, the term periphery is used by Lapavistas et al. (2010: 12) to refer to Greece, Portugal, Spain and Ireland (it is indicated that Italy has never been peripheral to the EU) and the core is taken to comprise Germany, France, Belgium and the Netherlands. Although not being defined and explicated on its own, the core and periphery are used by the authors in relation to the members’ degree of competitiveness and more specifically their current accounts. It is indicated that, while Germany, epitomising the prominent core member, has gained its competitiveness within the Eurozone due to its persistent current account surpluses which has stemmed from pressure on wages and working conditions and which has turned into foreign direct investment and German bank lending to the Eurozone; the peripheral members have been characterised by their entrenched current account deficits and a growth stemming from expansion of consumption financed by debt or investment bubbles (Lapavistas et al. 2010: 2-5; Stockhammer, 2011: 5). Furthermore, it is pointed out that under the monetary and fiscal discipline, competitiveness is attempted to be improved in both core and peripheral countries by applying pressures on workers, however under different conditions, that is to say, under different levels of real wages, productivity, unemployment and degree and characteristics of welfare provisions and labour movements (cf. Lapavistas, 2010: 6, 22; Milios and Sotiropoulos, 2010: 235-236).

Similarly, the terms core and periphery is used in this paper in order to refer to a countries’ mode of integration into the European project rather than their physical geographical positions (cf. Milios and Sotiropoulos, 2010: 230; Hadjimichalis, 2011: 257). Periphery in this respect is understood as the countries whose mode of integration in the European project has been precarious and uneven. Despite being neither a member of the EU nor the Eurozone, Turkey, rather than being identified as ‘external’ to the European integration, is regarded –like the two other cases- as peripheral to the project. For, in Turkey the European Union has been located by the
policy makers as a prominent ‘external anchor’ and a major reference for the neoliberal reform processes. Furthermore, the three important steps in terms of EU-Turkey relations since Turkey first applied for associate membership in 1959, namely, the Customs Union Agreement signed in 1995, the official recognition of Turkey as a candidate in 1999 and the initiation of the negotiations for accession in 2005, have all been accompanied by the integration of the Turkish economy with that of the Union in an uneven manner.

In examining the policy transformations in these peripheral contexts (as with the cores) it is important to keep in mind that they are not homogenous and they are not cumulatively victimised within the integration process\(^{21}\). Having said this, although this remains beyond the scope of this study, it is crucial to take into consideration that different fractions of capital and labour at the national level were incorporated actively in the integration project and should be reckoned with, alongside the ways in which the integration process have been contested. This aspect also constitutes one of the gaps in institutionalist analysis, which does not let them consider the relations underlying specific institutional and policy configurations.

The following part will address the labour question and the general characteristics and long term sustainability of labour market and social policies in the peripheral contexts, which seem to be the Achilles’ heels of the integration project. Particularly the labour market reform processes in the 2000s in three peripheral contexts, Greece, Spain and Turkey, in consideration of employment dynamics, flexibilisation measures and active labour market policies will be examined.

5. Making Sense of Labour Reform in the Southern Periphery of Europe: The Cases of Greece, Spain and Turkey

\(^{21}\) In relation to their inferences on the peripheral members of the Eurozone, this tendency, i.e. the tendency of regarding these contexts cumulatively, can be identified as an important weakness of the report produced by Lapavistas et al. (2010). The following statement illustrates this inclination well: “monetary union has meant an asymmetric adjustment between banks and states in the financial sphere after the crisis: banks have been protected, while the onus of adjustment has fallen on weaker peripheral states” (ibid. 2010: 37)
As it is indicated above the revival of the European integration project by the mid-1980s has accompanied the neoliberal social and labour market policy transformations and has played an important role in the framing of these policies in different European contexts. Getting rid of ‘social rigidities’ and the introduction of new institutional configurations that have been given prominence for the elimination of the ‘passive’ characteristics of the labour markets have been framed as *sine-qua-nons* for the goals of increasing growth and competitiveness under the single currency and the fiscal limits set by the Stability and Growth Pact.

The labour market reform processes in the three cases to be addressed here have implied important parallelisms in terms of their general framework and rationale. Although different reform items have gained more prominence in specific national contexts, the remedies that have been proposed and implemented have been designed to empower employers by decreasing labour costs through different mechanisms and under different forms and degrees of popular contention. The crisis conditions were also accompanied by more hasty and radical reform initiatives with the aims of increasing competitiveness and disciplining the labouring classes. What render these initiatives neoliberal are their marked capital friendly orientation and the state intervention they involve on this line. Furthermore, flexibilisation measures and active labour market policies that have been pursued in the three peripheral contexts to be addressed below, namely Greece, Spain and Turkey, have implied important dilemmas when considered together with particular employment dynamics in these countries.

5.1. **Neoliberal Labour Market and Social Policy Transformations in the Southern Periphery of Europe**

The integration of the Southern periphery to the European project and especially to the Monetary Union, and its increasing creditworthiness stemming from this process, have rendered it a pole of attraction for the financial capital which have overshadowed

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22 The role played by European integration in relation to the social and labour market policy transformation in Europe is also reflected in the relevant literature, which has been dominated by a terminology and framework generated at the EU level in the forms of goals, strategies and policy tools. It can be argued that the dominant tendency in the related literature is to examine a case or different cases in a comparative manner in terms of their compliance with the policies and measures that have been promoted by the EU during the last three decades.
in a temporary manner the historically established contradictions and sensitivities growing out of debt-led growth (cf. Michael-Matsas, 2010: 496-497; cf. Becker and Jäger, 2011: 11). This overshadowing led one of the prominent observers of the reform trajectories in these countries to argue a short time before the post-2009 sovereign debt crisis that the Southern European countries ‘are now fully part of the group of rich and stable democracies’ (Ferrera, 2005: 4). In his words (2005: 4-5):

“At the beginning of the new millennium Southern Europe has lost much of its “peripheral” character: indeed, some areas and some aspects of South European societies can today offer “models” and “benchmarks” to other societies – in Europe as well as in other regions of the world”.

Shortly before the mounting of widespread criticisms against their social policy and labour market structures, the Southern European countries were also regarded as the most obvious and probably the most promising reference for the East European reformers (Ferrera, 2005: 41). Accordingly, they were seen as being on the way to successful (despite being rippled) neoliberal social and labour market policy reform.

The picture has dramatically changed during and in the wake of the crisis that first broke out in Greece and then has emerged (or is expected to emerge in the time of writing) in other peripheral European countries. The possibility of default in Greece and its likely contagion to other European countries have been widely expressed and seen as a possible risk to the perpetuation of the Monetary Union. One of the prominent triggers of the Greek Crisis has been identified as the ‘costs’ of social and labour market rigidities in the forms of high social spending and less competitiveness (see for example Matsaganis, 2010).

23 Although Turkey is neither a member of the EU nor the Eurozone, it has also been affected, by the process as a candidate country, the largest amount of exports of which has been to European countries. Furthermore, while being outside of the Eurozone has rendered Turkey more flexible on the monetary and fiscal policy making compared to the Southern European countries, this has itself not implied a different orientation in the social and labour market policy making.
The Southern European countries and Turkey have gradually introduced reforms and measures in order to increase labour market flexibility in its different forms since the crisis of the 1970s, a process which had accelerated by the 1990s, within the context of European integration. In all Southern European countries a proliferation of fixed term contracts have accompanied the labour market reforms undertaken (in changing forms and degrees), without becoming a considerable remedy for the chronic labour market problems such as unemployment and informal employment in the region (Katrougalos and Lazaridis, 2003: 38).

Furthermore, as it has been the case in terms of the crises of neoliberalism in different peripheral contexts since the 1970s, the former or incumbent political authorities have been blamed as the main trigger or responsible of the so-called crisis of the social and labour market policy frameworks mostly on the grounds of their populist, clientelistic, short-term oriented ways of policy making. Thus, the mainstream argumentation on the labour and social policy reform has generally been based upon the claim that the impasses of these policy areas have been underlain by implementation failures. The main functional role played by this scapegoating can be regarded as an attempt to shift attention from the content and rationale of the reforms and conditionalities to the implementation problems.

In parallel with this, the mainstream analysis on the successful and unsuccessful fiscal, social and labour market reform processes have implied that success has depended on the ability of the policy makers to ensure the acceptance of policy change in politically sensitive fields (see for example Blavoukos and Pagoulatos, 2008: 234). In contrast, failure has been regarded as being contingent upon ‘procrastination on unpopular reforms’ (Blavoukos and Pagoulatos, 2008: 242). Another prominent cause of the ‘implementation problems’ has been regarded as the lower levels of ‘social concertation’, i.e., adversarial/confrontational industrial relations (see for example Blavoukos and Pagoulatos, 2008: 246; Karamessini, 2008: 513-514, 517).

The following sections will briefly focus on the reform trajectories respectively in Greece, Spain and Turkey in the fields of labour market policies, specifically in relation to employment and flexibility dynamics. The reform trajectories will be handled by leaning upon labour market dynamics such as unemployment, informal
employment and labour market segmentation, which have characterised in changing
degrees and forms the labour markets in Southern European countries and Turkey. It
will be argued that despite differences that the reform processes have implied, these
problems in all three cases have been attempted to be remedied by labour market
flexibilisation and supply-side labour market policies combined with a capital friendly
state involvement in the form of undertaking part of the labour costs in changing
proportions. This policy orientation has also been accompanied by a claim that the
policies at issue would bring along outcomes in favour of the disadvantaged segments
such as youth and women, who have been put forward as victims of the ‘rigid’ labour
markets.

**Greece: ‘Clientalistic State’, ‘Clumsy Politicians’ and the Insiders and Outsiders
of the Labour Market**

Greece has been regarded as the most rigid and slowest among other Southern
European countries in terms of labour market and pension reform initiation and
implementation (Ferrera, 2005: 37, Katrougalos and Lazaridis, 2003: 59). The
mainstream analysis has implied that the main underlying factor for this latitude has
been implementation failures and the clientelistic and populist policies carried out by
the policy makers (Tinios, 2010: 10; Ferrera, 2005: 40). Contrary to this argument as
Tsakalotos (2010: 2) points out, since the mid-1990s the so-called clientelistic state
has played important roles in the legitimisation of the neoliberal project in Greece. In
his words (Tsakalotos, 2010: 2):

“The Greek economy is not weak because of clientelistic activities; rather,
such activities were a necessary compliment to economic policies precisely
because the chosen model could not provide enough jobs, steady wage
increases, and taxable incomes to support welfare services. As elsewhere,
there was no ready legitimization at hand, ex post, through results”.

Accordingly, it is important to point out that the clientelistic mechanisms, rather than
being the first causes, should be regarded as temporary solutions to the negative
consequences generated by the labour markets. Thus, the public sector has played an
important safety valve role against the pressures of unemployment and poverty (cf.
Katrougalos and Lazaridis, 2003: 63). Alongside different sorts of ‘clientalism’ and
public sector employment, self-employment and strong family ties have also
constituted other important forms of safety valves and compensation mechanisms against the labour market distortions, i.e. the disincentives produced by the market (cf. Katrougalos and Lazaridis, 2003: 62-63).

Moreover, the social and labour market reform trajectory in Greece have shown that policy makers have systematically attempted to realise by the 1990s reform and adjustment in these areas in neoliberal lines. Accordingly, although the reform trajectory has not been satisfactory enough in terms of the neoliberal project, it is simply wrong to claim that neoliberal policies have been altogether blocked in Greece (Tsakalotos, 2010: 7). Thus, despite the accusations directed against the politicians for having inertia and preventing ‘progressive welfare reform’ (Venieris, 2003: 144; Tinios, 2010), it should be noted that not politicians as actors on their behalf but potential and actual popular resistance have interrupted to a certain extent the reform trajectory. It is therefore emphasised in relation to the Greek reform trajectory that in Greece, compared to other Southern European countries, ‘confrontational culture has retreated least’(Karamessini, 2008: 528) and ‘the hyper-fragmented character of Greek society and its mechanism of interest representation have posed insurmountable obstacles to the formation of adequate social and political consensus about reforms’(Ferrera, 2005: 37). The weaker character of ‘social concertation’ and its effects on social and labour market policy reform trajectory was targeted more markedly in the stabilisation programme initiated during the sovereign debt crisis. As such, decentralisation of wage bargaining has been regarded as one of the most prominent aspects of the structural reform (European Commission, 2010: 22) with the expectation ‘to provide for a reduction in pay rates for overtime work and enhanced flexibility in the management of working time’ (ibid. 68).

The labour market segmentation has been another prominent characteristic of the Greek labour market. It is stressed in the relevant literature that Greece has had a sharp demarcation between ‘privileged’ ‘core’ employees (most of which have been employed in the public sector), and ‘peripheral’ segments of the population including women, youth, first-time job seekers, informal employees and other precarious categories (Matsaganis, 2010). This duality has been emphasized throughout the reform processes and has been claimed to be remedied mainly by abolishing the privileged position of the former. As reported by Tsakalotos (2010: 5), in Greece the
dominant view has framed and portrayed the outsiders as the victims of the inequities of the pension system and as those being ignored by the old left and trade unions. This line of argument has implied that ‘the outsiders have an objective interest in supporting reform-minded elites that wish to restrain the accumulated benefits of the insiders for the benefit of the greater good’ (ibid. 11). The legitimisation of the pension reform by leaning upon the disadvantaged groups is well illustrated by Matsaganis (2010: 5):

“In an important way, the failure to reform Greek pensions can be formulated in terms of political economy, or even as a result of a failure of democracy. Whereas the current state of affairs violates distributional justice and jeopardizes future prosperity, it also generates winners as well as losers –and the former are powerful in society and politics. Democracy fails if important stakeholders are underrepresented (e.g. the young, women, non-standard workers), while others are not represented at all (e.g. the proverbial future generations)”

The call for flexibilisation for the benefit of the disadvantaged (like youth and women) has been based on an idea that the ‘realities’ of the labour markets should be taken as given. That is to say, it implies that since the realities of the labour market do not allow these segments of the society to have permanent, decent contracts they have to be encouraged and trained for flexible work patterns, which would ease their employment. This corresponds to a policy that fixes the options for these disadvantaged categories as formally flexible employment, informally flexible employment and unemployment and in turn it promises the first as the best option among others. Furthermore, the targeting of the ‘privileged’ position of the ‘core’ employees implies that the labour market segmentation is attempted to be overcome by means of standardisation on the grounds of these precarious employment patterns.

As shown in Table 1 in Greece the rates of unemployment were above the EU15 and EU27 averages during the 2000s and the youth unemployment rates remained between 22% and 33% during the decade (Table 2). Furthermore, the shares of temporary employment in total dependent employment (Table 3) remained between 10% and 13% during the 2000s, which were below the European average and more or
less similar to the OECD average during the decade. However this should be considered together with high ratios of informal employment that has constituted another (and usually a more advantageous) form of flexibility for the employers in different sectors and with different scales (cf. Katrougalos and Lazaridis, 2003: 61; Karamessini, 2008: 520).

The reforms having the claim of combating these problems of unemployment and informal employment via flexibilisation were introduced mainly by the mid-1990s in Greece, which included the promotion of part-time work and fixed-term contracts (Katrougalos and Lazaridis, 2003: 61). The ‘socialist’ government founded after 2000 general elections, initiated, after a dialogue among employers’ and employees’ trade unions, a ‘new employment model’ which included the encouragement of flexible working time arrangements, part-time employment and reduction of employers’ insurance contributions (Venieris, 2003: 139). A social insurance reform that was announced shortly after the new employment model in 2001 and that anticipated items such as increase in average retirement age and cuts in pension levels was withdrawn by the government due to popular and trade union reactions (see Venieris, 2003: 139-140). However, the temporary employment agencies, as one of the important means of increasing flexibility, were introduced in the same year (Karamessini, 2008: 520). The most radical labour market reform in the Greek history has been initiated during the post-2009 sovereign debt crisis. The austerity policies initiated have focused on wage reductions, public expenditure cuts and labour market flexibilisation (Becker and Jäger, 2011: 15-16). Alongside a comprehensive pension reform adopted in 2010 that reduced pension spending, wages of employees in public enterprises were reduced (in 2011), changes in minimum wages and overtime primia were introduced, collective dismissals and employment protection legislation were eased and special firm-level collective agreements were introduced with the expectation of wage reductions (IMF, 2011a: 42-43). Furthermore, a new legislation providing more flexibility in working time and in the use of fixed term contracts was passed, which also introduced contracts with sub-minimum wages for the youth (IMF, 2011b: 23). The duration of temporary contracts were also extended (ibid. 54). All these measures introduced, have had the aims of ensuring higher labour productivity, allowing employers to
‘flexibly manage their labour costs’, decreasing wages and increasing competitiveness (ibid. 22-23).

The crisis management process has shown that the crisis and the following stabilisation programme have facilitated the introduction and the strengthening of various labour market measures that have been attempted to be realised since the 1990s. As stated in an IMF review on the reform process (IMF, 2011a: 22):

“Through socially difficult wage and pension cuts, tax increases, and deep spending cuts, the government achieved the extraordinarily ambitious stabilization goals that it had set for itself for 2010. By any international comparison, the government’s achievements last year were very impressive”.

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<td>8.9</td>
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<td>7.7</td>
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<tr>
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<td>7.2</td>
<td>3.9</td>
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<td>5.0</td>
<td>6.3</td>
<td>6.7</td>
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<td>8.0</td>
<td>7.6</td>
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<td>16.0</td>
<td>22.7</td>
<td>13.9</td>
<td>10.5</td>
<td>11.4</td>
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<td>11.0</td>
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<td>8.5</td>
<td>8.3</td>
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<td>8.0</td>
<td>7.6</td>
<td>6.5</td>
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<td>10.4</td>
<td>10.5</td>
<td>10.8</td>
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<td>10.2</td>
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<td>11.0</td>
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<td>10</td>
<td>7.7</td>
<td>7.3</td>
<td>7.7</td>
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<td>8.3</td>
<td>7.2</td>
<td>7.1</td>
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Source: ILO, Key Indicators of the Labour Market Data Base; Eurostat for the 2010 and the EU15 and EU27 data

Spain: Between Temporary Employment and Unemployment

Spain, as a country that witnessed extensive labour market reforms in the 1980s and 1990s, has constituted a striking case in terms of the relation between labour market flexibility and its likely effects to unemployment dynamics. A number of measures were introduced with the aim of labour market flexibilisation in 1983-84 that was...
followed in 1985 by a restrictive pension reform (Ferrera, 2005: 29-30). The reforms of the 1980s included the reduction of restrictions on part-time work and seasonal employment; liberalisation of the use of fixed-term contracts, an accompanying increase of the options for temporary employment and thereby the restriction of dismissal procedures (Katrougalos and Lazaridis, 2003: 50). During 1990s more flexible forms of contract (including temporary employment agency employment) and activation schemes were introduced, the protection of ‘core’ employees were relaxed, measures to reduce the budgetary costs of unemployment insurance were introduced, overtime was made less attractive to employees, and social security rights of irregular/temporary workers were improved with the aim of activating labour force and thereby reducing levels of unemployment (Ferrera, 2005: 36; Katrougalos and Lazaridis, 2003: 51; Karamessini, 2008: 519). Reforms, accelerated by the 1990s, were also followed by high rates of temporary employment in Spain during 2000s. As shown in Table 3 during the decade the share of temporary employment within dependent employment has been highest among the Southern European countries and considerably higher than the European and the OECD averages. In parallel with this the labour market segmentation in Spain, a characteristic that it has shared with its Southern European counterparts, has been marked by high ratios of temporary employment, while in the other two cases, the segmentation has mainly been underlain by informal forms of ‘flexibility’ such as informal employment. Furthermore, high levels of temporary employment combined with low salaries, deteriorating working conditions and inadequate social protection have generated high levels of job insecurity markedly during these years (Banyuls et al. 2009: 259).

The main motivation of the reforms aiming at labour market flexibility, which have systematically been applied by the Spanish governments from the 1980s on, is explained aptly by Banyuls et al. (2009: 255) in the following manner:

“The new regulation of the labour market can be explained as a policy of adaptation to the global economy by means of controlling labour costs together with specialization in activities such as construction, low-skilled services and industrial activities in which Spain is not able to develop a high level of international competitiveness. Nevertheless,
it has also an element of continuity with the tradition of poor quality of labour conditions”.

From the late 1990s and during the 2000s attempts have been directed towards a reduction of both the protection of permanent workers and the use of fixed-term contracts (cf. Jaumotte, 2011: 11). For the latter, the main strategy has been subsidising employers and several promotion measures for hiring permanent employees have been introduced since the 1990s. A law that envisaged social security contributions rebates for hiring permanent employees was enacted in 1992 that was followed by the introduction of Permanent Employment Promotion Contract introduced in 1997, the scope of which was extended during the 2000s (Jaumotte, 2011: 44).

As indicated above, the high degree of precariousness has also been accompanied by high rates of unemployment (and as shown in Table 2. excessive ratios of youth unemployment) in the country. Although levels of unemployment decreased by the early 2000s (see Table 1), in the long run Spain has remained as the member having the highest levels of unemployment in the Union. Especially the rise of the rates of unemployment to 18% and 20% during the recent crisis (in 2009 and in 2010 respectively) has revealed the employment fragility in the country. In parallel with high rates of unemployment, compared to the other two cases, the introduction of unemployment benefits was earlier and its scope has been wider in Spain. However, with an argument that it has constituted an important disincentive to work and therefore a factor contributing to high rates of unemployment, the coverage of the unemployment benefits was gradually reduced and tightened during the 1990s (Katrougalos and Lazaridis, 2003: 51).

As indicated by Katrougalos and Lazaridis (2003: 51) labour market reforms were initiated during the late 1980s and 1990s unilaterally by governments in consultation with employers’ associations mostly without the involvement of the trade unions. Throughout these decades reform initiations were accompanied by labour organisations’ opposition and general strikes in 1985, 1988 and 1994 (Banyuls et al. 2009: 252, 265). An important exception to this was the 1997 labour reform proposal signed by employers and large trade union confederations, which include the introduction of subsidies for the employers that employ on a permanent basis young
people, long-term unemployed and workers with temporary contracts (ibid. 252-253).
The 1997 reform, however included reductions in severance pay for individual
dismissal and social security contributions of the employers as a prominent means of
having a similar content was also agreed in 2006 (ibid. 252) and a similar path has
pursued during the debt crisis in the Eurozone.

This strategy of increasing flexibility by subsidizing employers and decreasing their
non-wage costs has also been attempted by the late 2000s in Turkey, which has
marked the National Employment Strategy, framed by the government in 2009 and
released in 2011.

Table 3. Shares of temporary employment in percentage of dependent employment

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<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
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<th>2007</th>
<th>2008</th>
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<td>11.17</td>
<td>11.95</td>
<td>11.82</td>
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<td>10.88</td>
<td>11.46</td>
<td>12.09</td>
<td>12.41</td>
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<td>Spain</td>
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<td>12.82</td>
<td>13.41</td>
<td>14.25</td>
<td>14.51</td>
<td>15.02</td>
<td>15.09</td>
<td>14.62</td>
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Source: OECD.Stat

Turkey: From Poverty Alleviation Agenda Towards a Capital Friendly Labour Market Reform

Contrary to the widespread premise that ‘growth triggers social welfare and increases
employment’, the rapid economic growth sustained during the 2000s (except from the
crises years of 2001 and 2008-2009) in Turkey has not brought along a considerable
increase in employment and decrease in unemployment levels (see Table 1).

The labour market policy reform has mainly started to gain prominence by the late
1990s and especially in the 2000s in Turkey, which has been accompanied by social
security reform initiatives and attempts towards poverty alleviation that have also had
the mission of playing a compensatory role vis-à-vis the transformations in the two
former fields. Flexible employment patterns of part time and fixed term
contracts/temporary employment schemes were introduced by the Labour Law
enacted in 2003 (Taymaz and Ozler, 2005: 234, 245). The Law has made temporary
and part time worker hiring (and firing) easier especially for establishments
employing fewer than 30 workers, by excluding workers of these firms with temporary and part-time contracts from protective provisions such as unemployment benefits and severance pay (Taymaz and Ozler, 2005: 245; Demir and Erdem, 2010: 12).

The 2007-2009 global financial crisis and the upsurge of unemployment in the crisis period have been accompanied by a more systematic attempt of the government to initiate and further labour market flexibility and active labour market policies. Accordingly, the need to tackle with increasing unemployment without increasing labour costs has been targeted in the country via flexibilization and active labour market policies more prominently during and after the recent crisis. As such, the crisis has constituted a landmark that implies a shift of emphasis from poverty alleviation oriented policy to a more labour market flexibility oriented strategy.

An employment package was announced in 2008, which has mainly relied upon ‘hiring subsidies’ (reduction of employers’ non-wage costs), different types of flexible work contracts and active labour market policies such as vocational training programmes; short-time working schemes and social work, and in 2009 some additional measures were taken in line with the promotion of ALMP (Ercan, 2010: 6; Kostekli, 2011; Yeldan, 2009: 4). Among the 2009 labour market policy initiatives the following can be counted: ‘temporary and part-time employment incentives; renewal of existing subsidies for female and youth employment; new scheme for temporary public employment, public internship, and vocational training’ (Onis and Guven, 2010: 13). While some of these were direct and short-term responses to the crisis, such as the Public Infrastructure Employment Programme that was based on the provision of temporary employment, training and apprenticeship in exchange for public work/service (Yeldan, 2009: 9), some were part of a long-term strategy of flexibilisation and activation. The latter elements have attempted to be strengthened and complemented by a ‘National Employment Strategy’ launched in 2011. The Strategy has mainly been based upon measures of decreasing non-wage labour costs by means of reducing employer social security contributions, ensuring subsidies to employers for the employment of disadvantaged categories such as youth and women, introducing active labour market policy schemes and new flexible work contracts
As shown in Table 1 above, in Turkey the rate of unemployment has started to decrease by 2010. However, as Yeldan indicates the increase in employment has mostly been composed of informal, small scale service sector jobs (2009: 11), which are characterised with being temporary and fragile under crisis conditions and in the long run. Furthermore, high rates of informal employment throughout the 2000s (see Table 4) and lack of a considerable decrease in the related ratios imply that a systematic policy initiative for its reduction has not been pursued although the problem has been expressed in almost every report on social policy and labour market policies in Turkey. The main reason for the high rates of informality in the labour market has been regarded as an outcome of the unattractiveness of formal employment for business due to the high non-wage labour costs (OECD, 2008; TUSIAD, 2008; World Bank, 2006: vi; Revenue Administration, 2009 ). In parallel with this and as part of the flexibilisation and labour market activation agenda, the main remedy for the problem has been determined as decreasing non-wage costs on employers (Revenue Administration, 2009: 26).

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Non-Agricultural</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>53</td>
<td>29,2</td>
</tr>
<tr>
<td>2001</td>
<td>55,8</td>
<td>29,5</td>
</tr>
<tr>
<td>2002</td>
<td>52,1</td>
<td>31,7</td>
</tr>
<tr>
<td>2003</td>
<td>51,7</td>
<td>31,5</td>
</tr>
<tr>
<td>2004</td>
<td>48,1</td>
<td>31,6</td>
</tr>
<tr>
<td>2005</td>
<td>49,5</td>
<td>35,3</td>
</tr>
<tr>
<td>2006</td>
<td>48,5</td>
<td>32,7</td>
</tr>
<tr>
<td>2007</td>
<td>48,7</td>
<td>33,2</td>
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<td>45,3</td>
<td>30,6</td>
</tr>
<tr>
<td>2009</td>
<td>45,7</td>
<td>30,8</td>
</tr>
</tbody>
</table>

Source: TURKSTAT, Labour Force Statistics Database

The argument that high rates of unemployment and informal employment have been underlain by high (wage and non-wage) burdens on employers has become a creed reflected in the labour market reform in all three cases. Thus, despite the differences of form and sequence, the reforms in Greece, Spain and Turkey have aimed at strengthening competitiveness by decreasing labour costs and deteriorating working conditions. Furthermore, although the Spanish case (and other countries with higher shares of temporary workers) illustrates that the correlation established between the two has been rather problematic, fixed-term contracts have been promoted in countries like Greece and Turkey as a remedy for high rates of unemployment. As indicated even in a study prepared as an IMF working paper on labour market reform in Spain, countries where shares of temporary employment are high, also have higher unemployment rates (Jaumotte, 2011: 18).

It can be inferred from the labour market reform trajectory portrayed above, that in the three cases competitiveness pressures exerted upon the labouring classes have important effects in the maintenance and promotion of what has been claimed to be remedied by reform initiatives, including unemployment and insecurity (both the formal and informal).

6. Concluding Remarks and Prospects for Further Research

The policy items that are collected under the fields of ‘social policy’ and ‘labour market policy’, such as pensions, active/passive labour market policies, poverty alleviation schemes and social services have been subject to important transformations as part of the neoliberal restructuring process on a global scale. In that respect the ‘costly’ pension systems, ‘benevolent’ welfare transfers, and pro-labour distributional policies have been targeted and precarious employment patterns have become gradually widespread. Related transformative reforms have been implemented in distinct manners in different parts of the world. Their impacts, contentions they engender and the ways these processes have been managed politically also vary considerably. Despite the existence of disparities these policy transformations could be argued to have marked a general neoliberal route, which implies the acceleration of the initiatives towards integrating the labouring classes with neoliberalism via ‘systematic but palliative measures’, that is to say, by
compelling them systematically to sustain their livelihoods through precarious means such as flexible employment and targeted social assistance schemes. This tendency has also been accompanied by a general concern and emphasis on the necessity of capital friendly regulation and institution building.

Within the context of the labour market reform processes in the three examined countries, capital friendly regulation has been pursued via different supply-side labour market policies combined with a capital friendly state involvement in the form of undertaking part of the labour costs in changing proportions. The reform processes have also been sustained by a political discourse (together with corresponding policy instruments) that understands the interests of the disadvantaged would be ameliorated by neoliberal labour reform and by the withdrawal of privileges from the ‘core’ segments.

Furthermore, given the acuteness of the labour market distortions in the three cases, it can be argued that the measures taken for the struggle against these problems mainly remain short term-oriented and palliative. That is to say, they seem to be short term precautions to prevent potential social explosions and crises, rather than systematic long-term policies for the elimination of the root causes of the problems of precariousness and unemployment. Therefore their sustainability in the long run is highly questionable. And it can be argued that the sustainability of these fragmented and mostly short-term oriented measures is very much dependent upon the sustainability of the neoliberal social and labour market policy orientation on a global scale.

This class based orientation of the reform trajectories reveals that institutionalist explanations, which are based on examinations of institutional complementarities and path-dependencies; and exogenous/endogenous triggers that are defined external to institutional change, are not able to reckon with these processes in an integrative manner. Accordingly they cannot explain the dynamics of these processes which are based on class relations, since they do not take into consideration the rationale behind neoliberal restructuring, its content and political economic integrity. Instead, in order to make sense of particular policy configurations in light of the whole picture, different embodiments of capitalism (and particularly the neoliberal restructuring
processes) in different national settings and policy frameworks should be considered in their unity. For such an examination, three important inferences can be derived from the Marxist approaches, and the three countries through which the labour market reform trajectories are discussed in this paper:

In order to operationalise the conception of variegation on the basis of particular labour market and social policy configurations, it is crucial to examine how different fractions of capital and labour have been incorporated in these policies, alongside the ways in which they have been contested. Such an examination is also important for the avoidance of a cumulative envision of different national contexts.

Furthermore, the relation between the national and transnational scales should be incorporated in any examination of particular social and labour market reform processes, without externalising the interplay among these two levels. For that, it seems important to differentiate state autonomy understood within the framework of the state-class relations from the shift of scale in policy formations from national to a transnational level.

Finally, as the labour market reform trajectories in Greece, Spain and Turkey implies, the targeting of the social ‘rigidities’ and the ‘privileged’ segments of the labouring classes correspond both to a discursive attempt and a political economic strategy that have been carried out through different policy instruments. These instruments however, in the cases of three reform processes, have had a short-term orientation aiming to prevent potential social crisis and explosions, rather than being systematic, long-term policies for the elimination of the root causes of problems such as unemployment and informal employment. Therefore, the ways in which the reform processes is politically and ideologically managed should also be taken into consideration together with different forms contention.
References


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