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**Table 5: Registered foreign workers in Spain, 31 December 1991**

	Total work permits	Normal procedures	Regularisation
Europe	58,879	50,962	8,187
France	6,168	5,977	191
Germany	8,632	8,423	209
Italy	3,843	3,631	212
Netherlands	2,607	2,523	84
Portugal	11,608	10,430	1,178
UK	10,244	9,724	520
Africa	74,718	14,735	59,983
Morocco	58,452	10,219	48,233
North America	6,812	5,236	1,576
USA	5,108	4,061	1,047
Latin America	48,301	19,813	24,488
Argentina	15,109	7,705	7,404
Chile	4,142	1,814	2,328
Dominican Rep.	6,394	877	5,517
Peru	6,859	1,195	5,664
Asia	22,927	13,025	9,902
China	6,154	1,935	4,219
Philippines	7,303	4,694	2,609
<b>Total:</b>	212,192	103,884	108,308

Source: Spanish Ministry of Labour data in Misiti et al. (1995)

## Social Protection in Southern Europe: Trends and Prospects

*Maria Petmesidou*

### Introduction

Social policy in south European countries has remained for a long time outside the scope of major comparative research endeavours on welfare regimes in Europe. This is mainly the result of universalist welfare policies being rudimentary until the mid-seventies and the peculiarities of the socio-economic and political structures of these countries, e.g. the agricultural basis of a large part of the labour force combined with the predominance of smallholdings; the extensive reproduction of petty commodity production and self-employment in urban areas; the existence of a large hidden economy; political instability and paternalistic/clientelistic forms of political integration closely linked with cultural values which uphold familism and nepotism and hinder the development of rational-bureaucratic state structures. These characteristics contrast South European societies to the social structures and welfare patterns developed in post-war North-Western Europe.<sup>1</sup>

A few attempts at locating South European countries within the main classificatory schemes offered by the comparative social policy literature (Titmus 1974; Esping-Andersen 1990; Castles 1989 & 1993), on the one hand stress residualism in state welfare provision, manifesting a liberal ideology as well as the central role of the Catholic Church (in the Latin Rim countries) and of the traditional family in welfare delivery (Leibfried 1992). On the other hand, with regard to social security systems, these countries are considered to have followed the continental-corporatist welfare model, though with a considerable time lag (Katrougalos 1996).

Ferrera's more systematic attempt to define the common traits of social policy systems in Southern Europe (1996) differs from both of the above approaches as it puts emphasis on the contradictions characterizing the 'southern model' of welfare. He (1996) counterposes pension systems, as a developed element of welfare policy in these countries, to other dimensions of welfare (i.e. national health service, social services and social assistance policies), which are less developed. Moreover, south European social security systems may exhibit similarities with the occupationally based social security systems characterizing the continental-corporatist welfare state, yet they also differ from them, as they are doubly fragmented. First, income maintenance in southern Europe depends upon a full and uninterrupted occupational career establishing contributive entitlements, while

those who cannot secure such a career in the formal labour market are left unprotected, given the absence of a universal income safety net. Second, wide inequalities in the level of benefits offered by social security funds increase polarization between groups of hyperprotected and weakly protected beneficiaries. What is more important, income maintenance programmes and welfare service delivery are based upon a particularistic-clientelistic system in which corruption and discretion are endemic characteristics.

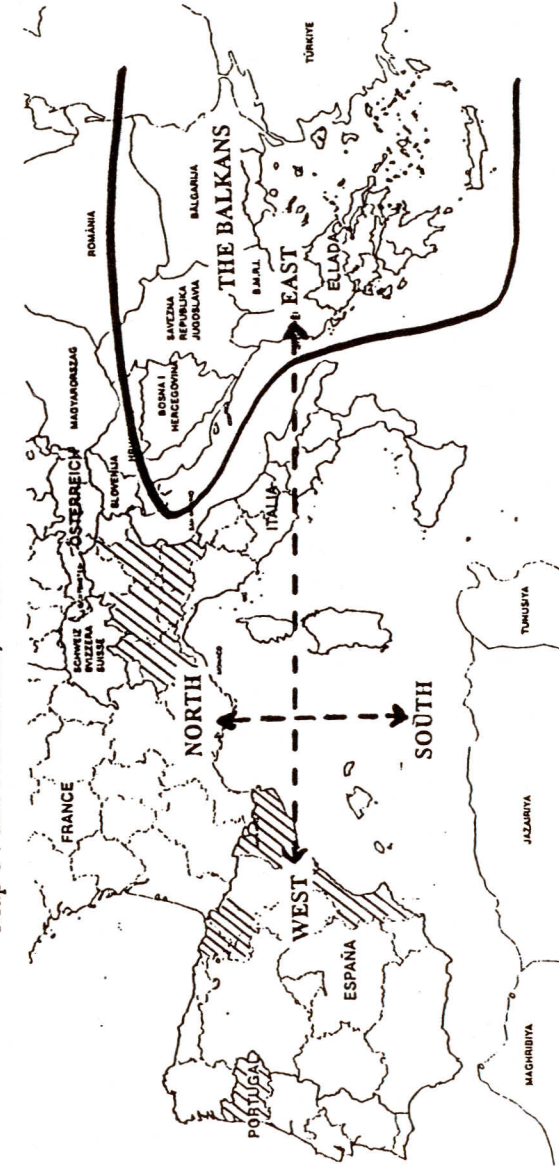
In the above literature generalisations regarding the southern welfare model rely heavily on social policy characteristics of the Catholic or Latin Rim countries (and indeed in the case of Leibfried's classification, the southern model is identified as the 'Latin Rim model'), while the socio-cultural characteristics of the Balkan countries (namely the role of the Orthodox Church and stronger forms of statism and paternalistic social organisation) have so far been neglected in comparative social policy studies. Furthermore, the peculiar characteristics of south European societies, such as familism and clientelism, are seen as distinctive politico-institutional features of the Mediterranean tradition, expected to change eventually with modernisation. The central argument in this paper is that these features constitute elements of a complex and distinctive mode of income generation and distribution of these societies, consolidated in the post-war period - yet to a varying degree and intensity in each of the four south European countries (or, at a higher level of disaggregation, in each region) - with important effects on social protection.

The first section of the paper develops this argument by focusing on convergences and divergences in social structures, socio-economic change and types of solidarity during the last two decades. The aim is to elucidate some distinctive features of South European societies and regions, albeit in an elliptic way, and develop a working hypothesis on the specificities of the southern social protection systems. This is further elaborated in the second and third sections of the paper on the basis of a comparative analysis of social expenditure trends and institutional reforms in the four countries since the mid-seventies, which have led to the delayed establishment of a welfare state that, however, soon faced a deepening structural crisis.

### Convergences and divergences among South European countries

Ferrera's grouping of south European countries as a 'family of nations' (1996: 18, a term adopted from Castles 1993) is correct in many respects. Yet one should also not lose sight of the significant differences among the various regions of southern Europe.

Map 1 : The North/South, West/East divisions of Southern Europe



▨ Regions in which employment in industry exceeded 35% of the labour force in 1994

Highly illuminating are the divisions which arise by the overlapping of the North/South and West/East axes. Within southern Europe, in the direction from the north-west to the south-east, significant differences are observed as to the structure of the economy, the state/civil-society relationship, and specifically, as to the strength of civil society vis-à-vis state authority and interventionism.

(a) South European countries are considered to be late industrialising countries which exhibited high rates of economic growth and structural change in employment patterns and output constitution in the sixties.<sup>2</sup> However, we can distinguish between a north-western zone (including North Portugal, the Basque region and Catalonia in Spain, and Lombardy in Italy) in which the pacing and degree of industrialisation were higher, and a south-eastern zone (extending across South Spain, most of Portugal, South Italy, and the whole of Greece) in which agrarian structures were extensively reproduced.

Since the mid-seventies, an important characteristic of South European countries has been the rapid shift to post-fordist social and economic structures (tertiarisation of the economy, flexible work relations, informality etc.) well before industrialisation had deepened and fordist production structures with their accompanying patterns of collective solidarity and universalist social citizenship had been fully developed. This is manifested in the continuing decline of agricultural workers and the rapidly increasing number of service workers without these countries having reached a peak of employment in industry as high as that which occurred in north-west European countries. This trend characterizes mostly the south, south-eastern regions. In 1994, there were regions in Italy, Portugal and Spain in which employment in industry exceeded 35% of the labour force (while employment in agriculture was around 5% - 6%), as was the case for instance in the north-eastern regions of Spain (Pais Vasco, Navarra, and Cataluna), the northern region of Portugal (though in Norte employment in agriculture was around 12%), and North Italy (Piemonte, Lombardia, Veneto, Friuli-Venezia-Giulia, and Emilia Romagna, see Map 1). On the other hand, in the southern regions of these countries and in all regions of Greece the jump from agriculture to services has been more pronounced, especially since the mid-eighties.

As Table 1 shows employment in industry has been declining in the eighties and nineties (as a percentage of total employment). In Italy, industrial employment went back to 30.6% in 1992,<sup>3</sup> but it increased slightly in 1994. On the other hand, primary sector employment decreased from 14.5% to 7.7% in the period 1981-94, while tertiary employment increased from 49.0% to 60.2%. Similar trends are also observed in Spain, Portugal and Greece. Yet among the four countries, Greece offers a characteristic

Table 1 : Changes in employment by sector of economic activity

Activity rate (1994) <sup>1</sup>	Greece		Italy		Spain		Portugal		EU (12)
	males	females	males	females	males	females	males	females	
% distribution of employment <sup>2</sup>	49.1		47.4		48.4		58.5		55.0
1981 (1986)									
primary sector	31.2 (29.1)		14.5 (11.7)		19.2 (17.0)		26.6 (22.5)		
secondary sector	28.4 (27.5)		36.5 (31.4)		34.6 (31.2)		36.3 (33.2)		
tertiary sector	40.4 (43.4)		49.0 (56.9)		46.2 (51.8)		37.1 (44.3)		
1992 (1994)									
primary sector	21.1 (20.8)		9.2 (7.7)		10.1 (9.9)		11.5 (11.8)		5.8 (5.5)
secondary sector	25.4 (23.6)		30.6 (32.1)		32.7 (30.1)		32.6 (32.5)		32.8 (30.6)
tertiary sector	52.8 (55.6)		60.2 (60.2)		57.2 (60.0)		56.0 (55.8)		61.4 (63.9)
% change of employment (1981-86)									
primary sector	-7.7	Men	-16.5	Men	-9.5	Men	+0.67	Men	
secondary sector	-3.1	Women	-11.3	Women	-9.1	Women	-3.0	Women	
tertiary sector	+3.5	(Total: 2.0)	+19.7	(Total: 3.2)	+11.8	(Total: 0.6)	+30.2	(Total: 8.8)	
(1986-92)									
primary sector	-17.8		-19.8		-30.6		-43.6		
secondary sector	-2.2		+0.2		+15.3		-1.4		
tertiary sector	+14.7		+4.2		+17.3		+20.3		
		(Total: 2.3)		(Total: 2.9)		(Total: 13.7)		(Total: 13.7)	(Total: 11.6)

Source: Eurostat (1995a); ILO (1986, 1995) (1) Aged 15+. (2) Greece and Italy: 14+. Portugal, 1981 & 1986: 12+, 1992 & 1996: 14+. Spain: 16+. (3) 1994: EU(15) [If not otherwise stated, EU (12) = 12 member states, including the new German Länder.]

example of a country neglecting industrialisation and jumping from agrarian structures to a service society (industrial employment reached a level of 28% in 1981, and has been declining since then). Further, since the mid-seventies Greece has been experiencing very slow rates of economic growth and comparatively low rates of employment increase.

The above changes are also accompanied by the fast increase of female employment in all four South European countries since the early eighties, a condition which is related to the fast expansion of the tertiary sector. Nevertheless, female activity rates (with the exception of Portugal) are still quite lower than the European Union average.

**TABLE 2: Employment flexibility and the size of the black economy**

	Greece	Italy	Spain	Portugal	EU(12)
Employees (1994,%)	53.3	71.3	73.6	72.7	82.6
Self-employed (1994, %)	46.7	28.7	26.4	27.3	17.4
Size of the informal sector (% of GDP)	approx. 45%	n.d.a <sup>1</sup>	approx. 15%	approx. 15%	-
Multiple job holders (1992 %)	3.8	1.1	1.4	6.4	2.7
<i>Second job is self-employment or family work</i>	(85% of all second jobs)	(85% of all second jobs)	(60-65% of all second jobs)	(60-65% of all second jobs)	(about 1 third of all second jobs)
Contract of limited duration (1994, %)	10.3	9.3	33.6	7.3	8.9
Part-time employment (1994,%)	4.8	8.0	6.9	6.2	15.4

Source: Eurostat (1995a)

<sup>1</sup> No data available. On the basis of labour market variables the size of the informal economy in Italy is considered to be large (see Provopoulos 1987: 57).

(b) Furthermore, the weaker the development of fordist patterns of production is, across the regions of southern Europe, the stronger the presence of middle-class strata of petty-traders, self-employed

workers in personal services, craftsmen and self-employed professionals, along with a large group of peasants and agricultural workers. Self-employment is highest in Greece amounting, together with employers, to 46.7% of the working population in 1994 (see Table 2). Towards the South-East, the informal sector is also larger, reaching 45% of the GDP produced in the formal economy in the case of Greece. Other characteristics, such as multiple employment, and limited duration contracts (related to employment flexibility) are observed to a large extent in all four south European countries (though percentages for part-time work are less than the EU average). The larger the size of the black economy, the higher employment flexibility is expected to be, however such an analysis requires a disaggregation of data at the regional level, which is outside the scope of this paper.

(c) Closely linked with the above similarities and differences in socio-economic structures is a significant differentiation, among the regions of Southern Europe, as to the strength/weakness of contractual relationships, collective forms of interest organisation and social action, and forms of solidarity upholding universalist criteria in welfare.<sup>4</sup> The more rapid the change from agrarian structures to a services-oriented society is, the weaker collective forms of solidarity and universalism in welfare provision. In the South-East (Greece and the other Balkan countries, as well as Turkey) the tradition of contractual relations, collective solidarity and an active civil society is weakest (Petmesidou 1996).

This differentiation also overlaps with a major contrast between the west and east regions of southern Europe with regard to the culture and practice of voluntarism, reflecting differences in religious values and the role of the Church. In the countries of the Latin Rim, Catholicism has strongly supported subsidiarity in welfare services, which has enhanced the role of the family in welfare delivery. Yet, at the same time, it has facilitated the institutionalisation of large scale voluntary action in social protection (Ascoli, 1987: 142; Rossell & Rimbau 1989: 115-117; Saraceno & Negri 1994: 22-23). This condition partly reflects the relative strength of the Catholic Church vis-à-vis the state. This is not the case with the Orthodox Church, which in Greece for instance has always been more strongly linked to the state (through a relationship of dependence) and has thus only marginally contributed to the development of voluntary action in welfare provision. To the extent that the Church promoted voluntarism, it widely maintained an attitude of philanthropic assistance. The social assistance programme of Indigence Certificates (ICs) granted to poor families - in operation until 1977 - provides an example of the close link between the state and the Church, in a context in which criteria of political control and integration were combined with charitable assistance (Petmesidou

1992: 125). Clergymen presided in the local committees issuing the ICs which entitled poor families to meagre income support. Yet, most often than not, ICs reflected a policy of political control over the poor rather than a policy of universalist social assistance. In 1974 even the inadequate income poverty line in use was abolished (Iatridis 1980: 118-21), and ICs were granted on the basis of ad hoc criteria.

(d) Statism and particularistic-clientelistic forms of social organisation are a common characteristic of South European societies. These are accentuated towards the south, south-eastern regions, that is in the regions with weak forms of industrialisation and weak traditions in contractual relations and social citizenship. Greece and Turkey constitute extreme examples of statist/paternalist forms of social organisation.

For instance, as shown elsewhere (Petmesidou 1987, 1991; Tsoulouvis 1987; Petmesidou & Tsoulouvis 1990a, 1990b) the model of development that Greece followed in the post-war period is marked by the social legitimating of the state as a huge apparatus for the creation and distribution of value, wealth, income and benefits, by extra-economic, that is political means and criteria. Access to clientelistic networks and the state by individuals and social groups constitutes the primary means for the appropriation of resources and benefits, a condition which converts social conflicts into individualistic power feuds and, thus, hardly favours collective solidarity either of an occupational-corporatist mode, characteristic of Central Europe, or of a more or less universalist mode, as is the case in Scandinavia and the UK.

What is more important, the widely legitimized practice of using political means to appropriate resources has strengthened the role of the family/household as a strategic unit of decision-making regarding the employment opportunities of its members and the resources/benefits to be sought after, and as an important redistribution unit providing to individuals the means to overcome distress, unemployment and bankruptcy. Family/household strategies combine a variety of activities in the formal and informal economy along with employment in the public sector for at least one family member, as a source of secured income (Tsoukalas 1986; see also Ferrera, 1996: 21) and a means of access to clientelist networks.<sup>5</sup> From this perspective, familism is not so much a traditional characteristic pertaining to the peculiarities of Mediterranean culture, but rather a main component of the statist/clientelistic forms of social organisation consolidated in the post-war period. Family, kin and other traditional care agents would scarcely be in a position to play a key role in welfare in these societies, if state intervention did not make it possible for households to derive revenue by extra

economic means and distribute it to their members in the form of welfare provision.

The concept of soft-budgeting is highly illuminating for conceptualising the close links between: (a) the widely legitimized practice of appropriating resources by political means (rather than through market processes), and (b) the role of the family as the main agent of redistribution and welfare delivery. Soft-budgeting refers to an accounting practice by individuals, families/households and enterprises in which "the strict condition that earnings must always be greater than or, at least, equal to expenses is not obeyed, simply because someone else is paying the difference" (Petmesidou & Tsoulouvis 1994b: 22; see also Katseli 1990). Imbalances of this kind are transferred to the state and are dealt with through the creation and distribution of value, income and wealth on the basis of political (i.e. particularistic-clientelistic) means.

Within the social policy area housing practices provide a highly illuminating example of this southern 'model' of distribution of revenue and welfare. For instance, in Greece, hardly any policies (at the national, regional or local level) have been developed dealing with the housing needs of the less well-off groups. Instead, a loose spatial policy is followed, allowing the expansion of informal social processes of urbanisation, a characteristic that Greece shares with other parts of Southern Europe. Surplus land values created by illegal building activities and the spontaneous or uncontrolled concentration of economic activities in urban centres are privately appropriated by individuals and families, so that these people can deal with their housing needs. On the basis of political decisions responding to particularistic demands, the value of land may increase dramatically in certain areas by the legitimating of illegally constructed buildings and the incorporation of new territories into the city plan area. Undoubtedly, this is a wealth creation and redistribution policy, providing what could be called 'soft budgets' for individuals, families and enterprises, a condition that is unthinkable by the standards of the very strict system of planning and social welfare policies of north European countries. From this point of view, explanations of the southern welfare model, stressing either its rudimentary or its polarised character, need to be rethought and revised. Statism, family support and soft-budgeting practices create a complex process of social protection which, on the one hand, compensates for the lack of universalist social citizenship rights, but, on the other, sustains particularism and discretion in welfare delivery. Variants of this model are found in all regions of southern Europe, though it is in the south, south-eastern regions that it appears in a stronger form, given the prevalence of informal social and economic processes and the weakness of civil society.

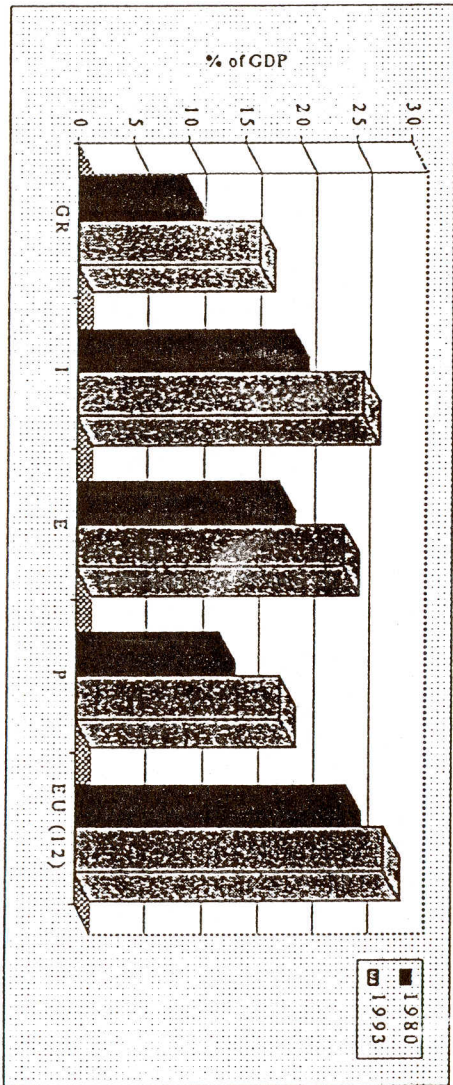
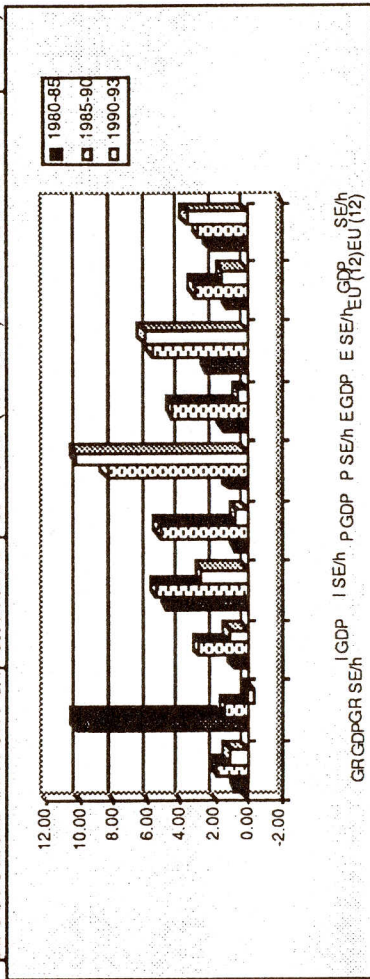


DIAGRAM 1: Current expenditure on social protection in relation to GDP

Source: Eurostat (1995b)

[EU average refers to the twelve member states (of 1990), excluding the new German Länder.]

Diagram 2: Annual rates of growth of GDP and of social protection current expenditure per head (in ECU, at constant 1985 prices)

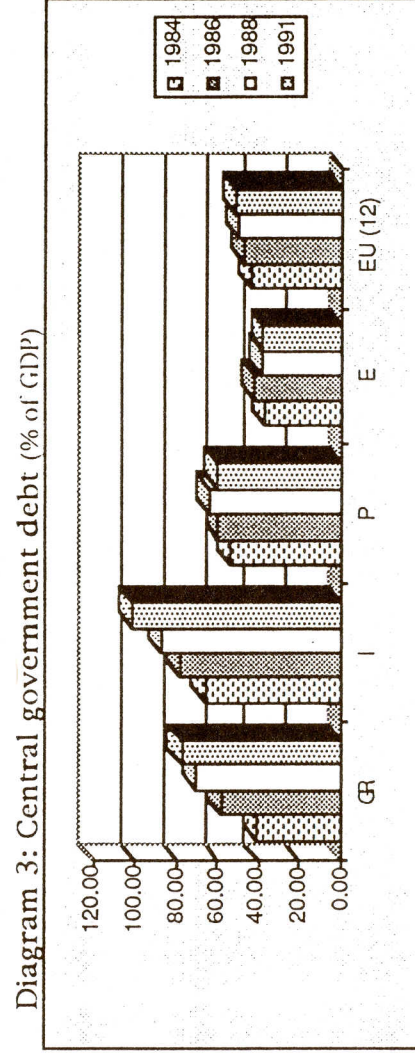


Source: Elaboration of data by Eurostat (1987, 1995b and 1995c)  
[SE/h: Social expenditure per head. For EU average see note in Diagram 1.]

	Greece		Italy		Spain		Portugal	
Social pro-tection current expenditure:	449.6	1598.5	1395.6	4291.4	891.5	2935.7	485.7	1948.3
- per head in PPS, as % of social protection expenditure per head in Luxembourg	19.1	59.3	70.7	37.9	24.1	64.7	44.3	20.6
E in 1980	27.5	70.7	40.6	21.2				
E in 1985E	27.8	74.4	44.9	26.5				
E in 1990								
E in 1993								

Source: Eurostat (1995b); own calculations.

Table 3 Social Expenditure per Head (in Purchasing Power Standard specific to private consumption)



Source: Eurostat (1995c)



### The structure of social expenditure and development trends

An expansion of resources allocated to social protection<sup>6</sup> took place in all four countries, in the decade of the eighties, progressively reducing disparities between south and north-west European countries in the share of GDP spent on social protection (see Diagram 1).

Diagram 2 shows the annual rate of growth of social expenditure per head and of GDP in the four South European countries and the EU. In Greece, a rapid increase of social expenditure occurred in the first half of the eighties. Yet, this trend was reversed very soon, putting limits to the establishment of a welfare state. The economic recession in the eighties and early nineties undoubtedly contributed to the reversal of an expansionary trend of social expenditure. The expansion was triggered by the new political alliances which emerged with the restoration of democracy in the mid-seventies and, brought to power the Panhellenic Socialist Party in the early eighties.

A different trend is observed in Spain and Portugal, where a comparatively high annual social expenditure growth rate (well above the EU average) occurred in the late eighties, a period of rapid economic growth in both countries. The upward trend of social expenditure was sustained in the early nineties, which was however a period of economic recession. As expansionary trends in social expenditure lasted longer in these countries, the gap in terms of social expenditure per head vis-à-vis North-Western Europe has been closing at a faster rate than in the case of Greece. Greece's position in the European Union in terms of social expenditure per head (measured in PPS) deteriorated in the early nineties. Thus Greece ranked last among the EU countries in 1993. By measuring the changing gap between south European countries and the country with the highest social expenditure per head in the EU (Luxembourg), we observe, that the position of Greece initially improved during the eighties, but the gap widened again in the early nineties. Spain and Portugal have been experiencing a continuous trend of convergence (Table 3).

Italy differs from the other south European countries, because of its earlier establishment of a welfare state. Thus, although annual social expenditure growth rates were not as high as they were in the other three countries in the eighties and nineties, Italy succeeded in closing the gap in terms of social expenditure per head vis-à-vis north-west European countries. Average social expenditure per head amounted to 59% of the corresponding rate for Luxembourg in 1980, it then increased to 74% in 1990, but dropped back to 65% in 1993.

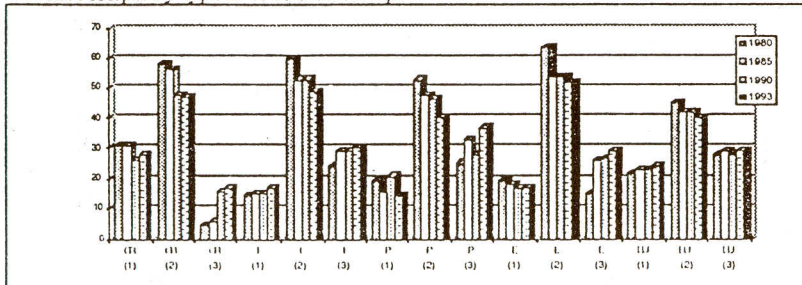
Table 4 : Unemployment rate/benefits and active labour market measures

	GR	I	E	P	B	DK	D	F	IRL	L	NL	UK
Unempl.rate (1994) <sup>1</sup>	8.9	11.3	24.3	6.7	9.6	8.0	8.7	12.7	15.6	3.5	7.2	9.7
- Unemployed for 12 months and over (% of all unemployed)	50.5	61.5	52.7	43.4	58.3	32.1	44.3	37.5	59.1	29.6	49.4	45.4
Unemploy. benefits <sup>2</sup>												
-1st period (months)	12	6	6	21	12	30	12	12	12	12	24	12
-% of incomes	28	26	80	81	79	73	63	80	41	85	74	23
-2nd period (months)	0	0	18	21	indef.	indef.	indef.	indef.	indef.	indef.	indef.	indef.
-% of incomes	0	0	70	44	63	63	56	67-33	32-35	46	49	23
Active labour market measures (% of GDP) <sup>3</sup>												
-administration	0.39	0.90	0.53	0.84	1.26	1.81	1.32	1.21	1.47	0.24	1.21	0.59
-labour market training	-	0.08	0.11	0.13	0.21	0.11	0.24	0.15	0.14	0.04	0.20	0.24
-youth measures	0.16	0.02	0.15	0.33	0.27	0.47	0.42	0.44	0.48	0.04	0.18	0.16
-subsidized employm..	0.04	0.80	0.09	0.27	-	0.34	0.06	0.28	0.43	0.09	0.11	0.14
-measures. for the disabled	0.08	-	0.18	0.07	0.62	0.43	0.34	0.26	0.28	0.02	0.13	0.02
	0.01	-	0.01	0.05	0.15	0.46	0.26	0.08	0.14	0.05	0.59	0.03

Source: (1) Eurostat (1995a), (2) Commission of the European Communities (1994), and (3) OECD (1995).

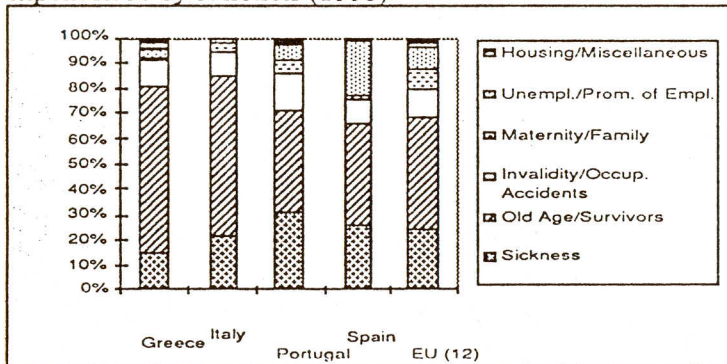
[Data on active labour market measures refer to 1992 for Greece and Italy, 1991 for Ireland, 1993 for France, 1993 for Belgium and Luxembourg (1993); for the rest of the countries the data refer to 1994.]

Diagram 4: Social protection current receipts by type as % of total receipts



Source: *Eurostat* (1995b) [(1) Social contributions paid by employees, self-employed and others; (2) Employers social contributions; (3) Current general government contributions and other current receipts. EU average refers to the twelve member states (of 1990), excluding the new German Länder.]

Diagram 5: The structure of social protection expenditure by function (1993)



Source: As in Diagram 4

Trends in social expenditure reflect a short glimpse of the welfare state in Southern Europe. The formation of social citizenship was delayed in these countries, to one extent or another, and, in addition, as soon as an expansion of social spending was achieved, a point of crisis was reached due to economic stagnation, global competition and restructuring, the deepening fiscal crisis of the state, demographic changes and increasing unemployment. Thus, in 1984, central government debt amounted to 41 % of GDP in Greece, 66% in Italy, 54% in Portugal and 37% in Spain and has been increasing very fast ever since (Diagram 3).

Among the four south European countries, Greece reached a point of crisis much earlier and well before achieving an expansion of social citizenship. Skipping industrialisation contributed to the maintenance and reproduction of a welfare philosophy which focuses on individual, particularistic needs rather than on universal well being. This is also manifest in the mode of financing of social expenditure. In all four countries this is based on contributions rather than taxation, with tax-financing being particularly low in Greece (as Diagram 4 shows, general government contributions are extremely low in Greece).

Diagram 5 shows the structure of social protection expenditure by function in the four South European countries and the EU in the early nineties, while Diagrams 6-9 depict the changing magnitude of social protection benefits as percentage of GDP in each country over the period 1980-1993.

Income maintenance figures as the main component of the social protection systems of southern Europe. However, it is particularly in Greece that old age pensions, together with invalidity pensions, constitute the most important component of social protection expenditure (amounting to 76% of all benefits in 1993). Furthermore, in the early nineties, 50% of all pensioners of the National Insurance Fund (IKA, the biggest social insurance fund for blue and white collar workers) received invalidity pensions (Commission of the European Communities 1994a: 30). This pattern is also shared by Italy, where old age and invalidity pensions amounted to 74% of all benefits in 1993.

Moreover, a dramatic proliferation of invalidity pensions is observed in southern Italy, where in 1990 the persons receiving such pensions were more than twice as many as old age pensioners; while in northern Italy the importance of invalidity pensions diminishes (Ferrera 1996: 27). Portugal and Spain are closer to the EU average as regards the relative weight of pensions in social protection expenditure.

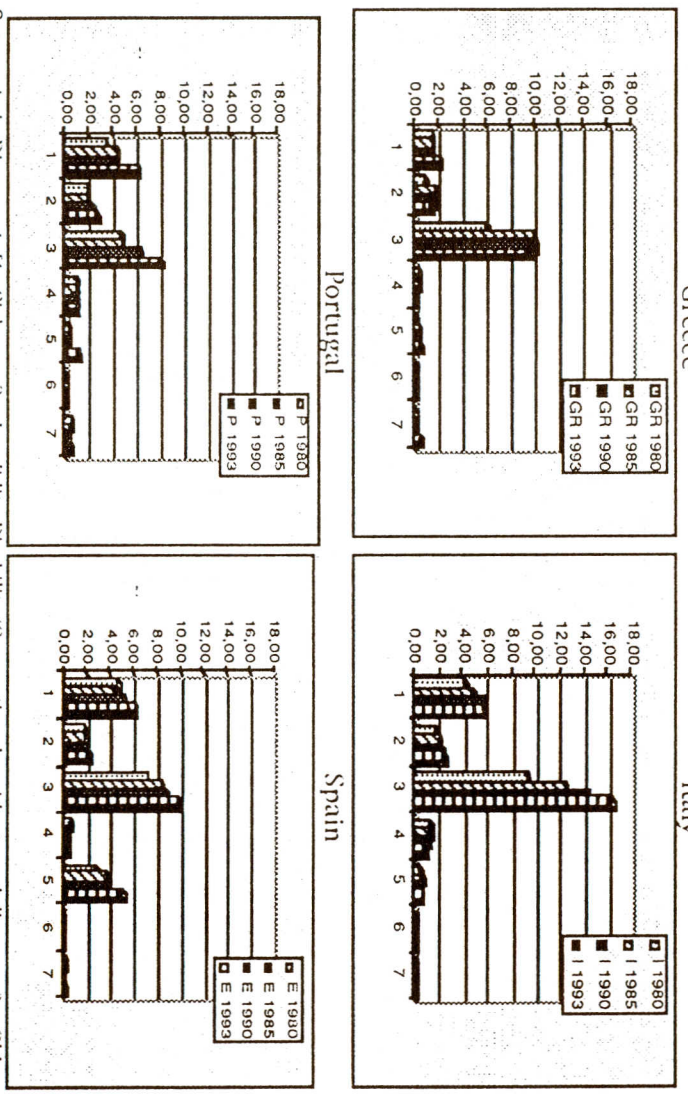
The crucial weight of pensions in social protection in the south and south-eastern areas of Europe is also closely linked to a high degree of fragmentation of social insurance observed in this direction. Greece, again, offers, an extreme example of a plethora

of social insurance schemes addressed to a multiplicity of occupational groups: in 1995, there were 86 social security funds administering compulsory and supplementary pension schemes, and 236 institutions (under the control of six different Ministries) providing health care and social welfare benefits. Equally high is the degree of fragmentation in Italy, where in the early nineties, compulsory pension schemes were administered by 30 social security funds, while there were another 43 funds providing supplementary, health and welfare benefits (Saraceno 1992: 7). A recent reform in Italy (approved in the autumn of 1992, in view of a threatening fiscal crisis) succeeded in limiting over-fragmentation and extreme heterogeneity in the range and level of benefits.

Legislation passed in the early nineties in Greece (i.e. laws 1902/1990, 1976/91 and 2084/92) aimed at reducing the public debt and social security deficits: the retirement age of public employees and minimum requirements of working days for retirement were increased, contributions were raised and the method of calculation of pension increases in relationship to unskilled worker wage increases was discontinued. These measures have had a slight positive fiscal effect (OECD 1991: 61), yet they hardly managed to rationalise the system and overcome fragmentation. On the contrary, they increased polarisation, as the number of pensioners receiving the minimum pension increased significantly (amounting to 71% of all pensioners of the National Insurance Fund in 1996), while the level of minimum monthly pensions also deteriorated by falling from 20 to 16.8 wages of the unskilled worker.<sup>7</sup>

Compared to Greece and Italy, Spain exhibits medium fragmentation along the basic occupational distinctions, that is, public versus private employees, agricultural versus other self-employed, and the free professions. Portugal is ranked even lower, as there is only one major distinction of social security schemes (public versus private employees together with the self-employed). Another important characteristic is that, although all four countries exhibit a polarisation in old age benefits, this is higher towards the South East. Thus, in Greece, the earnings replacement rate for a person with a full working career even surpasses the net average wage in manufacturing, reaching 107% in the early nineties (Commission of the European Communities 1994a: 54-55). The corresponding rates for Italy, Portugal and Spain were: 89% , 94% and 97% respectively (well above the EU average amounting to 75%). On the other hand, those individuals with no substantial contributive entitlements and meagre incomes get extremely low benefits in Greece, which reach only 8% of the net average wage in manufacturing. Equally low are these benefits in

Portugal & Spain as % of GDP



Source: As in Diagram 4 [1 = Sickness, 2 = Invalidity-Disability/Occupational accidents and diseases, 3 = Old age pensions-Survivors, 4 = Maternity-Family, 5 = Unemployment benefits-Promotion of employment, 6 = Housing, 7 = Miscellaneous]

Table 5 : Annual growth rates of benefits, 1980-1993 (in ECU, at constant 1985 prices)

	Sickness	Invalidity Occupat.	Old Age Survivors	Maternity Family	Unemployment Job Promotion	Housing	Miscellane- ous	Total Benefits	Total Receipts
Greece									
1980-85	0.9	15.8	11.3	6.8	8.1	26.9	22.9	10.4	6.9
1985-90	0.6	0.6	2.33	-13.0	6.2	-11.6	14.8	1.7	3.5
1990-93	16.1	-4.9	-0.9	-6.3	5.8	-8.4	29.5	1.5	1.6
Italy									
1980-85	3.4	3.8	6.7	-0.2	13.7	13.5	15.6	5.4	4.1
1985-90	7.4	5.2	6.0	2.3	-7.81	-9.4	-29.4	5.7	4.9
1990-93	-0.1	1.7	4.8	-5.8	12.4	-0.8	3.3	3.0	3.4
Portugal									
1980-85	5.6	2.3	1.2	0.8	0.5	24.6	-8.0	2.3	2.7
1985-90	4.9	8.3	11.4	6.4	9.5	46.2	13.2	8.5	8.7
1990-93	13.7	6.1	8.9	2.8	48.1	-11.2	3.1	10.6	4.9
Spain									
1980-85	0.1	3.3	4.5	-7.0	6.6	-	-5.6	3.1	2.6
1985-90	8.5	5.5	5.5	-2.4	3.2	52.1	5.9	5.7	6.2
1990-93	5.7	5.4	4.5	9.1	14.9	-3.0	4.0	6.8	6.3
EU (12)									
1980-85	0.9	2.0*	3.2	-1.2	8.4*	-*	5.7	2.5	1.7
1985-90	4.2	3.9*	3.6	1.2	-2.3*	-*	5.4	2.3	3.3
1990-93	3.5	4.2*	3.6	3.1	14.2*	-*	6.1	4.3	3.7

Source: Eurostat (1995b); own calculations. \*No data available for occupational accidents, promotion of employment and housing benefits. [For EU average see note in Diagram 4.]

Italy (19%), while in Spain and Portugal they are closer to the EU average (36%).

Since the late seventies, some form of a National Health Service (NHS) has been introduced in the four countries, counterposing universalism in health care to institutional fragmentation of social insurance along occupational lines. In Portugal, a universalist health care system was instituted in 1979. In Spain the universalisation of the right to health was introduced in 1986, but universal health coverage was not put into practice until 1990. This was effected through the reorganisation of the existing regional and municipal health care resources into a more integrated and centrally financed system (Cabrero 1992: 46; Rodriguez & Fernandez 1993: 138f). However, in both countries the reforms did not totally abolish dualism in health care, as the better off groups continue to enjoy special schemes, while the NHS covers mainly the vulnerable and deprived groups of the population.

The 1978 reform in Italy was more successful in establishing a new NHS that included all the existing occupational health care schemes (Saraceno & Negri 1994: 20-23; Ferrera 1996: 23). It is in Greece that universalism in health care is weakest. Greece introduced an NHS in 1983 (Law 1397), yet the reform focused primarily on work relations of hospital doctors, completely neglected primary health care in urban centres<sup>8</sup>, and maintained an extensive mediation of coverage by occupational health schemes, a condition contributing to the reproduction of big inequalities and organizational deficiencies.

By comparing Diagrams 6, 7, 8 & 9 we observe that, as we move towards the South-East, pensions dominate over all other benefits, e.g. sickness benefits (including public expenditure for health care), unemployment benefits, expenditure on policies promoting employment, maternity/ family and housing benefits.

With regard to unemployment, South European countries exhibit a very inadequate social protection. In all four countries there is no income support scheme for the long-term unemployed. Yet, with the exception of Portugal, more than 50% of the unemployed have been out of work for more than a year (Table 4).

In Greece and Italy unemployment benefits are granted for a short duration (12 and 6 months respectively) and are some of the lowest in the EU, measured as a percentage of the net income earned by the unemployed when he/she was working. In Italy however there is a rather complex institutional framework for tackling unemployment, which encompasses the *Casa Integrazione* as well as various schemes run by regional and municipal agents. A similar institutional framework is lacking in Greece. On the other hand, in Spain and Portugal, unemployment benefits granted during the first period are higher than the EU average (around 80% of previous income is granted for the first 21

and 6 months respectively), but decrease significantly for the next 18 and 44 months, in each country respectively.

Furthermore, Greece, Italy and Spain lack any social assistance schemes for the young unemployed. In Portugal unemployment benefits are granted to the young unemployed for 10 months, but they are much lower than the benefits granted to other categories of the unemployed.

As for active employment measures (vocational training, youth schemes and subsidised employment), in the early nineties, Greece spent only 0.39% of GDP (being one of the lowest rates in the EU), Italy 0.90%, Spain 0.53% and Portugal 0.84%.

Table 5 disaggregates the trends of social expenditure by function and sub-period. The picture that emerges further supports the trends we discussed so far, namely the rapid growth of social expenditure in the early eighties in Greece, throughout the eighties in Italy, and since the mid-eighties in Spain and Portugal. In Greece (and later on in Portugal) the expansion of social expenditure created serious imbalances between total benefits and the revenue required for financing this expansion. The trends in health care expenditure are highly illuminating as regards the problems and contradictions that the south European social protection systems are facing. In attempting to introduce a universalist health care system, at a period of fast increasing medical costs due to technological advancement, increasing quality standards and significant demographic changes, these societies came across serious fiscal problems even before attaining universal coverage (see for instance the high rate of growth of health care expenditure in Greece in the early nineties, when even the weak variant of universalism of the previous decade was being seriously questioned).

In a nutshell, towards the south-east, the expansive phase lasted a shorter period, no substantial shift from income maintenance to service provision is observed, and dualism and fragmentation in occupational social security schemes remains high.

### **The rigidities of the 'southern model' of social protection**

In the seventies and eighties, the reformist outlook of social protection and the endeavours to increase social citizenship in south European countries reflected the socio-political changes which set forth a process of social and political democratisation in Spain, Portugal and Greece in the mid-seventies. The social changes that took place in the sixties and seventies and, most importantly, the increasing urbanisation and expansion of the middle classes created strong pressures for political change in these three countries, while the transition to democracy brought about new social and political alliances and a reshuffling of patronage

and clientelistic networks. On the other hand, in Italy, the National Solidarity Government of 1977-78 marked a significant turning point in social alliances, as, for the first time since the second world war, left-wing forces, even though not in office, considerably influenced the welfare philosophy and policy making in this country.

The political slogan of 'change' became the banner of an alliance dominated by sections of the expanding urban middle classes (also encompassing parts of the peasantry and the working class) which had so far been excluded from the patronage and clientelistic chains of the traditional right-wing forces (ruling Greece and Italy for more than two decades after the second world war), and of the fascist regimes in Spain and Portugal. Though it is outside the scope of this paper to pursue a detailed historical analysis of the transition to democracy in the three South European countries (see on this issue Chilcote 1993; Petras 1993; Petras *et al.* 1993), it is important to stress that socio-political changes in the mid-seventies under the banner of social and political democratisation were not triggered by demands for state and social rationalisation, but reflected strong pressures for a redefinition of the 'political credentials' of access to the state, and thus for a redrawing of clientelistic chains. Accordingly, the reasons for the (delayed) expansion of social citizenship rights need to be sought primarily in the social legitimating of the new alliances, rather than in any attempt to deepen social solidarity and balance it to the rationality and functionality of the economic system.<sup>9</sup> The more so in the south-eastern region (i.e. Greece) where fordist patterns remained weakest, while there is a high prevalence of middle-class-strata, a large section of which has no clearly defined occupational status, crossing frequently the boundaries between the formal and informal sector, between self-employment and employee-status.

The reforms in the social protection systems introduced in the South European countries from the mid-seventies to the mid-eighties expressed an endeavour to overcome fragmentation, put emphasis on the provision of services over income maintenance support, and bring about de-centralisation in the social policy process by strengthening the role of regional/local government in welfare provision and promoting citizens' participation and control. Although these reforms apparently indicate a turn in welfare philosophy, they were cast in the statist/clientelistic framework, as they reflected a social legitimating of the new, predominantly middle-class-based alliances demanding access to the state. Consequently, they hardly transformed the traditional dimensions of welfare provision in these countries, that is statism/clientelism, creating and distributing incomes on the basis of political criteria and, thus, facilitating soft-budgeting practices

by families and households, which remain the main units of redistribution and support for the individual.

The Italian welfare state advanced towards reformist policies at an earlier stage and at a higher speed. Two main laws which were passed at the end of the 1970s instituted: (a) the National Health Service; (b) territorial decentralisation in the planning and delivering of services, with increased responsibilities assigned to local government; and (c) inter-service co-operation and citizens' participation by the establishment of local social and health units. Education and social security remained the responsibility of central government, but regional/local government enhanced its responsibility in social assistance and job training policies. As Saraceno and Negri stress, these reforms contributed to a shift from a purely *curative* and *restorative* approach to health care and a conceptualisation of social services as charitable assistance to "a focus on prevention as well as on measures aiming at social integration and re-insertion" (1994: 21).

Yet the reforms were characterised by various shortcomings. Decentralisation did not proceed very far, leaving a large area of needs of specific categories of groups to be covered either by the market or by non-profit, voluntary initiatives (among which the Catholic Church plays a central role), albeit with no co-ordination with public social policy agencies.<sup>10</sup> Clientelistic particularism and fragmentation were maintained and reproduced (at the regional and local level) putting limits to the maturation of a welfare philosophy based on universal well-being. A debate which developed in the late eighties about the feasibility of a basic income scheme, soon lost momentum, inter-service co-operation at the local level was overturned, and universalism in health care curtailed by new legislative measures responding to a number of problems, such as budget constraints, changes in political ideologies and citizens' protests against the malfunctioning of services.

Spain has also been undergoing a process of health decentralisation, accompanied by inter-sectoral cooperation and citizens' participation, since the late eighties. Some regions (e.g. Catalonia, the Basque country, Valencia etc.) have taken full control of health services management and administration, while the responsibilities of local authorities are also extensive with respect to public health protection. But as Ayala (1994: 176-78) stresses, since the early nineties, budget constraints and an ideological shift away from the solidaristic principle (disapproval of the expansion of social expenditure and support for private insurance plans) have limited the development of social protection. Similarly, in Portugal the new Health Law of 1990 increased the weight of private payments in the financing of health care (Pereirinha 1992: 95). Economic and ideological constraints

are also guiding law reforms in Greece in the nineties (e.g. the laws referred to above with regard to pensions). Besides, in Greece, territorial and functional de-centralisation of health and social services and voluntary initiatives have been weakest, and universalisation of services and benefits lowest. On the other hand, the linkages between statism, family support and soft-budgeting remain strong. Indicators, such as the size of the informal economy, tax evasion, fragmentation in income maintenance, the extent to which welfare provision depends upon the relative power of individual and groups to derive revenue by political means, and the looseness of redistribution policies - as described in section 2 - exemplify this point.

The supra-national dimension of social policy in the EU has not effected any significant changes in the institutional framework of social protection of the member states so far. For instance, in social security, Community provisions have up to now focused primarily on the coordination of social security schemes addressed to migrant workers, while the overall structure and organisation of national systems has remained a responsibility of national states (Sissouras & Amitsis 1994: 248; Rodriguez & Fernandez 1993: 140). On the other hand, finance from the structural funds and mainly from the European Social Fund (ESF) constitutes an important dimension of EU influence on south European social policy systems. In the period 1989-1993<sup>11</sup>, the assistance by the ESF to Greece, Italy, Spain and Portugal - planned in the Community Support Framework (Objective 1) - amounted to 17%, 18%, 24% and 20% of total ESF financing, aiming at enhancing human capital and reinforcing education and training schemes in the lagging regions of the EU (Commission of the European Communities 1995).

Even though detailed evaluation of the effects of ESF finance on the four south European countries is lacking, some highly illuminating observations can be made on the basis of the existing practices. In the case of Greece, the large scale 'abuse' of these ESF grants, targeted initially to vocational training and the promotion of employment, manifests the rigidities of statist/clientelistic patterns of social organisation. A machinery of 'fake' vocational training programmes has been developed, in which firm-owners, workers, central/local agencies and politicians are involved. Enterprises, which often lack any infrastructure for providing adequate vocational training, are granted money to organise training programmes which scarcely take place, thus acquiring the money as a windfall return; meanwhile, workers consent to declare that they have attended training programmes in return for a benefit added to their wages (or, for a meagre unemployment benefit). On the basis of a recent law targeted to rationalising vocational training in the country, a number of

Centres of Vocational Training (KEK) were established to which all responsibility for training programmes was transferred. In order to become a certified KEK, a vocational training agency should go through a process of evaluation of its infrastructural, educational and operational capacity by the Ministry of Labour. Despite the stricter rules, phenomena of abuse are widespread (i.e. 'fictitious' Centres of Vocational Training).<sup>12</sup> Given the absence of any 'active labour policy' worth the name in Greece, the fast growing number of KEKs in the last few years and the clientelistic market within which these function is another indication of the 'violation' of the initial aims and requirements of this ESF policy measure within the Greek national context. Needless to say, this situation diverges significantly from the 'workfare policies' pursued by the more advanced countries of the EU (see for instance Jones 1996).

The abuse of invalidity pensions in the Mezzogiorno, and the widespread practice of clientelistic-discretionary subsidisation of 'fake' unemployed that appeared in South Spain (in Andalusia and Extremadura) in the eighties constitute similar phenomena.<sup>13</sup> All these cases manifest the rigidity of the southern model of social protection which consists in the interlinkage between a mode of distribution of revenue based upon political-clientelistic criteria, and widely legitimized practices of soft-budgeting within the family. The inability of south European societies to rationalise social policies and shift from a particularistic-individualist orientation to universal well-being puts limits on their capacity to meet present challenges. The need for (a) an effective and universal income safety-net, (b) de-centralisation, (c) expansion, improvement and diversification of social services so as to respond to local needs, and (d) an efficient employment policy to combat unemployment, restructure skills, and regulate casual labour and illegal migration are among the main challenges that South European societies are facing in the nineties.

### Conclusion

Because of the specificities of the southern model of social protection, the crisis dimensions in southern Europe differ significantly from those characterising north-west European countries. First, the statist-clientelist mode of social organisation has led to serious deadlocks, as conflicts about access to the state have intensified to an unprecedented degree and social legitimating has weakened severely over the last decade.<sup>14</sup> Taking up the example of Greece again, economic stagnation, coupled with an intensification of antagonisms and social fragmentation, has significantly limited the effectiveness of the traditional model of social protection, since the early eighties. Signs of exhaustion of the family as a main support unit are closely linked to these

conditions, and are also precipitated by phenomena such as the increasing participation of women in the labour force, and changing family patterns (growing rates of divorce and of one-parent families).<sup>15</sup> Moreover, recent trends of (legal and illegal) migration to the countries of southern Europe have created new pockets of social marginalisation; migrants have the added disadvantage that they lack a family safety net, while they experience severe deprivation. From this perspective, south European societies face the challenge of large scale state and social rationalisation which could facilitate significant social policy reforms.

Second, to the extent that south European societies attempted to develop a welfare state, they soon came up against a fiscal crisis which reversed any trends of universalism. This was also compounded by a number of adverse conditions. South European societies instituted a welfare state at a time of large scale economic restructuring, global competition, and demographic changes which made a balanced relationship between the expansion of social protection and economic growth unfeasible.

Given the limited development of the welfare state, and the diminishing effectiveness of the traditional family support system, the crisis of social protection may have more devastating effects in southern Europe than in the advanced countries of the European Union. It is highly likely that the requirements for monetary unification stipulated by the Maastricht Treaty will cause deep shocks in south European societies with detrimental consequences for social cohesion, if these societies are unable to develop a new 'social contract', involving a new balance between civil society and the state, market processes and political intervention, which will allow the development of social citizenship and a universalist culture.

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<sup>1</sup> For a comparative examination of social structures and paths of transformation in the basic socio-economic divides of Europe (i.e. North, Central, South) see Petmesidou and Tsoulouvis 1994a.

<sup>2</sup> For instance in Greece, in 1962, industrial output exceeded agricultural output for the first time. In the period 1960-68, all four countries experienced very high yearly rates of growth of GDP per capita (5% in Italy, 6.7% in Greece, 6.3% in Spain and 5.7% in Portugal, while the corresponding rates for Germany, France and the UK were 3.1%, 4.2% and 2.4% respectively) (Sapelli 1995: 7).

<sup>3</sup> A trend of decline began in the early seventies, when industrial employment reached a peak of 38% of the labour force in Italy.

<sup>4</sup> See also on this point Sapelli 1995. For a comparative examination of political structures and modes of socio-political integration in Southern Europe see Kurth 1993.

<sup>5</sup> The idea of the 'four-cornered society' put forward by Perez Diaz and Rodriguez also points to strategies combining opportunities of jobs,

incomes and welfare in the different socio-economic spaces of South European societies (formal/informal labour market, public employment etc.). See Ferrera (1996: 21).

<sup>6</sup> Social expenditure is defined here as the total of benefits to households in cash and kind (plus administration costs) covering risks which can be classified into different functions, such as sickness, invalidity, disability, occupational accidents and disease, old age, survivors, maternity, family, vocational guidance, unemployment and miscellaneous.

<sup>7</sup> In the last two years the mobilization of pensioners receiving minimum benefits led to acute confrontations with the government. The meagre increase of 0.1% approved recently for the most deprived groups of pensioners of IKA and other social security funds further intensified mobilizations.

<sup>8</sup> Many of the health centres established in rural areas are barely functioning due to a lack of adequate infrastructure and medical personnel (Papoulias 1993).

<sup>9</sup> As is more or less the case with variations of 'Keynesian' social and economic policies which backed the development of the welfare state in North-Western Europe in the fifties and sixties.

<sup>10</sup> Thus in the late eighties there were about 4700 non-profit agencies in Italy offering a substantial proportion of social services, particularly those involving specific social groups at risk, such as the elderly, minors, drug addicts, third world immigrants etc. (Saraceno and Negri 1994, 22-23).

<sup>11</sup> That is, the first five-year-plan period after the reform of the Structural Funds.

<sup>12</sup> There are about 600 (!) certified Centres of Vocational Training in Greece, a number of which have never implemented any training programmes and, given their lack of adequate infrastructure and organization, one wonders how they became licensed training centres in the first place.

<sup>13</sup> Referred to by Ferrera (1996: 28).

<sup>14</sup> Phenomena of large scale corruption and fraud are closely linked with the crisis of statism.

<sup>15</sup> Though the frequency of these phenomena is lower in Southern Europe in comparison to North-Western Europe (Commission of the European Communities 1994b).