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Bachelor Thesis

The troika and Greek welfare state reform: austerity from start to finish or some degree of social investment?

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Abstract

This bachelor thesis contributes to the academic debate on the direction of welfare state reform in times of crisis by analysing the three economic adjustment programmes imposed by the troika on Greece in exchange for substantial financial loans regarding the extent to which the programmes' policy conditions on welfare state reform aimed at austerity or social investment. To this end, the Memoranda of Understanding of the three adjustment programmes from 2010 to 2018 detailing the troika's policy conditions were selected as data for the qualitative content analysis. Two rival expectations were formulated based on two competing hypotheses in the literature on welfare state change in times of a (global) crisis, the efficiency and the compensation hypothesis. Based on the efficiency hypothesis, it was expected that the troika saw no room for social investment and relied exclusively on austerity measures. Following the compensation hypothesis, it was expected that the troika acknowledged public claims for compensation to some extent and included social investment policies to a certain degree. Findings are more in line with the compensation hypothesis, mainly because of the introduction of universal health care coverage and a general minimum income scheme in the third economic adjustment programme.

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1 Introduction

The Greek sovereign debt crisis in the aftermath of the global financial crisis has been a fundamental challenge certainly for the country itself, but also for the European Union. Ten years after the beginning of the crisis, Greece successfully completed the European Stability Mechanism (ESM) stability support programme on 21 August 2018, which was the final economic adjustment programme imposed by the European Commission, European Central Bank and International Monetary Fund (together also known as the troika) on the Greek government in exchange for substantial financial aid.

The unprecedented economic recession that hit Greece in 2009 led to rising unemployment levels and less revenue for the Greek government whereas expenditure for social protection was rising simultaneously. This in turn posed the challenge to firstly the Greek government and then to the troika to consolidate the Greek budget. Of course, Greece was not the only country that faced these fiscal pressures during the latest economic crisis, but most Western democracies did, albeit not in the same dramatic way as Greece.

In order to meet the target of fiscal consolidation, the scholarly literature suggests that there was one dominant policy option on the table at the time: austerity (Armingeon, 2012). In fact, the troika did choose the option of austerity and drafted its policy conditions for the first programme in 2010 following the goals of retrenchment of welfare benefits and entitlements to reduce costs, and of raising (indirect) taxes in order to increase revenue. Indeed, at least in the public and media debate, the impression became manifest that the troika never deviated from its path of austerity until the end of the last programme in 2018. Consequently, the EU and particularly the troika have been criticised a lot for acting like cold bureaucrats paying no attention to the social consequences that their economic adjustment programmes brought about (Makris, 2015). But is this view accurate? Public demands for compensation of those societal groups that were hit the hardest by the crisis and for the need of social investments were loud and persistent during the entire duration of the programmes. Similarly, Jean-Claude Juncker already said in 2014 right before he was elected President of the European Commission that "The rescue of the euro was necessary but was weak on the social side. […] In the future we need a more democratically legitimate replacement for the Troika and thorough social impact assessments for any new support programmes" (European Commission, 2014a). Is the reform of the Greek welfare state a story of pure austerity then or have the targets of the troika evolved over time? After Greece having officially completed the economic adjustment programmes, it is a good time to assess empirically to what extent the troika aimed at austerity in its policy conditions on welfare state reform and to what extent the goal of social investment played a role as well over the entire period of the crisis. This is what the thesis is about.

The next section presents the research question of the paper, followed by a brief overview of the history of the Greek sovereign debt crisis and the EU/IMF bailout packages that were accompanied by strict economic reform programmes. The theory section discusses the two different rationales (austerity vs. social investment) for welfare state reform in times of economic crisis, reviews the literature on the impact of the most recent crisis on the welfare state and formulates two rival expectations for this thesis. The methodology part demonstrates the research design and shows how planned reform measures in the policy documents are operationalised as aiming at austerity or social investment. Finally, the three economic adjustment programmes imposed by the troika on the Greek government in return for financial loans are analysed chronologically in terms of the extent to which the policy conditions for welfare state reform aim at austerity or social investment. The thesis ends with a section presenting a tentative conclusion concerning the direction of planned Greek welfare state reform by the troika in the years of the stability programmes 2010 to 2018.

1.1 Research question

The following descriptive research question was formulated for the thesis:

To what extent did the troika aim at austerity and to what extent did it strive for social investment in its policy conditions on welfare state reform imposed on Greece in the period of 2010 to 2018?

This research is socially relevant because if we know the answer to the research question stated above, we can better understand and assess the troika's handling of the Greek crisis as well as its implications for the Greek welfare state. At least in the public and media debate, the impression persisted that the troika never deviated from its path of pure austerity until the end of the last programme in 2018, so it is important to verify this claim. The EU has lost a large amount of confidence by the Greek population in the process of the adjustment programmes and knowing the answer to this research question may give us a more refined grasp of why that happened. It is not unlikely that there will be another financial crisis and having a more differentiated understanding of the way the EU (by mandating the troika to negotiate the terms) has handled the current one using the example of Greece may help us to point to potential shortcomings and unintended side effects.

What direction of welfare state reform is undertaken during a crisis in terms of austerity vs social investment is still an ongoing debate in the literature as will be further discussed in the theory section of this paper. As many scholars claim that austerity has become the dominant policy option, it is scientifically relevant to study empirically if this claim is valid or not in the most prominent case of crisis in the eurozone, namely Greece. Moreover, other scientific articles only concentrated on the first years of crisis reforms in the period 2010 to 2014. In fact, no studies have been found that have already analysed the whole period incl. the third stability support programme until 2018, so there is a gap of knowledge there which this thesis aims to tentatively diminish. This thesis is theoretically relevant because the analysis will show that contrary to the prevailing assumption in the literature, the troika did not rely exclusively on policy conditions on welfare state reform aiming at austerity, but also included to a certain degree reform conditions striving for social investment. Notably by introducing universal health care coverage and a general minimum income scheme, both for the first time in Greece, the troika also used the economic adjustment programmes to move (parts of) the Greek welfare system closer to EU standards, albeit to varying degrees.

1.2 Brief overview of the history of the Greek sovereign debt crisis and EU/IMF bailouts

In the aftermath of the 2008 global financial crisis, Greece slipped into a sovereign debt crisis in 2009/2010 when an unprecedented recession resulted in Greek budget deficits spiralling out of control. Coupled with structural weaknesses of the Greek economy and the inability of the Greek state to devalue its currency as a member of the eurozone, all the ingredients were there for a crisis of confidence by market investors. This led to the rise of interest rates on Greek government bonds to unsustainable levels which left the Greek government unable to finance its debt. When the dangers of a Greek default and subsequent exit from the eurozone (also known as ‘grexit’) became more pressing and contagion fears spread in the eurozone, the Greek government asked the member states of the eurozone for financial loans to cover its financing needs. Access to the financial markets in order to borrow money was essentially blocked for the Greek government so the bailout package requested from the eurozone countries was a last resort. However, the financial loans were only disbursed under the condition that Greece submitted itself to far-reaching economic and financial reforms. In May 2010, an agreement was reached on a €110 billion bailout package between the Greek government and a joint mission consisting of experts from the European Commission, European Central Bank (ECB) and International Monetary Fund (IMF) (together also known as the troika) who had been mandated by the countries of the eurozone to lead the negotiations on the detailed policy conditionality of the economic adjustment programme. When the austerity policies pursued by the troika did not manage to slow the crisis down, but in fact the recession deepened, it became clear by 2012 that more financial loans would be needed to prevent the Greek state from going bankrupt. By that time, the austerity measures of the first programme had already led to protests by the Greek population and to social unrest in the streets. Indeed, the crisis as well as the measures imposed by the troika led to increasing income losses and rising levels of poverty. Moreover, hundreds of thousands of young and/or well-educated Greeks left the country due to the ongoing crisis.

Yet, in March 2012 agreement was reached between the troika and the Greek authorities on a second economic adjustment programme in exchange for loans of €164.5 billion over the period 2012 to 2015. By the end of the second programme in 2015, popular discontent with the troika's reform programmes had intensified which resulted in the election of a very left-wing government in the 2015 general elections. Indeed, the entire Greek party system was turned over during this election with the formerly mighty social democratic party dwindling to insignificance while the previously small left party Syriza received the most votes after campaigning on ending the troika's politics of austerity. However, the troika had the upper hand in the negotiations over a third bailout package and adjustment programme and the Syriza government had to give up most of its positions. In fact, the negotiations between Syriza and the troika were so fierce that they almost crashed. Nonetheless, and contrary to the beliefs by many, the left-wing government implemented the measures demanded by the troika which they did not believe in and successfully concluded the third economic adjustment programme which expired on 21 August 2018.

2 Theory

2.1 Austerity vs. social investment

There are two rival theoretical approaches in the literature when it comes to the effect of global economic crises on the welfare state following two different rationales. Both examine the relationship between increased global economic interdependence and the national welfare state, but come to different conclusions and predictions.

First, there is the economic rationale which holds that when budget deficits go up due to rising unemployment levels in times of economic crisis, there is the need to cut public spending. According to this theory, only by reducing public expenditure, the goal of fiscal consolidation can be reached which is seen as the cornerstone to get back on a growth-friendly path. Typically, public spending is largest for the social protection systems of the welfare state which is why retrenchment in this domain provides the most potential for savings. Thus, welfare retrenchment usually forms an important part of the politics of austerity which is the common policy option taken by actors following the economic rationale in the face of a (global) economic crisis. Pierson (1998) argued that post-industrial welfare states confront pressures of permanent austerity, not only because of economic globalisation but also due to other social transitions such as an aging population. In this 'era of permanent austerity' (Pierson, 1994), aims of reducing the costs of the welfare state dominate the political agenda. Indeed, although there is disagreement about the degree of welfare retrenchment that took place, the literature suggests that the period 1980-2000 was largely characterised by the rollback of social protection (Clayton & Pontusson, 1998; Swank, 2002). More recently, Armingeon (2012) claimed that in the aftermath of the global economic crisis, by 2010, austerity had become the only policy option pursued by governments to reform the welfare state.
In general, this approach is informed by neoliberal arguments that emphasise the efficiency of markets and the need for national economies to get more competitive on a global level to attract investments. Therefore, raising corporate taxes as well as direct taxes on labour to increase revenue is to be avoided in order not to deteriorate competitiveness. Indeed, lowering tax rates, wages and non-wage labour costs which are closely connected to social security is seen as necessary in order to make relocation for companies attractive in a global arena of competition. However, lower tax revenue leaves less room for governments to spend money on social policies which is why austerity in social protection expenditure ensues. Welfare retrenchment

is part of the neoliberal toolbox as it curtails social protection systems in order to give people greater incentives to work and to care for themselves rather than to rely on the state. In fact, work activation policies and ensuring the work-relatedness of benefits and social support is an integral part of the politics of austerity next to retrenchment. It is seen as more efficient if the receipt of social benefits is made less attractive and the obligation for people to participate in the labour market is strengthened. In other words, giving incentives for people not to rely on the social safety nets, but on their own work and employment to support themselves is seen as a crucial policy goal of austerity. The economic rationale favours supply-side economics.
Consequently, the economic rationale results in the efficiency hypothesis which says that economic pressures resulting from increased global economic interdependence leave little to no leeway to national governments to invest in the welfare state which is why they are forced to resort to welfare austerity policies (Cerny, 1994; Rudra, 2002).

Second, there is the social rationale which says that when unemployment levels rise during a recession, there is the need to compensate people for the loss of income that they endured. Increased global economic competition means that only competitive sectors of the economy survive whereas less competitive sectors get under pressure and possibly collapse. Many people suffer in the aftermath of a global economic crisis. When companies go bankrupt, when mass unemployment prevails and it is so much harder to find a job, it does not take a lot of time for people to slide into existential crises if there is no social safety net in place that protects and supports them. After all, the mortgage or rent still needs to be covered and expenses for food, electricity, water and clothes do not stop with the outbreak of a crisis either. Parents worry how they are supposed to support their families. Stress levels go up and health levels go down as the crisis continues. Preserving and strengthening social protection systems is seen as a way of both compensation and social investment, because by investing in people's health, education and continued well-being, the depletion of skills and human capital can be mitigated.
Supporters of the social rationale argue that social investments yield positive results in that people without a job receive assistance to find work, sick people get the treatment they need to recover, parents and carers for older relatives are enabled to reconcile work and care and adequate services are provided to the elderly. Social expenditure is viewed as a way of investing in people in advance by providing financial security, health care and education and reaping the returns in the future as those same people are more likely to be able to compete in the labour market and to support themselves later on. In the late 1990s, after an era of welfare retrenchment, there was a widespread disillusion with the neoliberal reforms as they gave rise

to new inequalities and seemed unable to address new social risks such as decreasing fertility, an ageing population and women's needs to reconcile work with family care (Hemerijck, 2012). Consequently, the social investment perspective emerged and witnessed considerable momentum. Indeed, in the 2000s social investment was a strategy that many governments turned to, regardless of the type of welfare state regime (Van Kersbergen & Hemerijck, 2012; Hemerijck, 2013). However, this trend was stopped by the onset of the crisis in 2008. Social investments are also deemed permissible even in times of substantial fiscal pressures because they are conducive to upholding aggregate demand which is viewed as a prerequisite for economic recovery. Hence, the social rationale concentrates on demand-side economics.
The social rationale results in the compensation hypothesis which holds that the growing economic pressures of globalisation lead to negative outcomes for certain groups of society who then demand to be compensated by the state via social policies (Cameron, 1978; Rodrik, 1998; Lammers, van Gerven-Haanpää, & Treib, 2018).

Although the troika is not a state, and the negotiations of the economic adjustment programmes for Greece took place in a setting of multi-level governance, the troika still faced the same two theoretical rationales when it came to the drafting of policy conditions for welfare state reform for Greece. In ordinary times, the competence for social policy is still largely in the hands of the member states of the EU. The EU only sets minimum standards and provides coordination instruments such as the Open Method of Coordination (OMC) and the European Semester in order to initiate social policy reforms on the member state level (Lammers et al., 2018). However, the times of the Great Recession were no ordinary times. Indeed, the economic adjustment programmes negotiated by the troika by order of the EU with Greece and other countries in exchange for considerable financial loans occurred outside the ordinary system of EU multi-level governance and featured a level of intrusiveness into domestic politics that is unprecedented. Only because the Greek state faced impending default, this extraordinary degree of intrusiveness and coercion was even imaginable to be accepted by a sovereign EU member state government.

According to van Gerven (2008), it is conceptually questionable to speak of welfare state reform, if not every dimension of the concept is being studied as it is also the case in this thesis. This criticism is accepted as being very valid. However, it is argued here that important facets of the concept welfare state are part of this study such as the social security system in Greece incl. the domains pensions, health care, unemployment and social assistance benefits, family support, and employment activation policies. The limitations of the tentative conclusions drawn in this thesis must be stressed though when it comes to making claims about welfare state reform in Greece.

2.2 Existing literature on the effect of the global economic crisis on welfare state reform

Since the 1970s, several scholars have argued that the welfare state is unable to solve the socio-economic problems of capitalist societies and will eventually decline and cease to exist, e.g. due to performing contradictory functions (Offe, 1984). Although theoretically compelling, this rather gloomy outlook did not become true. Other scholars concluded that while not entirely breaking down, the welfare states of Western democracies clearly entered into a new phase after the 'golden age of welfare states' featuring constant welfare expansion ended in the 1970s and early 1980s. This new 'silver age' was marked by labour market restructuring, demographic transition and economic globalisation (Taylor-Gooby, 2002). Esping-Andersen (1996) criticised the 'frozen landscape' of welfare states, claiming that existing social protection programmes are not too vulnerable to austerity, but too resilient to reform in order to adapt to new social risks such as single parenthood or precarious jobs.

The academic debate about the direction of welfare state reform picked up new steam with the onset of the US mortgage crisis which first turned into a financial and then into a global economic crisis in 2008/2009. Contrary to theoretical expectations that the crisis would very quickly result in welfare state retrenchment policies, studies show no evidence for immediate austerity in the early phase of the crisis. Surprisingly, Western governments chose Keynesian policies including (temporary) expansion of compensatory policies (Vis, van Kersbergen & Hylands, 2011; Armingeon, 2012). However, these stimulus measures as well as large-scale bank bailouts put a strain on national budgets. Coupled with increased social expenditure because of rising unemployment levels and dwindling revenues due to the ongoing recession, governments faced double pressures to consolidate their budgets and turned away from Keynesian policies. After the Greek sovereign debt crisis escalated in 2010, provoking fears of contagion throughout the eurozone, the Southern EU member states which received financial loans to cover their financing needs (Greece, Spain and Portugal) were the first to introduce austerity welfare state reform policies, demanded by the troika. Germany, France, the UK, Italy and the Netherlands followed and adopted austerity programmes. As fiscal consolidation is widely accepted as being necessary for economic recovery, the cutback of social programmes seemed to be the only option left for governments. Indeed, Armingeon (2012) showed that by

2010, almost all reforms went into the direction of austerity. Van Kersbergen, Vis & Hemerijck (2014) followed up on that and examined welfare state reform across different welfare state regime types between 2010 and 2012, demonstrating that austerity featured prominently on the policy agenda everywhere, but accompanied by some social investment policies. In a recent study on the effects of the global economic crisis on the discourse of social policies on EU level, Lammers et al. (2018) found that the discourse on social inclusion on EU level became more neoliberal.

Regarding the case of Greece, there are studies on the ambivalent role the Greek welfare state played in both partly contributing to the crisis and being severely affected by it early on (Matsaganis, 2011) and on the impact of the crisis on labour, income and poverty in its earlier, most severe phase (Matsaganis, 2012; Matsaganis & Leventi, 2014a). Articles also take a more comparative approach, assessing the impact of the crisis on several Southern European countries, concentrating on the impact on the distribution of income (Matsaganis & Leventi, 2014b) and comparing welfare state reform trends between the countries (Petmesidou & Guillen, 2014). More specifically, Zartaloudis (2014) and Theodoropoulou (2015) provided a comparative analysis of Greece and Portugal, the former showing that the period 2008-2013 led to severe tax hikes and welfare retrenchment while the latter analysed the way the EU intruded into domestic politics during this time period.

This thesis is meant to follow up on their work, providing a contribution to the literature on the effect of the global economic crisis on the welfare state by studying the trend of the political direction of welfare state reform pursued by the troika over the entire period of the Greek stability support programmes from 2010 to 2018. Although a considerable amount of research has been carried out to investigate the effect of the Great Recession on the Greek welfare state in the first five years of the crisis, including very valuable comparative approaches, no studies have been found which offer a comprehensive analysis of welfare state reform during the entire period of the economic adjustment programmes from 2010 to 2018. This thesis is meant to fill this gap of knowledge by coming to tentative conclusions about the direction of welfare state reform during the bailout-conditionality years now that the programmes have come to an end.

The scholarly literature suggests that after an initial phase of Keynesian policies in 2008/09, austerity became the dominant policy option for welfare state reform in the following years of the crisis. This paper aims at contributing to this debate by investigating if the direction of planned welfare state reform pursued by the troika during the whole period of the Greek crisis corresponds to this picture of dominant austerity or if a diversion from this path towards a greater degree of social investment is visible. Special emphasis will be given to the period after

2015 when the final economic adjustment programme was negotiated with the new Syriza government, as this crucial period of time was not included in the studies previously discussed. Zartaloudis (2015) already hints at a potentially new phase for Greece of less retrenchment and more convergence to Northern European welfare state models after 2015 and it will be relevant to see whether this change is indeed observable in the policy conditions of the final programme.

2.3 Expectations

Based on the literature on the effect of the global economic crisis on welfare state reform and the previous theoretical discussion, two rival expectations can be formulated for this thesis.

Following the efficiency hypothesis and given that the Greek budget remained under severe fiscal pressures during the entire period of the crisis, it is expected that the troika saw no room for social investments and relied predominantly on austerity measures for welfare state reform in all three adjustment programmes.

According to the compensation hypothesis and taking into account social unrest, growing demands for compensation during the ongoing crisis and a radical change in government in 2015, it is expected that the troika acknowledged these claims to some extent and included social investment policies to a certain degree, especially in the third adjustment programme.

The latter expectation has to do with the critical juncture of the general elections in 2015 and the rise of the left party Syriza. Given the fact that the Greek crisis lasted over a very long time in which general elections were held, citizens felt the economic pressures of the adjustment programmes and voted a government into power that campaigned on easing these pressures. Hence, one expectation is that the troika acknowledged this need for social compensation somewhat affecting the negotiations that led to the final economic adjustment programme in 2015. This would also fit to the assumption of Zartaloudis (2014) who suspected that after a severe phase of welfare retrenchment, an attempt could be made to bring the Greek system of social protection a little closer to the Northern European models.

3 Data

3.1 Research design

In order to answer the thesis' research question, a case study on the country of Greece is carried out relying on the qualitative content analysis of all the relevant policy documents submitted by the EU and the Greek government in the period of 2010 to 2018 including the various Memoranda of Understanding (MoUs) and reviews of the implementation of the adjustment programme commitments.

Choosing this research design entails several advantages, but also involves drawbacks. It is argued that a case study of Greece is a meaningful way to address the research question of the thesis because Greece has been by far the most prominent example with the greatest social implications of the rescue-deal requirements imposed by the troika. No other country received more loans and had to accept constraints on its capacity of decision-making for a longer time period, leading to unprecedented implications for the local welfare state. A case study enables the author to conduct an in-depth analysis of this critical instance where troika policies have affected the social protection system of an EU member state in a far-reaching manner, thus gaining valuable insight on the subject matter.

However, a case study also involves several shortcomings that need to be acknowledged. Indeed, concentrating on one particular case excludes the possibility to test hypotheses in a way that is meant to derive general inference based on this testing. Moreover, a more comparative approach between countries can lead to useful knowledge concerning potential differences and similarities. Nonetheless, given that Greece is quite unique in the sense that its bail-out programmes lasted over eight years and special emphasis is meant to be given to the development of the troika policies over time, highlighting the most recent period since 2015, the decision was made to restrict the thesis to Greece alone. Additionally, the time constraints of a bachelor thesis played into this decision as well, as it is seen as preferable to study one country in depth rather than two countries rather superficially.

A qualitative content analysis of the relevant policy documents was chosen as the appropriate method because it is argued that the direction of welfare state reform (distinguishing austerity and social investment) can best be observed in the documents themselves, which represent the outcome of fierce negotiations with the various Greek governments. The programme reports including the Memoranda of Understanding (MoUs) are highly detailed documents setting out precise policy conditions for the granting of the financial loans. This makes them excellent data sources for the purpose of this study. Conducting interviews with people who sat at the negotiating table on the troika's side would have been an alternative, which would have made it possible to also shed light on the troika's positions that did not make it into the final documents, but this thesis is more concerned with the actual outcomes of the negotiations. Moreover, it can be argued that the troika had a very powerful position during the negotiations and was probably able to push through most of its conditions which in turn can be studied in the selected policy documents.

3.2 Case selection and data collection

As previously discussed, the units of analysis are policy documents detailing the conditions of the several economic adjustment programmes that needed to be complied with by Greece in order to obtain financial loans. More precisely, the fundamental source of data for this thesis are the reports detailing the economic adjustment programmes including the Memoranda of Understanding (plus yearly supplements) of the three economic adjustment programmes that were imposed on Greece by the troika in the period of 2010 to 2018. Reviews issued by the troika to monitor abidance by the Greek government to its commitments are used for further clarification of policy conditions and to check whether demanded policy measures were refined, altered or expanded. Choosing the design of a case study and given the limited number of these programme reports, Memoranda and reviews, it is possible to study all of them so that no sample needs to be drawn. A list of the documents used in the qualitative content analysis is attached to this document in the data appendix. The programme reports, MoUs and reviews were obtained from the public database of the Publications Office of the European Union. The timespan of the documents selected for the analysis ranges from May 2010, the month of publication of the first economic adjustment programme to July 2018, the month of publication of the fourth review of the third and final economic adjustment programme. Additionally, scientific literature and media reports are used when the full meaning of policies for the direction of reform does not become clear from studying the measures in the policy documents alone. The thesis does not engage in evaluation research and is not meant to study whether Greece complied to the commitments or not. Rather, the political direction of welfare state reform policies is studied making a distinction between austerity and social investment and this can best be done by relying on the qualitative content analysis of the programme reports, the MoUs and their reviews. More specifically, an assessment is made of the detailed policy conditions laid out in these documents, which had to be met by the Greek government to receive financial assistance. For the analysis, a coding scheme is developed that enables the author to compare the documents over time based on the direction of welfare state reforms in terms of austerity versus social investment. This coding scheme is presented in the next section.

3.3 Operationalisation

First, the operationalisations have been developed deductively, based on previous scientific work and theory (Lammers et al., 2018; van Kersbergen et al., 2014; van Gerven, 2008) and own careful considerations. Second, the operationalisations were adapted and enhanced inductively after a preliminary inquiry of the primary document sources.

Measures are operationalised as austerity if they aim at curtailing existing welfare entitlements. This typically involves the lowering of benefit rates, the reduction of benefit duration or the tightening of eligibility criteria. Furthermore, policy conditions are operationalised as austerity if they aim at cost containment, that is if they strive for the reduction of public expenditure without cutting back welfare entitlements. For instance, freezing benefit levels, actions to combat benefit fraud or the increased reliance on generic medicines are measures directed at cost containment. Likewise, measures are operationalised as austerity if they strive for work activation or work-relatedness. Work activation policies are supposed to make the receipt of social benefits less attractive and place greater obligations on each individual to participate in the labour market. Examples are giving disincentives for early retirement (work activation) and linking health care coverage solely to employment (work-relatedness). For a more detailed category-specific operationalisation of austerity, please see the coding scheme in table 1.

Measures are operationalised as social investment if they aim at upholding or improving human capital. In other words, if policies strive for preserving or enhancing people's capacities, they are operationalised as social investment. This involves compensation for income loss which is typically carried out via transfer payments such as unemployment and pension benefits, social assistance or payments during parental leave. Furthermore, non-payment policies that aim at improving human capabilities such as education, training and re-training programmes for the unemployed are also measures striving for social investment. Again, please see table 1 for a more specific operationalisation of social investment for each category.

Policy conditions on welfare state reform imposed by the troika on Greece are analysed in the categories unemployment, employment activation, social assistance, pensions, health care and work-care reconciliation. These categories were chosen as they form the social security system and thus an integral part of the Greek welfare state and underwent significant reforms demanded by the troika during the economic adjustment programmes. What is more, changes in social protection are directly felt by the Greek population and hence an important factor of how the Greek citizens perceived the reforms initiated by the troika.

Coding scheme (Table 1)

Categories	Direction of reforms	
	Austerity	Social investment
Unemployment	• cut unemployment insurance benefit rates • shorten duration of insurance benefits • tighten eligibility criteria • keep benefit level, duration and eligibility criteria limited to boost work activation • cost containment measures such as the freeze of benefit rates or actions to reduce fraud	• provide unemployment benefits to compensate for income loss • raise benefit rates and duration period • widen eligibility criteria
Employment activation	• give people an incentive to work by cutting benefits and tightening eligibility criteria • place greater emphasis on individuals' responsibility for their own education, training and for finding a job • make people find direct employment is top priority, (re-)training measures come second	• improve employability by providing education, training, re-training and work practice • give public support for job searches • support start-ups and the founding of new businesses
Social assistance	• cut social assistance or provide no minimum income at all to push people back onto the labour market • cost containment measures such as the freeze of benefit rates or actions to reduce fraud	• introduction or extension of a minimum income for those jobless people who are not eligible for unemployment insurance benefits • mitigate poverty and uphold human capital

Pensions	• cut pension benefit rates • tighten eligibility criteria • make people be part of the labour market as long as possible • give disincentives for early retirement to strengthen work activation • cost containment measures such as the freeze of benefit rates or actions to reduce fraud	• provide public pensions • expand eligibility criteria • safeguard well-being of the elderly • prevent old-age poverty
Health care	• cut benefits during sick leave • shorten duration of sick leave benefits • limit provision and coverage of public health care services • link health care coverage strictly to employment to ensure work-relatedness • cost containment measures such as the freeze of benefit rates, actions to reduce fraud or the replacement of drugs by generic medicines	• introduction or extension of universal health care coverage • provide benefits during sick leave • investments in the health of the population and of children specifically
Work-care reconciliation	• cut childcare subsidies and parental leave benefits • provide parental leave benefits only while kids are very young, then link benefits and support to job searching • cost containment measures such as the freeze of benefit rates or actions to reduce fraud	• provide child benefits • grant benefits during parental leave • measures that facilitate the employment of parents

4 Analysis

In the analysis part of this thesis, the three economic adjustment programmes imposed by the troika on the Greek government in exchange for financial loans are analysed chronologically regarding the extent to which the policy conditions on welfare state reform aimed at austerity or social investment.

4.1 The first economic adjustment programme (2010-2012): a severe austerity package

After the Greek authorities officially requested financial assistance from their eurozone partners to cover their financing needs in April 2010, a joint EU-ECB-IMF mission travelled to Greece and negotiated a first economic adjustment programme for the period 2010 to 2012 in exchange for bilateral financial loans of €110 billion. Agreement was reached in May 2010 on a Memorandum of Economic and Financial Policies (MEFP) and on a Memorandum on Specific Economic Policy Conditionality, both specifying detailed policy conditions that had to be met by the Greek government in order to receive the loans. Indeed, monitoring of compliance to the policy conditions was very strict and organised via quarterly reviews whose results, if positive, would then lead to the disbursement of the quarterly credit tranches. What is more, whenever the Greek government wanted to divert from the conditions laid out in these Memoranda, first the European Commission, the European Central Bank and the International Monetary Fund had to be consulted.

In sum, the policy conditions of the first economic adjustment programme concentrated almost exclusively on austerity measures in terms of welfare state reform. A major reform of the pension system that was implemented according to the detailed requirements set out in the MoUs led to a substantial degree of welfare retrenchment. The reform is analysed in more detail in the next section as are the reforms in the sectors health care, unemployment benefits and family allowances.

Major reform of the pension system entailed substantial welfare retrenchment

The Greek pension system was evaluated as being unsustainable by the troika as it was maintained that an ageing population would lead to public spending on pensions spiralling out of control in the future. Indeed, Greece had one of the largest projected increases in pension expenditure in the EU and no major reform had been adopted by Greek governments for almost twenty years. In general, the troika demanded that the pension reform should limit the increase of public spending on pensions to under 2.5 percent of GDP over the period 2010-2060. As the pension reform was a top priority for the troika, it was stressed that the reform would be "designed in close consultation with European Commission, IMF and ECB staff, and its estimated impact on long-term sustainability will be validated by the EU Economic Policy Committee" (European Commission, 2010a, p. 68). Next to the goal of ensuring sustainability, the reform of the pension system was also supposed to make a significant contribution to the aim of fiscal consolidation. As social transfers were seen as "imposing an overly large burden on the state", the troika determined that "entitlement program costs need to be curtailed" (European Commission, 2010a, p. 48). Indeed, pensions were the backbone of the Greek social protection system taking up the largest share of social expenditure.

That is where the austerity package comes in, as cutbacks in pensions formed an integral part of the cuts in expenditure that the Greek government had to deliver in order to reduce the budget deficit. More precisely, austerity reforms in the Greek pension system consisted mostly of retrenchment of welfare entitlements, but also entailed important work activation and cost containment elements.

Let us begin with the austerity measures that aimed at retrenchment of welfare entitlements in pensions. These measures included the abolition of the Easter, summer and Christmas bonuses (replacing them by a flat bonus of €800 per year for pensions below €2500 per month) which constitutes a substantial form of income loss for pensioners. Moreover, higher pensions exceeding €1400 per month (gross) were supposed to be reduced by an average of 8 percent, starting in 2010 (European Commission, 2010a, p. 20). Additionally, the Pensioners' Solidarity Contribution was introduced which was basically a tax on pensions, rising progressively to 10 percent for pensions above €3500 a month, but an exemption was included for pensions under €1400 per month. Resulting from these cuts, as Matsaganis (2011, p. 4) worked out, "all pensioners suffered a loss, varying from 7 percent at €800 per month to 23 percent at €3500 per month – in nominal terms". Considering that inflation was very high at 4.7 percent at the time due to the high raise of the Value Added Tax (VAT), the losses suffered by the pensioners were even more dramatic in real terms.

Furthermore, the reform introduced a new system to strengthen the link between contributions and benefits. More specifically, from 2015 on pensions benefits were supposed to consist of a more or less universal basic pension and a contribution-related proportional pension. According to Matsaganis (2011, p. 5), this was a ground-breaking reform as it moved away from a traditional social insurance system towards a "multi-tier pension system clearly separating contributory form non-contributory elements". The proportional pension was to be calculated by lifetime earnings multiplied by annual accrual rates multiplied by the number of insurance years. Whereas in the old pension system, accrual rates ranged from 2 to 3 percent, the troika demanded the average accrual rate to be limited to 1.2 percent (European Commission, 2010a, p. 69) in the MoU. This means a reduction of benefit generosity and thus constitutes an instance of welfare retrenchment as a lower accrual rate leads to lower pension rates. However, in order to give an incentive to work for a longer period of time, the annual accrual rate could rise from 0.8 to 1.5 percent of earnings, depending on the length of the pensioner's career (European Commission, 2010b, p. 28). In fact, providing this incentive is a measure aiming at strengthening work activation. What is more, benefits were demanded to be indexed to prices (European Commission, 2010a, p .49).

Likewise, several policy conditions curtailed existing welfare entitlements but also aimed at strengthening work activation such as the condition to raise the normal retirement age, introducing a unified statutory retirement age of 65 years, including for women working in the public sector. Thus, the troika expected Greek citizens to lead longer working lives in order to retire on the normal pension benefit rate. During the initial phase of the negotiations with the troika, the Greek government had proposed to raise the normal retirement age to 63 years, but "considering that the plan was not ambitious enough" the Commission and the IMF demanded that "the authorities should strengthen their proposal", also stressing "the need for frontloading the implementation of the reform" (European Commission, 2010a, p. 23). This is another sign for the great value that the Commission-ECB-IMF mission placed on the pension reform, insisting that the reform should be adopted and implemented as one of the very first measures of the first adjustment programme. Next to raising the normal retirement age to 65, the minimum age for retirement was set at 60, including for workers in heavy and arduous professions and for those with 40 years of contribution. In order to remove incentives for early retirement and to strengthen work activation, pension benefits were to be "reduced by 6 percent per year for people entering retirement between the ages of 60 and 65 with a contributory period of less than 40 years" (European Commission, 2010a, p. 23). This constitutes an austerity measure because the goal was to discourage people to opt for early retirement by reducing benefit rates and to stimulate pensioners-to-be to participate in the labour market until they have reached the normal retirement age. Similarly, the troika insisted that the minimum contributory period for retirement on a full benefit was to be gradually increased from 37 to 40 years by 2015. Finally, the troika required that the pension reform should include the introduction of an automatic adjustment mechanism that – every three years, starting in 2020 - ensured the increase of the (minimum and statutory) retirement age in line with life expectancy at retirement (European Commission, 2010a, p. 69). This measure was supposed to mitigate the social risk of a population getting older and older while the retirement age would not rise accordingly.

Other policy conditions intending to reduce the generosity of the current system comprised the reduction of the upper limit on pensions, the equalisation of retirement age of men and women in both the private and public sector and the substantial revision of the list of heavy and arduous professions (European Commission, 2010b, p. 29). The latter was supposed to substantially reduce the coverage of the list of exhausting and hazardous occupations to no more than 10 percent of the employees. Furthermore, the eligibility criteria for disability pensions came under scrutiny, as the Greek government was required to introduce stricter conditions and perform regular re-examination of the criteria. Curtailing the generosity of benefits is an austerity policy as existing welfare entitlements are cut back. Another example for that is that pensionable earnings were supposed to be calculated based on the full-earnings history (European Commission, 2010a, p. 69). In the old system before the reform, only the five years with the best earnings of the last ten years before retirement were used to identify pensionable earnings. Obviously, this would also lead to lower pensionable earnings and thus lower benefit rates. Lastly, as a measure striving for cost containment, the troika demanded that pension rates be frozen in nominal terms during the entire duration of the economic adjustment programme (European Commission, 2010a, p. 48).

In sum, the pension reform required to fulfil the conditionality of the first economic adjustment programme comprised major changes in the current Greek system, almost all going into the direction of austerity by aiming at reducing benefit generosity, increasing work activation or containing costs. However, there is one exception to this pattern, as the policy conditions in the MoU also included the introduction of a means-tested minimum guaranteed income for elderly people (European Commission, 2010a, p. 69) that amounted to approximately €500 in 2010 as stated by Matsaganis (2011, p. 6). This social investment measure aiming at providing an ultimate social safety net, thereby preserving human capital, should not obscure the fact though that the vast majority of policy conditions on reforming the Greek pension system in the first programme was directed at austerity.

The special role of Greek pensions in terms of social protection

Let us stay with pensions for a moment to understand the special role they played as a social safety net of last resort for many families during the crisis. This understanding is necessary to get a better grasp of what the pension reform with its harsh austerity measures discussed in the last section entailed not only for the pensioners themselves, but also for other family members.

As mentioned before, the largest share of the Greek budget for social expenditure was devoted on pensions prior to the reforms initiated by the troika. The flip side of this dominant focus of the Greek state on pensions was the limited capacity of spending money on other domains of social protection, such as unemployment benefits and assistance, a minimum income and general income support.

Consequently, the level of social protection for the unemployed, especially the long-term unemployed, was very limited when the crisis began. As Matsaganis (2011) ascertained, unemployment benefits from the unemployment insurance seemed adequate in terms of the level of benefits, but rather limited in its duration and coverage because several categories of workers were excluded. Unemployment benefits were disbursed to people who had been laid off if they had paid their contributions to the unemployment insurance. The benefit duration lasted from five to twelve months, depending on how long the person contributed to insurance. This is rather short compared to international standards. The benefit rate was €454 per month which equalled 61 percent of the minimum wage and 31 percent of average earnings in Greece in 2010 (Matsaganis, 2011).

However, coverage of the unemployment insurance was rather limited because several categories of workers were excluded, as stated by Matsaganis (2011). Workers who just entered the labour market could not claim benefits because they would not have paid contributions to the unemployment insurance long enough. Furthermore, long-term unemployed workers were excluded from the insurance, since the maximum duration of benefit receipt was only twelve months. Finally, two vulnerable groups of workers were excluded from the unemployment insurance as well, namely undeclared workers and dependent workers disguised as self-employed. In sum, the coverage of the Greek system of unemployment insurance was incomplete resulting in large numbers of unemployed people getting no support.

The effects of this incomplete coverage of the insurance system would have been mitigated if there was an adequate system of unemployment assistance as well as a minimum income in place that provided basic support for all those people who were excluded from unemployment insurance. However, both fell short in fulfilling this role. Unemployment assistance did exist, but the eligibility rules were extremely strict. The rate of unemployment assistance totalled €200 and maximum duration of benefit receipt was twelve months. Yet, only those people who had received unemployment insurance benefit before, who were 45 to 65 years old and had an annual income of less than €5000 qualified for the unemployment assistance benefit (Matsaganis, 2011). These remarkably strict eligibility criteria resulted in a number of recipients of unemployment assistance that was negligible: in 2008 only 733 persons received the benefit, which equalled 0.5 percent of the long-term unemployed (Matsaganis, 2011). Finally, the account of a Greek system of minimum income covering all those people who were not eligible for the two unemployment benefits discussed before is a short one, because there simply was none. In fact, by the time the crisis hit Greece in 2009, the country was one of the very few countries in the EU that did not have a national system of social assistance. Italy, Spain and Hungary also did not have a national programme in place, but at least there was some assistance available on the local level. On the contrary, Greece provided no social assistance whatsoever, which means there was absolutely no social safety net of last resort in place when the crisis hit (Matsaganis, 2011).

On a last note, general income support in Greece was also of a restricted nature. Child benefits existed, but only amounted to a significant source of income support for families who had a lot of children and for certain groups such as civil servants or bank employees. By contrast, families with only one or two children received very little or no support at all, even if they were very poor (Matsaganis, 2011). Similarly, public assistance to cover the costs for housing was limited as well, as the means-tested 'rent subsidy' required contributions that had to be made during the time before receipt. Hence, many families did not receive any support at all (Matsaganis, 2011).

In sum, the design of the Greek system of social protection was inadequate to cope with the implications of any economic crisis, least of all with the effects of the worst recession since the Second World War. The duration and coverage of the unemployment insurance benefit was only limited, the eligibility criteria for unemployment assistance were extremely strict and a minimum income as a last social safety net was non-existent. Consequently, the most vulnerable groups of society who were in greatest need of support were left without assistance. Indeed, according to a study by Greece's statistical authority (ELSTAT) and the Labor Institute of the General Confederation of Greek Labor, nine in ten jobless Greeks received no unemployment benefits in 2016 (Ekathimerini, 2016).

This is where the Greek pensions come in. When so many Greeks lost their jobs during the economic crisis, for many it was not the public system of social protection that shielded them from slipping into outright poverty or an existential crisis. The young Greek generation did not get the chance to enter the labour market as companies did not hire and those who lost their jobs were only supported for a maximum of twelve months, that is if they met all the criteria. But the crisis did not stop after twelve months.

Therefore, for many Greek families, the pensions were the sole steady source of income that was left. In this dire situation, pensioners gave financial assistance to their children and grandchildren, knowing that no other social safety net existed in Greece. Giving just one example, Mrs. Sissy Vovou, a 65-year-old Greek pensioner, was cited in Henley (2015) stating that pensions "have become a vital part of the social security net for many, many people. Retired parents are having to help their adult children everywhere". This personal statement is backed up by more statistically relevant findings. As discussed in Manifava (2017), a representative survey conducted by an employers' association in 2016 found that 49.2 percent of Greek households stated that their main source of income was pensions. By comparison, 37.9 percent of households said that salaries were their main source of revenues and 9 percent indicated that they mainly relied on incomes from businesses. Thus, pensions played a crucial role as the last reliable source of income for many families in Greece, given that the public system of social protection was so limited. Consequently, to emphasize the whole point of this section, the harsh austerity measures imposed by the troika on pensions discussed earlier, resulting in substantial income losses, did not only affect the pensioners alone, but also other members of their families in many cases.

Austerity in the reform of unemployment and family benefits

As examined in the previous section, the Greek system of unemployment benefits proved to be incapable of covering all those people who needed support when they lost their jobs during the crisis. While a minimum income grant did not exist at all, the only reliable source of income that remained for many Greek families, pensions, was significantly curtailed by the reform imposed by the troika. Nonetheless, instead of taking into account the diminished capacity of substantially slashed pensions to provide some sort of social assistance to family members, the troika's policy conditions on the reform of the Greek unemployment benefit system did not aim at increasing its coverage or duration. In fact, quite the opposite is the case.

In the policy conditions of the first economic adjustment programme, the troika requires the Greek government to "make unemployment-benefits means-tested" (European Commission, 2010a, p.76). This condition represents a measure of austerity as it tightens the eligibility criteria for the receipt of unemployment benefits. More precisely, introducing a means-test entails that only those individuals and families receive the unemployment benefit who are assessed as being incapable to get by without the assistance. The goal of this policy condition is clear: cutting the costs of unemployment benefits. The retrenchment of welfare is condoned in order to make a contribution to the fiscal consolidation efforts of the programme. This of course fits well into the economic rationale and is thus an example of austerity. However, its weaknesses are evident as well as it further diminishes the capacity of the Greek unemployment benefit system to support those it is supposed to protect. Or, as Matsaganis (2011, p. 8) puts it, the introduction of means-testing damages "the integrity and coherence of the social benefits system, including the distinction between social insurance and social assistance".

Additionally, the maximum amount of time within a four-year period in which a worker could receive a contributory unemployment benefit was restricted, the rate of this benefit was cut from €454 to €360 (Theodoropoulou, 2015), and the payment of unemployment contributions was introduced for the self-employed as well (European Commission, 2011b, p. 26). Moreover, policy conditions demanded that contribution rates for farmers be increased, a solidarity contribution for civil servants was to be established and the unemployment contribution for private sector employees should be adjusted as well (European Commission, 2011b). Thus, more policy conditions aimed at austerity given that the level of generosity of the unemployment benefit system was supposed to be reduced and more groups of workers were to be required to contribute to the system.

Finally, the troika also demanded that family allowances be means-tested from January 2011 on (European Commission, 2011a, p. 48). Like the introduction of means-testing for unemployment benefits, this measure was intended to cut the costs of family allowances in order to contribute to the goal of fiscal consolidation. Therefore, this policy condition also aims at austerity.

In sum, this section shows that not only the pension reform of the first economic adjustment programme aimed at austerity, but also the policy conditions on reforming the unemployment benefit and family allowance system. In both cases, the introduction of means-testing reduced the level of generosity and tightened eligibility rules. Even though the unemployment benefit system was limited in its coverage and duration in the first place, the troika's reform conditions aimed at austerity, thereby further reducing their capacity to support people in need.

Austerity in the reform of the health care system

Similar to the pension system, the troika assessed the Greek health care system as being unsustainable and therefore required a series of reform measures to be undertaken by the Greek government in exchange for the financial loans. As stated in the Second Review of the first economic adjustment programme, "the overarching objective of the reform is to improve the cost efficiency of the system, and keep public health expenditure at or below 6 percent of GDP" (European Commission, 2010c, p. 28). Indeed, the policy conditions on health care reform of the first economic adjustment programme aim at either reducing the generosity of the system or at cost containment, both being goals that belong to austerity.

The troika criticised that Greece spent too much money on pharmaceuticals compared to other EU member states. Therefore, the Greek government was expected to significantly bring down the costs for pharmaceuticals by reducing procurement prices of pharmaceuticals, by implementing price caps for approved drugs lists, by introducing e-prescriptions and by increasing the use of generics (European Commission, 2010b, p. 85). These are all examples of measures aimed at cost containment. More specifically, the troika set the explicit target that "at least 50 percent of the volume of medicines used by public hospitals by end of 2011 is composed of generics and off-patent medicines" (European Commission, 2010c, p. 108). Similarly, the use of an e-prescription system for medicines was supposed to reduce the number of prescriptions and contribute to a reduction in the average value per prescription.

Furthermore, one policy condition determined that the co-payment of outpatient services was to be enforced and increased from €3 to €5 and co-payments were to be extended to unwarranted visits to emergency departments (European Commission, 2010c, p. 97). This both aimed at decreasing the level of generosity of the system by raising the co-payments and was supposed to serve as a deterrent of unnecessary visits to the emergency room in order to cut costs. Additionally, the 'all day' functioning of hospitals (afternoon shift) was to be extended in order to improve health care services and raise revenue (European Commission, 2010c, p. 97).

Likewise, the troika demanded the publication of a negative list of medicines which were not reimbursed by the social security funds in order to generate savings for the system (European Commission, 2011a, p. 30). Health care expenditure was also expected to be reduced by the streamlining of the hospital network and associated reduction in hospitals expenses, by the implementation of central procurement and by the reduction of average cost per case through case mixing. Finally, the generosity of the system was demanded to be decreased by reducing the services provided to non-insured people and by introducing charges for services provided to foreign citizens (European Commission, 2011b, p. 26).

Again, these health care system reform measures reconfirm the overall picture of the first economic adjustment programme as being characterised almost exclusively by policy conditions aiming at austerity.

4.2 The second economic adjustment programme (2012-2015): dominant austerity and small signs of social investment

The previous chapter discussed the troika's policy conditions on Greek welfare state reform of the first economic adjustment programme and found that they almost exclusively aimed at austerity, to the most substantial degree in the case of the pension reform. But does this pattern of overwhelming austerity persist in the second economic adjustment programme that covered the period 2012 to 2015? This is what this chapter is about.

On 14 March 2012, the finance ministers of the euro zone approved the financing of the second economic adjustment programme for Greece, which totalled €164.5 billion in financial loans, initially for the period 2012-14. Later, this period was extended to 30 June 2015. While the first economic adjustment programme was financed via bilateral loans, the second programme's loans were transferred via the European financial stability facility (EFSF) which received the funds from the euro area countries. Again, the IMF contributed to the loans.

Continuation of the pension reform via more austerity policies

The troika's overarching goals for the comprehensive pension reform in 2010 under the first economic adjustment programme were to improve the sustainability of the system and to substantially contribute to fiscal consolidation by cutting the costs of public pension expenditure. Therefore, the Greek government adopted a series of austerity policies that closely followed the policy conditions determined by the troika. These austerity measures of the first pension reform, inter alia, cut pension benefit rates, increased the statutory retirement age to 65 years for all pensioners and introduced a link between retirement age and longevity gains.

In the second economic adjustment programme, the goals of sustainability and fiscal consolidation persisted as did the instrument of austerity to achieve them which becomes apparent in the policy conditions to complete the pension reform. While the level of monitoring and surveillance on the first pension reform was already high, the troika tightened enforcement even more in the second programme, by putting the conditional phrase 'prior to the disbursement of the next tranche' in front of several required policies (Theodoropolou, 2015).

The policy conditions on the completion of the Greek pension reform in the second programme aimed at austerity in that they demanded the retrenchment of welfare entitlements via several measures. A first round of pension benefit rate cuts was scheduled for 2012, reducing all pensions above €1,300 by 12 percent (European Commission, 2012a, p. 126). What is more, pension measures were expected to make a substantial contribution to the goal of fiscal consolidation, required to generate savings of €5.3 billion over the period 2013/2014 which equals about 2.8% of GDP (European Commission, 2012b, p. 35). Further progressive cuts on monthly pension benefit rates were demanded, with the exemption of pensions below €1,000. More specifically, pensions between €1,000 and €1,500 were to be cut by 5%, between €1,500 and €2,000 by 10%, between €2,000 and €3,000 by 15% and all those pensions exceeding €3,000 were required to be cut by 20% (European Commission, 2012b, p. 35).

Another important element of the continued pension reform of the second programme was the repeated increase of the statutory retirement age, this time from 65 to 67 years, which represented a further tightening of eligibility criteria. Additionally, the troika placed an emphasis on the reform of the supplementary pension system, demanding that nominal supplementary pension benefits above €200 be cut with a progressive schedule starting from January 2012 (European Commission, 2012a, p. 144). The reform of the supplementary pension system was also supposed to strengthen the link between contributions and benefits, by "introducing a new formula based on an actuarially-neutral calculation of pension benefits (a notional defined contribution system), topped up by a sustainability factor to guarantee the future sustainability of the system" (European Commission, 2014b, p. 53). The generosity of the system was to be further reduced by cutting lump-sum benefits, by eliminating all the seasonal bonuses on main and supplementary pensions, by reducing pensions for elected staff, by the introduction of means-testing of pensions for specific categories of beneficiaries and by the elimination of special pension benefits of trade unionists (European Commission, 2012b, p. 35). Additionally, the troika demanded further 'rationalisation' of pension benefits in order to cut costs by tightening the eligibility criteria for some more special benefits. Thus, a length of residence in Greece criterion was to be introduced for the provision of pension benefits for uninsured individuals and the age condition for recipients of an income-tested supplement to low pensions was to be increased from 60 to 65 (European Commission, 2012b, p. 38). Moreover, the disability status criteria were required to be revised, thereby reducing the share of disability pensions to not more than 10 percent of the overall number of pensions by 2015 (European Commission, 2012a, p. 144). Given the fact that whether a person qualifies for the provision of a disability pension depends on certain substantive medical criteria, at least the determined goal of getting their share under 10% seems like a rather arbitrary and questionable way to further reduce the generosity of the system. Finally, the austerity measures demanded by the troika to complete the Greek pension reform also comprised some elements aiming at cost containment, such as cross-checks to remove ineligible pension benefits. To that end, a census was carried out and personal data were cross-checked with social security numbers in order to clean the list from individuals no longer entitled to receive pensions (European

Commission, 2013a, p. 35). This measure also fits well into the austerity toolbox as it is aimed at enhancing efficiency by reducing the waste and abuse of public money.

In sum, this section shows that the reform of the Greek pension system was to be continued and completed in the second economic adjustment programme by following the troika's detailed policy conditions which completely aimed at austerity, just like in programme one.

Minor signs of social investment in the reform plans of unemployment assistance and guaranteed minimum income

Although the Greek unemployment benefit system was limited in its duration and coverage even prior to the crisis, the MoU of the first adjustment programme demanded further austerity by introducing means-testing for the provision of unemployment insurance benefits. Similarly, the policy conditions of the second programme required the elimination of seasonal benefits for workers in industries with seasonal employment patterns (most notably, tourism) which constitutes a cut in special unemployment benefits and thus another measure aimed at austerity (European Commission, 2012b, p. 38).

However, the MoU of the second economic adjustment programme also entailed the introduction of two new assistance benefit programmes. First, the MoU suggested the creation of a new unemployment assistance scheme to enhance support for the long-term unemployed. This new assistance scheme was required to be means-tested and targeted to the poor. More precisely, this benefit was to equal €200 per month and was supposed to be provided for up to 12 months to the long-term unemployed who exhausted the full length of the unemployment insurance benefit (12 months), under the condition that they did not qualify for other training schemes and had family taxable income up to €10,000 (European Commission, 2012b, p. 38). Total expenditure for this assistance scheme was capped at €35 million. Second, the MoU of the second adjustment programme demanded the development of a new means-tested guaranteed minimum income scheme which was supposed to target the poor. However, a national implementation of the scheme was to be preceded by a pilot phase testing the new assistance in two pilot areas of the country with different socio-economic profiles (European Commission, 2012b, p. 38). Total expenditure for this new benefit was capped at €20 million. The pilot phase was required in order to develop and test the scheme on its various dimensions, ranging from eligibility criteria and selection of beneficiaries to determination of benefits and the inclusion of activation elements, to setting the administrative infrastructure, including an effective monitoring and controlling mechanism (European Commission, 2014b, p. 61). Initially, the pilot phase was supposed to start by January 2014 and the national roll-out of the programme should begin in the course of 2015. However, the start of the pilot phase was continuously delayed due to technical difficulties.

These two new assistance benefit schemes constitute social investment policies because they both aim at mitigating poverty, thereby aiming at preventing the deterioration of skills and human capital. On the one hand, this represents a departure from the path of policy measures aiming at austerity. On the other hand, given that still a large share of the long-term unemployed remained ineligible for the new unemployment assistance and in light of the very constrained budget of just €35 million, the impact of this new benefit was likely to be rather limited. What is more, the new guaranteed income scheme also was substantially constrained by fiscal considerations given its restricted budget of just €20 million and the start of the pilot phase was continuously delayed. In contrast to most austerity measures, enforcement by the troika in the case of the minimum income scheme was less strict, given that the continuous delays in the implementation of the pilot phase did not result in the tightening of surveillance or enforcement by the troika (Theodoropolou, 2015).

Employment activation policies aiming at social investment

By mid-2013, unemployment rates in Greece had risen enormously and the share of long-term unemployed was steadily increasing, too. Indeed, by July 2013 more than 15% of the Greek labour force (some 880,000 people) were long-term unemployed (defined here as being unemployed for more than 12 months) (European Commission, 2013b, p. 49). This induced the troika to look for ways to support the unemployed and prevent long-term unemployment. Up until 2010, Greek government spending on active labour market policies was rather low at 0.2 percent of GDP, which was less than half of the EU28 and EU15 average (Theodoropolou, 2015). Consequently, the MoU of the second adjustment programme demanded the expansion of active labour market policies aiming at “facilitating the transition of workers across occupations and sectors; improving the quality of training policies; promoting the employability of the disadvantaged groups” (European Commission, 2012b, p.234).

More specifically, the Greek government was expected to adopt an Employment Action Plan comprising several active labour market policies. First, “as a measure of emergency and temporary nature”, the troika demanded the expansion of short-term public work programmes for the long-term unemployed and young people not in education, employment or training (European Commission, 2013a, p. 51). Eventually, these programmes provided 50,000 positions mainly for the long-term unemployed and subsidised internships of 45,000 young jobseekers with private sector employers (European Commission, 2014b, p. 61). Second, the

Greek government was expected to enhance training schemes and re-skill the unemployed and young people, also by promoting training by potential future employers in the private sector and learning on the job (European Commission, 2013a. p. 51). Third, the Greek Public Employment Service was to be reformed, thereby activating the unemployed and supporting job matching between the unemployed and potential employers, including the development of a wide range of partnerships to deliver quality training, mentoring and employment services. Finally, the troika expected the government to improve and expand opportunities for apprenticeships and vocational training (European Commission, 2013b, p. 49). The Fourth Review of the second economic adjustment programme also included the expectation that the recently adopted EU Youth Guarantee was to be gradually established in Greece, in order to reduce youth unemployment and to facilitate the transition from school to work (European Commission, 2014b, p. 241). More detailed information on how the latter was to be implemented was not included in the MoUs, though.

These active labour market policies constitute measures aiming at social investment because they intend to uphold or improve human capital. The public work programme offering 50,000 positions to the long-term unemployed was supposed to assist the jobless in remaining attached to the labour market, thereby preventing the impending erosion of labour skills. Similarly, the subsidised internships for 45,000 young jobseekers as well as the training and re-skilling schemes and the expansion of opportunities for apprenticeships strive for improving people's capacities. While the policy conditions on the implementation of some measures remain rather vague (EU Youth Guarantee), the MoU of the second programme also entail concrete social investment policies such as the public work programme and the subsidised internships for the young. Still, in light of the sheer number of long-term unemployed (880,000 by mid-2013) the modest scope of the measures raises doubts on the sufficiency of the programmes.

Health care system and family support benefits

The policy conditions on the reform of family support benefits draw a mixed picture. On the one hand, all family allowances for families with annual incomes above €45,000 were to be eliminated, with the exception for families with 5 or more children (European Commission, 2012a, p. 126). This represents an austerity measure, aiming at reducing the benefit system's generosity. On the other hand, the troika acknowledges the poor targeting of the Greek system of family support discussed earlier. Thus, the existing Greek family benefit system massively favoured large families and did considerably less for families with less than three children, and even less for single parent households. In order to support families and especially single parents, the single allowance child support was to be introduced as a new assistance scheme. This benefit was to be granted to the first child of the family and was to total €40 per month for each dependent child of the family (European Commission, 2013a, p. 52). Hence, this new benefit represented a measure aiming at social investment, providing income support for families and particularly single parents.

The share of Greek public expenditure that was spent on health care was high by 2013 which is why the troika held that the reform of the health care system had to be a crucial component of the efforts to attain the goal of fiscal consolidation. Following up on the reforms initiated by the first economic adjustment programme, the policy conditions of the second MoU aimed almost exclusively on austerity in order to cut the costs of the system and increase efficiency. This involves measures aiming at the direct retrenchment of patients' welfare entitlements such as the extension of the co-payment structure for medicines exempting only a restricted number of products related to specific therapeutic treatments, an increase in co-payments in hospitals and a fee on prescriptions from 2014 onwards (European Commission, 2012b, p. 35). Moreover, the troika also demanded to control costs regarding diagnostic tests, physiotherapy, rehabilitation and dialysis services and doctors' consultations and hospitalisation with private providers. To that end, patient fees when using private providers were to be increased and the number of reimbursed consultations was to be limited (European Commission, 2013a, p. 46).

Additionally, patients' welfare entitlements were to be retrenched more indirectly by restricting their access to hospitals following the "rationalisation of the hospital network" which was supposed to reduce expenditure on hospitals (European Commission, 2013a, p. 47). During this process, the 130 hospitals in Greece were merged into 84 hospitals and 11,000 beds were eliminated. Likewise, the troika expected that "the number of doctors is reduced in headcount by a further 10% in 2013" (European Commission, 2013a, p. 134).

Finally, a large share of the savings in public expenditure on health care was to be achieved via policies aiming at cost containment (European Commission, 2012a, p. 47). This included the reduction of pharmaceutical spending via measures such as compulsory prescription by active substance (INN) and the mandatory generic substitution by pharmacies to ensure that only the cheapest pharmaceuticals are dispensed within each active substance. Other cost-controlling measures comprised compulsory e-prescription by doctors and pharmacists and the regular monitoring of doctors' prescription behaviour and their compliance with binding prescription guidelines. This also entailed the introduction of a spending cap and an effective prescription budget for each doctor equalling 80% of the previous year's prescription value (European Commission, 2014b, p. 50).

Although the troika was aware of the fact that an increasing number of people in Greece did not have full access to health care services and goods as a result of the sharp rise in long-term unemployment, the guarantee of universal access to primary health care was not a policy condition in the second adjustment programme. The troika held that access to emergency care and care for chronic disease was ensured. However, the troika expected the Greek government to distribute health vouchers to long-term unemployed, children and families and persons living below the poverty line to provide them with access to primary health care services. This constitutes a policy aimed at social investment since providing access to primary care is an investment in upholding people's health and continued well-being, thereby mitigating the depletion of human capital. Nonetheless, similar to the pattern that was observed in the social investment policy conditions on unemployment assistance, minimum income and employment activation, the health voucher programme is significantly constrained by fiscal considerations having a total budget of only €46 million over two years. This substantially limits its coverage to only 100,000 persons per year (European Commission, 2013b, p. 46).

In sum, this chapter analysed the troika's policy conditions on welfare state reform and found that while measures striving for austerity still dominated the reforms of the Greek pension and health care system, several policies demanded by the troika also aimed at social investment. Two new assistance benefit programmes were to be introduced (unemployment assistance benefit and guaranteed minimum income) to support the poor, although the implementation of the latter was continuously delayed. Moreover, active labour market policies entailed public work programmes for the long-term unemployed and training schemes while the health care reform included the provision of health vouchers to uninsured citizens.

In general, these findings go more in line with the expectation based on the compensation hypothesis stated in the beginning of this thesis. Following this hypothesis, it was expected that the troika acknowledged the public claims for compensation and social investment during the ongoing crisis to some extent and included social investment policies in their economic adjustment programmes. However, these findings need to be put into perspective as all the policies that aimed at social investment in the second adjustment programme were considerably constrained by fiscal restraints and had only very modest budgets. Consequently, their coverage was also very limited, and only a small proportion of people in need of assistance could be reached through these programmes.

4.3 The third economic adjustment programme (2015-2018): ongoing austerity and two significant social investment policy initiatives

The MoU of the third economic adjustment programme was the outcome of fierce negotiations by the troika with the newly elected government that came out of the 2015 Greek general elections. The left-wing party Syriza had campaigned on ending the politics of austerity imposed by the troika and won the elections. The negotiations between the Syriza government on the one side and the heads of state of the eurozone and the troika on the other side turned into a relentless quarrel with the creditor countries threatening to send Greece into default and the Syriza government warning to leave the negotiation table altogether. Eventually, the Greek government came around and asked for financial loans totalling €86 billion over the period 2015 to 2018 from the newly established European Stability Mechanism (ESM) which is funded by the countries of the eurozone.

Like the previous bailout packages, the loans of the third stability support programme were only disbursed under the conditionality of implementing detailed economic reforms set out in the MoU. The policy conditions on welfare state reform of the second adjustment programme were still dominated by measures aiming at austerity while there were also small signs of social investment. This chapter analyses the welfare state reform conditions of the third programme and seeks to find out whether they return to measures aiming only at austerity or if a development towards more substantial policies of social investment can be observed.

Completion of the pension reform through ongoing austerity measures

The troika's policy conditions on reforming the Greek pension system overwhelmingly aimed at austerity in the first two economic adjustment programmes and this pattern did not change in the MoU of the last programme. The troika held that contributions had fallen in 2015 due to high levels on unemployment while at the same time public spending on pensions increased because many people opted to retire early. Therefore, the reform measures of the third MoU concentrated on work activation elements in order to make the receipt of pension benefits less attractive and to incite people to participate longer in the labour market. This was to be accomplished by creating strong disincentives for early retirement by incurring an early retirement penalty of 10% on top of the already existing annual penalty of 6% and by gradually eliminating the grandfathering of rights to retire before the statutory retirement age (European Commission, the Hellenic Republic and the Bank of Greece, 2015, p. 14). Furthermore, guaranteed contributory pensions were only to be granted at the attainment of the statutory retirement age of 67 years, which was also supposed to remove an incentive for early retirement

(European Commission et al., 2015, p. 13). Finally, the beneficiaries of survivor pensions were to be activated to work rather than to rely on the receipt of the benefit by "including an eligibility requirement of 55 years of age for the surviving spouse to be entitled to a permanent survivor pension" exempting surviving spouses who had to care for dependent children or who proved to be unable to work (European Commission, the Hellenic Republic and the Bank of Greece, 2016, p. 15). Also, temporary survivor pensions of spouses aged below 55 were to be limited in duration.

Similarly, a closer link between contributions and benefits was to be established by the reforms. Hence, the troika demanded the adoption of a more progressive and marginal scale of accrual rates in order to strengthen incentives to work and contribute for new retirees (European Commission et al., 2016, p. 14). Additionally, a new "national pension of €346 with 15 years of contribution that increases gradually to €384 with 20 years of contribution" was to be introduced in order to replace the previous minimum pension which was supposed to be abolished. This measure also aimed at stimulating people to work longer and pay more contributions to the system.

In order to cut the costs of public pension expenditure, the generosity of the system was also to be further reduced by several policy conditions. For instance, the solidarity grant for all pensioners was to be phased out and eventually eliminated resulting in savings of €853 million by 2019 (European Commission, the Hellenic Republic and the Bank of Greece, 2018, p. 12). This constitutes an austerity measure because it aims at curtailing existing welfare entitlements. Furthermore, the troika demanded that health contributions of pensioners be increased to 6% on their main and supplementary pensions (European Commission et al., 2015, p. 13). Finally, the troika expected the Greek government to "eliminate any existing rules providing favourable treatments to any special group" and to reduce expenditure on pension benefits by €300 million in 2016 alone while exempting pensions below €1300 (European Commission et al., 2016, p. 15).

Lastly, the troika demanded austerity measures aiming at cost containment to control expenditure and make the pension system more sustainable. This entailed the freeze of monthly guaranteed contributory pension rates until 2021 and the implementation of a "sustainability mechanism that freezes pension benefits in presence of a negative gap between overall contributions and expenditures" (European Commission et al., 2016, p. 15).

The introduction of universal health care coverage as a crucial social investment policy

The reform conditions on health care of the previous two adjustment programmes were characterised by measures aiming at austerity, except for the provision of 100,000 health vouchers to long-term unemployed and poor people to ensure access to primary health care during the second programme. However, this was rather a drop in the ocean concerning the much larger problem of missing access to primary health care services by a considerable number of Greeks who were uninsured. Indeed, the policy conditions of the third MoU entailed one major reform aiming at solving this issue: the introduction of universal health care coverage in Greece.

But les us first pay attention to the ongoing austerity policies in the third MoU that continued the reforms under the first two programmes. Most of these measures that aimed at increasing the efficiency of spending affected people's welfare entitlements only indirectly, if at all. For instance, the Greek government was expected to further rationalise public expenditure on health care by implementing measures to improve the financial management and cost effectiveness of hospitals. This was to be achieved, inter alia, by increasing centralised procurement of hospital supplies and by monitoring warranted and unwarranted access to emergency care, including if necessary the introduction of "measures to control and discourage unwarranted access in order to guarantee effective provision of emergency care" (European Commission et al., 2016, p. 16). Public spending on pharmaceuticals was to be reduced by regularly revising pharmaceutical prices downwards and by further promoting the use of generics. On the one hand, the troika demanded to increase the share of both inpatient and outpatient generic medicines to 60 percent (European Commission et al., 2016, p. 17). On the other hand, the use of generics was to be further encouraged by the implementation of a targeted exemption from the co-payment of all generic drugs for patients suffering from chronic conditions (European Commission, 2018). Indeed, the latter represents a minor form of social investment as entitlements were slightly expanded for one group of patients.

However, the MoU of the third economic adjustment programme also initiated a much more significant social investment policy: the introduction of universal health care coverage. Prior to this reform, universal coverage did not exist in Greece. Health insurance had been linked to employment, that is when people lost their jobs, they also lost their coverage for the provision of a range of health care benefits such as pharmaceuticals, diagnostic tests and inpatient care. Nonetheless, the provision of basic services such as access to outpatient consultations, emergency care and vaccination programmes had been ensured for all citizens and residents (European Commission, 2018). What is more, the design of the old system was also socially unequal as some groups of people continued to have coverage two years after becoming unemployed whereas other groups lost coverage immediately (e.g. the self-employed). This changed with the third economic adjustment programme in which "universal coverage was set as a priority structural reform and brought Greece in line with EU health systems" (European Commission, 2018, p. 14). In fact, the objective of ensuring universal access to care set in the MoU led to the adoption of a new legislative framework which introduced universal coverage in Greece. According to this new framework, all Greek citizens were entitled to universal health care coverage. More precisely, this meant that uninsured Greeks as well as other vulnerable groups were entitled to receive public health care and medicines under the same conditions as insured citizens (European Commission, 2018). This new universal coverage included "clinical and diagnostic tests, hospital treatment, prenatal care, rehabilitation, transfer abroad for specialist treatment and the handing out of medicines and other consumables" (European Commission, 2018, p. 14). Thus, the policy condition to introduce universal coverage constitutes a significant social investment policy as the coverage of primary health care was expanded to a considerable amount of people who had previously been excluded by the system. This is an investment in their continued well-being and safeguarding their access to the provision of health services and treatment they need in times of sickness mitigates the erosion of human capital.

Nonetheless, the introduction of universal coverage was also accompanied by the roll-out of a new primary health care system, which was supposed to increase the efficiency of the system by decreasing the overutilization of secondary care (hospital services). To this end, a network of primary health care centres was to be created which was to be built around the family doctor (European Commission, 2018). Indeed, the family doctor was to take the role of a gatekeeper in the system by deciding whether or not to refer a patient to higher levels of care (specialist doctors). That is, patients lost their freedom of choice to visit specialists without a referral and if they went anyway, the costs of that visit would not be reimbursed anymore. This represents a measure aimed at austerity, as an existing welfare entitlement was curtailed.

The introduction of a general minimum income scheme as a notable social investment policy with links to employment activation

As previously discussed, the introduction of a national minimum income scheme was already part of the reform measures in the second economic adjustment programme. It was to be preceded by a pilot phase in selected municipalities to test the "Guaranteed Minimum Income" (GMI) scheme. Initially, the pilot phase was supposed to start by January 2014 and the national roll-out of the scheme was planned to be completed in the course of 2015. However, the implementation of the pilot phase was continuously delayed and so was the national roll-out. It is doubtful whether the implementation of the minimum income scheme really was a priority to the troika in the second programme as there were no signs of increased surveillance or enforcement, in contrast to most other policy conditions for which compliance was strictly monitored.

Nonetheless, this changed by turning the national roll-out of the minimum income scheme into a "key deliverable" objective in the MoU of the third adjustment programme, to be completed by the end of 2016 (European Commission et al., 2015, p. 17). In fact, the pilot phase of the GMI scheme was finally carried out from November 2015 to April 2016. And eventually, in February 2017, a general minimum income scheme was successfully implemented in Greece, for the first time at a national level. The new scheme was named "Social Solidarity Income" (SSI) and represented a variation of the GMI scheme tested in the pilot phase. The SSI rests on three pillars: 1. means-tested income support, 2. the provision of social services and 3. the provision of services to support labour market reintegration (European Commission, 2017).

The first pillar of income support consists of the payment of a financial benefit equalling €100 per month as basic support for each household, "plus a proportional amount set at €100 for every adult and €50 for every dependent child in the household" (except for single-parent households which receive €100 for the first child) (Ziomas, Antoinetta & Danai, 2017). The maximum monthly amount of the benefit that a household can obtain is limited to €900, no matter how many people live in it. However, the eligibility criteria for the receipt of the SSI are very strict. Beneficiaries have to be legal and permanent residents of Greece and because the SSI is a means-tested scheme, applicants have to meet stringent income and property criteria which depend on the size and composition of the household (Ziomas et al., 2017). Ziomas et al. (2017) give the example of a single-person household whose total gross income received during the six months before the SSI application must not be over €1,200 while the total value of owned property must not exceed €90,000. These amounts rise with every additional adult or dependent child in the household. Moreover, those beneficiaries of the SSI who have not completed compulsory education are required to re-enrol into education and if minors live in the household, they must prove their attendance of formal education, too (Ziomas et al., 2017).

The second pillar of the SSI is based on providing access to social services such as psycho-social and health support and legal counselling aiming at fostering social inclusion and removing barriers to work (European Commission et al., 2017).

The third pillar is the work activation component of the scheme. This part entails offering access to personalised active labour market measures to all SSI beneficiaries who can be integrated in the labour market, including the systematic preparation of individual action plans. Moreover, the active labour market measures offered to beneficiaries include, inter alia, “training, reintegration employment schemes (including public work schemes with an embedded training component), participation in activation and job search assistance sessions, mentoring, apprenticeships/traineeships” (European Commission et al., 2018, p. 16). However, the third pillar also comprises the requirement to register as jobseekers for all SSI beneficiaries who are able to work and are not employed nor in education or training (European Commission, 2018).

The introduction of the SSI and its first two pillars represent, in principle, prime examples of social investment policies. The payment of income support aims at poverty alleviation thereby relieving hardship and upholding human capital. The provision of access to social services such as psycho-social and health support is a social investment measure par excellence helping people to cope with their problems so that they can make use of their skills and knowledge again. The third pillar is assessed here as a mix of measures aiming at social investment and at austerity. On the one hand, the requirement for all SSI beneficiaries who are capable to work to register as jobseekers is an austerity measure at it aims at getting people back to work as soon as possible. On the other hand, offering training, mentoring, apprenticeships and traineeships represents an element of social investment aiming at improving human capital.

However, as remarkable as the introduction of a general minimum income scheme in Greece may seem, there are several aspects which put the relevance of this policy into perspective. First, despite the claim in the MoU that the SSI would serve as a genuine social safety net, the scheme only covers households living in extreme poverty due to the very strict eligibility criteria on income and property. Many poor people remain excluded from the scheme. Second, the level of the benefit rate is very low and “can hardly guarantee a dignified standard of living” (Ziomas et al., 2017). This also becomes clear when a comparison is made between the €200 per month that a single-person household receives under the SSI scheme and the regular unemployment benefit of €360 per month which is considerably higher (Ziomas et al., 2017). Third, the troika insisted that the national rollout of the SSI was to be fiscally neutral and expenditure on this scheme was to be compensated by savings in other spending programmes (European Commission et al., 2015). More specifically, partly to fund the implementation of the SSI, the troika demanded, inter alia, “the elimination of benefits overlapping with the SSI or family benefits saving €8.5 million in 2017 and €10 million in 2018” and “a reduction of the heating allowance benefit in 2018 achieving savings of €58 million" (European Commission et al., 2017, p. 24). Thus, the social investment policy of the SSI was accompanied by austerity measures curtailing other benefits. According to Ziomas et al. (2017), some 250,000 households (about 560,000 persons) were SSI beneficiaries in June 2017, which resulted in total public expenditure for the SSI of approximately €55.6 million. This rather modest amount also shows that the funding for the minimum income scheme was limited due to fiscal constraints.

5 Conclusion

This thesis aims at contributing to the academic debate on the direction of welfare state reform in times of crisis by providing an analysis of the three economic adjustment programmes imposed on Greece by the troika from 2010 to 2018 regarding the extent to which the troika's policy conditions on welfare state reform aimed at austerity or social investment. To this end, the MoUs and their reviews were selected as key policy documents stating the detailed policy conditions of the troika which were then analysed in a qualitative content analysis using a coding scheme distinguishing between measures aiming at austerity and policies striving for social investment. Two rival expectations were formulated based on two competing hypotheses in the literature, namely the efficiency hypothesis following an economic rationale and the compensation hypothesis following a social rationale. According to the efficiency hypothesis, it was expected that given that the Greek budget remained under severe fiscal pressures during the entire period of the crisis, the troika saw no room for social investments and relied predominantly on austerity measures for welfare state reform in all three adjustment programmes. Based on the compensation hypothesis, it was expected that the troika acknowledged the claims for compensation and social investment that the Greek population made during the ongoing crisis to some extent and included social investment policies to a certain degree, especially in the third adjustment programme.

The tentative findings of the analysis in this thesis are more in line with the compensation hypothesis. Although policy conditions on welfare state reform aiming at austerity dominated the first two economic adjustment programmes (in particular concerning the reforms on pensions and health care) and were still present in the third programme, the troika did not rely on austerity measures exclusively, even though fiscal pressures on the Greek budget remained high. While the second adjustment programme involved only minor social investment policies such as a new unemployment assistance benefit and public work programmes, both limited in coverage and scope, the third programme entailed two more significant policy initiatives striving for social investment. The introduction of universal health care coverage constitutes a major accomplishment in terms of social investment whereas closer scrutiny of the first national general minimum income scheme reveals the limitations of the this new programme. Further research could focus on the direction of welfare state reform under the new enhanced surveillance framework for Greece that was adopted by the European Commission after the third adjustment programme expired on 21 August 2018.

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Data Appendix

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