

POLITICAL DISCOURSE AND PATH SHAPING IN PUBLIC POLICY: COMPARING PENSION REFORMS IN GREECE AND ITALY

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Which factors account for successful policy reform and what role does discourse play in the process? This article examines this empirical puzzle with reference to the issue of Greek reform failure. A matched comparison with Italy in the area of pensions reveals the salience of path shaping and the use of political discourse in narrowing down reform options and facilitating change. The Greek case of limited public information, incoherent preparation of the problem, and inner-circle decision-making, is contrasted with the Italian government's information-sharing and consensus-building campaign for the establishment of a pro-reformist discourse. Findings confirm the salience of institutional conditions but suggest that pure institutionalist accounts premised on rational choice thinking and the power of veto players should be complemented with more agency-driven accounts of public policy.

INTRODUCTION

The 2008 economic crisis forced many European Union (EU) states to embark on comprehensive public policy reforms so as to achieve fiscal consolidation. Nowhere has this been more pronounced than in Greece, whose financial troubles have only temporarily been assuaged through a joint EU-International Monetary Fund (IMF) rescue package released in the spring of 2010. The country's bad record on reform had made conditions for the release of funds particularly stringent. For instance, reforming the Greek pension system was part of the latter's conditionality approach and, as will be discussed below, new pension legislation was introduced in the summer of 2010 (IMF country report 2010, pp. 69–70; Salourou 2010).

Why is the public policy reform record of industrialized states so varied despite agreement on the broad parameters of reform (OECD 2009)? More to the point, why does this variation in outcomes persist even in cases where policy preferences are almost identical and institutional traditions very similar?

In this article, I suggest that while valuable institutional analyses based on path dependency are well documented, less attention has been paid to the agency-driven failure by political leaders to establish conditions conducive to long-term change. This suggests that path dependency ought to be complemented by a focus on path shaping (Torfing 1999) to understand the variety of reform success between states with similar institutional traditions. Political elites need to frame the public debate by making use of what has been termed a 'vice into virtue' approach (Levy 1999) narrowing down possible options and forming a pro-reformist coalition that has a direct stake in supporting change.

To illustrate the theoretical argument, I compare pension reform in Greece and Italy. Pensions is a highly technical subject made especially difficult due to the dispersed nature of the 'winners' and the specificity of the 'losers', the lack of information on policy content and the related difficulty in shaping a reformist coalition. Empirical findings suggest that policy entrepreneurs in Italy have put a 'vice into virtue' approach into practice by

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framing the debate in terms that made reform acceptable to those directly affected by it. They succeeded in shaping a new path for pension politics, where the locus of debate has shifted to the technical and administrative aspects of the adjustments necessary rather than the desirability of reform, as has been the case in Greece.

Further, I argue that the comparison of the two cases demonstrates the significance of political discourse in setting out a reform trajectory likely to be endorsed by those groups directly affected by change, and narrowing the reform options to those desired by policy entrepreneurs. The Italian case study demonstrates how the articulation of a solid discourse offers the possibility not only of initiating policy reform but also sustaining it in the long run. This is crucial in the policy area of pensions where reforms are usually implemented over the medium term and demand policy consistency over successive governments.

Using discourse to account for policy outcomes is testing, as it is very difficult to establish a direct causation between discourse and policy results. Moreover, the discursive aspect of reform failure is hardly ever the silver bullet of causal explanation (Schmidt and Radaelli 2004), since separating discourse from its cultural milieu and/or institutional setting is scarcely possible. I argue that discourse and the framing of an issue offers explanatory value when it does not simply accompany policy intentions but is used to: (1) change perceptions of the relative gains and losses that reform is premised on; and (2) contributes to overcoming institutional obstacles to change (Schmidt 2002).

To assess whether such change can be attributed to discourse one ought to: (1) identify the policy entrepreneurs responsible for shifting the discourse; and (2) demonstrate that the new discourse influenced reform adoption (Cox 2001, p. 476). In accordance with standard practice on discourse analysis, I make use of public speeches, media analysis, government pronouncements and elite positions to measure whether such outcomes are observed. I also assess possible change in perceptions about reform using the Eurobarometer opinion surveys (Cox 2001).

A word on the use of reform is needed here. Definitions of the term vary and the simplest definition entails a change of policy sanctioned by law. Eric Patashnik has defined what he calls 'general interest reforms' as those policies that seek to limit or eliminate special interest benefits to promote broad-spectrum values of efficiency and/or equity (Patashnik 2003, p. 204). Such a definition acknowledges the inherently political nature of reform that goes through, but is not limited to, legal sanctioning. For the purposes of this study, a successful pension reform is one that addresses issues of efficiency by containing costs and combines those with measures that eliminate undue privileges and harmonizes rules to make for a fairer system.

The article starts with a justification of case study selection before outlining the existing literature on welfare and pension reform and why a discourse-based analysis enriches our understanding of its dynamics. I then demonstrate its usefulness by analysing the Greek and Italian cases respectively before summarizing the theoretical and empirical findings.

GREECE AND ITALY COMPARED

In the 1990s and 2000s, both Greece and Italy sought to reform their welfare states to qualify for EMU entry. Reform of their pay-as-you-go (PAYG) pension systems had become a policy priority on account of its fiscal importance (PAYG systems are very expensive) as well as its social significance (PAYG equals a commitment of inter-generational funds transfer that is based on an explicit social pact between current and future workers).

A similar country design reveals that the two countries share a number of distinctive features in the context of the South European welfare model (Ferrera 1996), such as low levels of social spending, reliance on the family for welfare provision and a strong male breadwinner model illustrated through low levels of female employment. Patronage and clientelism play an important role in welfare distribution and the fragmented system of welfare delivery is made worse by the strong position of 'insider' groups defending overtly generous benefits.

The latter characteristic was very prevalent in both countries' pension systems before the Italian reforms. Its pension system, just like the Greek one, was inequitable, extremely complicated and very costly. In addition, pensions constitute the bulk of social expenditure in both countries (Ferrera and Gualmini 2000, p. 205). In 2001, 51.3 per cent of social expenditure in Greece went to old age and survivors' pensions, a figure only second to Italy's 62.3 per cent in the EU-15 (Petmesidou 2006, p. 34). Sick leave and health care expenditure absorbed 30.8 and 31.8 per cent in Greece and Italy respectively, leaving less than one-fifth (Greece) and one-tenth (Italy) aside for social assistance, unemployment and family benefits.

WELFARE REFORM, PENSION POLITICS AND PATH DEPENDENCY

Until the 1980s, welfare reform in industrialized countries was associated with expansion. Power resources theory explained such trends by looking at the political power of the Left. It argued that welfare reform was correlated to the level of influence of social democratic parties and trade unions, since they fervently supported more welfare spending and programmatic expansion. Once reform became associated with retrenchment rather than expansion, however, the deficiencies of power resources theory came to the surface.

Pierson has shown that a left-right pattern is not evident in the 'new politics of the welfare state' (Pierson 2001). This is not to say that retrenchment is easy. Rationalist assumptions about the electoral costs associated with reform (Pierson 1996), the ability of the opposition to use reform as a political tool (Kitschelt 2001), the multiplicity of veto players resisting change (Tsebelis 2002) and the reluctance by governments to forfeit earlier promises made to the electorate (Rothstein 1998) are among the most prominent arguments. Nevertheless, reform has been possible. It is interesting to note how pension reform has been introduced in countries with diverse institutional backgrounds such as in Spain (Guillen 1999), Sweden (Andersson 2001), and Italy (Baccaro 2002). Seeking to explain the phenomenon, Myles and Pierson suggest that in the majority of cases reform has come about through some form of negotiated settlement involving the social partners. Unilateral change through majority rule has been the exception (Myles and Pierson 2001, p. 308).

Institutionalist explanations of policy reform have been prominent in the literature. The basic argument is that policy institutions shape an environment conducive to some types of reform and unfavourable to others. Busemeyer (2005) explains the difference in German and Austrian pension reform outcomes by contrasting the countries' political institutions, while Andersson and Meyer (2003) follow a similar line, arguing that Swedish pension reform was easier compared to the German pattern due to the organizational link between the Swedish Social Democrats and the unions, and the latter's encompassing nature.

Such explanations rely on historical institutionalism and the concept of path dependency. Historical institutionalism argues that past institutional configurations create a historical legacy that affects actors' policy behaviour, making policy change subject to the particular 'paths' followed in the past (indicatively, see Skocpol 1992; Immergut 1998).

More recent work views policy change along incremental lines, refuting the punctuated equilibrium model that stressed sudden path departures triggered by external shocks (Thelen 2004).

The fact that present-day welfare reform often equates welfare cutbacks means that reform has the potential of being divisive and electorally harmful. This is indeed what the literature on Greek pension politics has shown. Tinios (2005) draws attention to the fragmented nature of the system encouraging inertia, while Featherstone (2005) highlights the staunch opposition by the trade unions to reform attempts. Matsaganis (2007) points to the weak representation of the current system's outsiders, and underlines trade union responsibilities, pointing to the narrow interest base upon which Greek unions operate. Featherstone and Tinios (2006) push the debate further forward by underlining the widespread lack of trust among the various institutional players – making sustainable pension reform all the more difficult to achieve.

O'Donnell and Tinios (2003) focus on public opinion, arguing that a desire to protect interest group privileges is accompanied by widespread ignorance over the pension system. Without spelling it out explicitly, the authors invite a nuanced analysis of pension politics that could consider opinion shaping as crucial in overcoming obstacles to reform. This is what the present study aims at, in line with Boeri and Tabellini's findings that higher levels of information about the pension system's functioning are positively correlated with support for reform, and that media-derived information merely serves to confirm pre-existing opinions (Boeri and Tabellini 2007).

Triantafyllou (2005) compares the Greek and Italian cases directly, asking why policy concertation has been a failure in Greece. She argues that trade union composition and the different views of political actors explain failure. While this helpfully points to trade union composition as an obstacle to change, it does not address the role of agency in shaping those views over and above the institutional configuration present in the union movement. After all, the higher representation of wage earners in the Italian unions and the 'non-polarization' between public and private unions existed before reform was undertaken. What is more, the rank-and-file of all unions *did* initially oppose the 1995 plans to reduce the pension replacement ratio, yet eventually the reform met with their approval (Baccaro and Locke 1996, p. 21). It would therefore be meaningful to look at the agency-driven role of discourse. As Triantafyllou (2005, p. 15) notes, 'contrary to what happened in Greece, in the case of Italy external pressures had affected the unions' perceptions about the need of a reform that would necessarily include benefit cuts'.

It is this change of heart that invites one to look beyond cost-benefit calculations and examine how policy entrepreneurs framed the issue of pension reform. As Cox underlines, 'in a political environment the advocates of reform need to ... create a discourse that changes the collective understanding of the welfare state, because doing so "shapes the path" necessary to enact reform' (Cox 2001, p. 475).

IDEAS AND DISCOURSE IN POLICY REFORM

Pure institutionalist accounts on reform have been increasingly complemented by approaches emphasizing the role of ideas in policy change. New institutionalist scholars have been adept at incorporating the role of ideas in policy analysis. Peter Hall (1993) has drawn attention to policy paradigms, '[a] framework of ideas and standards that specifies [policy goals]. . . but also the very nature of the problems that [need to be addressed]' (Hall 1993, p. 279). Such paradigms are key to policy change by guiding learning processes and

impacting directly on the politics of change. Campbell (1998) asserts that as policy-makers look out for valid justifications for policy change they engage in *bricolage* by framing solutions to policy problems in ways that enhance the legitimacy of their undertaking. Berman (2006) has shown how social democrats in Sweden made use of ideas and by co-opting themes and appeals of their ideological rivals established a decades-long ideological hegemony. Blyth (2002) underlines how economic ideas became ideological weapons in the hands of policy-makers intent to challenge the given institutional balance and reshape policy outcomes.

Ideas are part of a public discourse, defined as 'whatever policy actors say to one another and to the public more generally in their efforts to construct and legitimate their policy programs' (Schmidt 2002, p. 169). As Schmidt underlines (2005, p. 20), every country maintains a set of conditions within which discourse on reform takes place. These conditions entail: policy legacies, policy problems and political institutional capacity. In addition, single-actor systems will opt for a communicative discourse with the public at large, whereas multi-actor systems akin to the Italian paradigm will work through a coordinative discourse to obtain the crucial backing of social partners (Schmidt 2008).

Ideas come in a package that contains both a cognitive and a normative aspect. Cognitively, ideas relate to the provision of a set of arguments regarding the reliability of the argument for reform, its truthfulness, and the clarity of the solution proposed. The normative aspect is concerned with the appropriateness of the argument for change, seeking to appeal to encompassing values that resonate with the public and reflect either a long-established or a newly emerging societal consensus (Schmidt 2005, p. 8). All along, the discursive politics of reform is filtered through a communicative discourse leading to the formulation, modification and elaboration of ideas to persuade the public (Schmidt 2002, p. 171). The coordinative part of discourse, on the other hand, is concerned with the formation of a common language on the part of policy groups in their attempt to construct a coherent policy programme (Schmidt 2002, p. 171).

In line with Béland (2009), I refrain from arguing that discourse alone can account for change. The latter constantly interacts with institutions, and institutional constraints impact upon the articulation of ideas. To illustrate this, the fact that political reform in Italy in the early 1990s strengthened the role of the executive in decision making and diminished the power of the Cabinet *vis-à-vis* the Prime Minister was a precondition for the successful use of discursive techniques to obtain support for pension reform. Moreover, the approach adopted in this paper pays due attention to the role of agency in the process of change. Recent work in the field stresses that institutional rules are subject to different interpretations and degrees of enforcement. This offers agents the opportunity to try and shape them in line with their preferences (Mahoney and Thelen 2010).

Thus the argument advanced here asserts the contribution of discourse in successful reform through dissemination of information, a coherent coordinative discourse, and a closely maintained link between coordinative and communicative discourse. Utilizing such a strategy allowed policy-makers to shape a new policy path on pensions. This is not to say that reform suddenly overcame all institutional obstacles. For instance, the 1997 Prodi government failed to include blue-collar workers in seniority pension cuts as a result of the Communist Party's opposition. The fact that the Prodi administration relied on the party to retain its parliamentary majority left the Premier with little option (Ferrera and Gualmini 2000, p. 193). Pension politics is rarely straightforward; it often becomes a never-ending process of adjustment to changing conditions. However, a cycle of pension

reform failure was broken when the issue was framed in terms that narrowed policy options and gave stakeholders the chance to defend the new trajectory.

PENSION REFORM IN GREECE: DISCOURSE AS 'CHEAP TALK'

Greek social insurance is organized along the following lines: the Social Insurance Organization (IKA); the rural workers' fund (OGA); and the fund for the self-employed (OAEE). Next to these main funds stand those for civil servants, prestigious occupational groups (such as lawyers, doctors, and engineers) and many more. Determining replacement and contribution rates is an extremely complicated matter (Petmesidou 2006).

Entrenched injustice is the system's distinguishing feature. First, pension funds are self-administered yet overwhelmingly dependent on state subsidies for survival. For decades, those in power have used subsidies for distributional purposes based on favouritism to serve macroeconomic objectives (Spourdalakis and Gravaris 2008, p. 181). What is more, the privileged, well-endowed funds receive either state aid or an indirect subsidy by receiving a certain percentage of users' fees, a little known yet disastrous practice that furthers the system's injustice and helps perpetuate solid anti-reform coalitions.

Second, while some categories of funds are adequately stocked, the vast majority are not: IKA has strict eligibility criteria, yet three-quarters of the pensions it pays out equal minimum pension levels (Spourdalakis and Gravaris 2008, p. 181). The PAYG character of the system excludes large segments of the population, such as the unemployed, part-timers and flexi-timers, from adequate coverage. Thirdly, the system is premised on highly unequal replacement rates, with civil servants enjoying pensions often twice as high as those for private sector workers (O'Donnell and Tinios 2003, p. 264).

In 1981, when the Socialist Party (PASOK) gained power, eligibility criteria for retirement were used to stabilize the flow of employment (Spourdalakis and Gravaris 2008, p. 197). In addition, the systematic underfunding of insurance funds was bailed out by the Greek state. The government increased minimum pension levels by 50 per cent and ordered IKA to hand out minimum pensions even to those that could only prove nine full years of contributions. After its 1985 election win, PASOK flirted with the idea of looking into the pension problem but refused to even acknowledge the existence of a committee of investigation set up in secret to look into the problem (Featherstone *et al.* 2001, p. 468).

In the early 1990s, the centre-right New Democracy party (ND) attempted two pension reforms (laws 1902/90 and 2084/92) by reducing replacement rates, increasing contribution rates, and setting the retirement age at 65 for men and women. The indexation of pensions to wages was discontinued, while seniority pensions were cut for those entering the labour market after 1993 (Petmesidou 2006, p. 41). However, 'the structural deficiencies of the Greek pension system were left untouched' (Featherstone and Papadimitriou 2008, p. 90).

Thus fragmentation and inequity were not dealt with. Massive pressure exerted by the Trade Union Confederation (GSEE) led to the withdrawal of the original reform package. Having failed to address the issue of the privileged funds, the government decided to commission an IMF report prior to legislation to illustrate the dire consequences of inaction. Such an attempt to depoliticize reform and present change as based on objective facts does little to acknowledge that pension reform is a political hot potato, whose handling requires persuasive argumentation.

Throughout the 1990s, policy entrepreneurs failed to prepare the public for pension reform. In 1992, in the midst of attempts to reduce pension costs, only 27 per cent of Greek

respondents to a Eurobarometer survey felt that social security costs were too high. The same survey showed that only 14 per cent of respondents felt that 'in the future people will have to retire later', by far the lowest percentage among the then EU member states (Ferrera 1993).

In 1997, the then Prime Minister Simitis set up an expert group tasked with identifying solutions to the problem and coming up with practical recommendations. The committee, chaired by Ioannis Spraos, released a report describing the system's inherent injustices and outlined possible solutions (Committee of Experts on Economic Policy 1997). In a government-centred, small, elite-based system, communicating the pension issue to the public was bound to be adversarial (Schmidt 2002, p. 172). The Greek authorities' mishandling of the issue sealed its fate.

The very idea of the committee originated among a closed-circle of people around Simitis. Its findings were immediately framed in terms that implied imminent pension cuts. While it can be argued that opposition parties would oppose the findings anyway, the staunch opposition by powerful PASOK-affiliated unionists finished the reform before it was attempted. What is more, the government failed at the initial stage of coordinating its discourse within the ruling party. As soon as opposition to the findings became powerful, cabinet members distanced themselves from the committee. This distancing ultimately included the Prime Minister himself (for a full analysis, see Featherstone *et al.* 2002).

Following PASOK's re-election in 2000, the government commissioned a study by Government Actuaries and in 2001 published its proposals for reform, the 'Giannitsis proposals' named after the then Labour minister. The main reforms entailed setting the replacement rate to 80 per cent of previous earnings, the gradual increase in retirement age to 65 for men and women, the rise in insurance period permitting seniority pensions from 35 to 40 years, the introduction of disincentives for early retirement and the rise of the minimum pension that would become means-tested (Triantafyllou 2008, p. 249). Though the reform did not suggest an overhaul of pension structures it addressed some of the gross inequities of the system (Matsaganis 2008).

The proposals were immediately attacked by GSEE and countrywide strikes began. Opinion polls took a turn for the worse, while Giannitsis' colleagues refused to support him and the party's traditionalists demanded a 'social turn' (Featherstone and Papadimitriou 2008, p. 100). The minister himself sought to defend his proposals by appealing to rationalist arguments regarding the demographic challenge, claiming that the system was heading to collapse within 8 years (<http://www.in.gr/news/article.asp?lngEntityID=177418>). He was nevertheless removed from office soon after the proposals were dropped. Law 3029/02, passed once Giannitsis was out of office, was a significantly 'softer' version of the original proposals. No projections as to the pension deficit were made and no change in the retirement age was proposed (Featherstone and Papadimitriou 2008).

The 2001 and 2002 events demonstrate failures of policy learning from past experience and the inability to transform discourse into a reformist weapon in congruence with exogenous reform pressures. From a discursive point of view, what is particularly striking is the failure to articulate a coherent communicative discourse and the persistence of communicative failures.

After the Spraos debacle, the government failed to clarify the appropriate tools for action and the measures that needed to be taken at an early stage. Its party manifesto for the 2000 election had promised a reform, but was elusive as to its content. This was a first opportunity for rejectionists to undermine the government's reformist credentials and block the formation of a coalition for change.

Secondly, once Giannitsis obtained the Government Actuaries report, the Prime Minister moved in cohort with his minister but in complete isolation from the rest of the Cabinet, including his Vice-Minister for Labour, a former trade unionist. Furthermore, the minister informed the union leadership of the measures he intended to legislate one day before he went public with the proposals. The unions' dismissive reaction was the first step in a series of protests that successfully blocked the reform (Nikolaou 2008).

Former Prime Minister Simitis asserts that 'the fact that the [Giannitsis proposals] dealt with the economic and social insurance issues of the problem carried us away and we did not pay adequate attention to dimensions that are crucially important to employees. Thus the proposals met with the union's intense opposition' (Simitis 2004, p. 282, author's translation). Giannitsis himself claims that apart from the Prime Minister, no one else inside the party was willing to tackle the pension problem and that party members said one thing to him and one to the media (Giannitsis 2007a). Though he asserts that the problem was one of 'negativism', he acknowledges that some of the reform's aspects were presented in a way that allowed the deniers to gain the upper hand (Giannitsis 2007b).

What is also revealing is the confused message emanating from the government as to the content of reform. While Giannitsis was seeking to reassure the social partners that the whole process would be consensus-based, leaks to the press stemming from party insiders claimed that a radical overhaul might be on the cards. When confronted in Parliament by an opposition MP on the subject, the minister claimed that this scenario making the rounds was part of an attempt by the opposition press to corner the government (Hellenic Parliament Minutes, 4848/ΠΙΔ). The absence of a coherent story on pensions meant that opposing unions pre-empted the measures by mounting a well-organized campaign (Featherstone and Papadimitriou 2008, p. 103).

It is therefore little surprise that public opinion never shifted towards a pro-reformist understanding. The 2001 Eurobarometer survey showed that although Greeks expressed their clear dissatisfaction with pension services, they were EU champions in rejecting different reform options (such as to raise contributions, taxes, or the retirement age) to safeguard pension levels (Eurobarometer 2001).

After the 2002 legislation no major changes occurred until 2008, when the government opted for mostly administrative changes, primarily the amalgamation of insurance funds. Reducing the number of funds to 13 became the headline goal, but the law that was introduced hardly changed the basic parameters of the system.

The latest pension reform is different, however. In July 2010, the PASOK government, voted into office less than a year earlier, oversaw the passing of a new pension law (3863/2010) through Parliament. The main elements of the reform are the gradual increase in pensionable age, the elimination of various early retirement schemes, the creation of a minimum 'basic pension' added to a contributions-based pension income and the periodic readjustment of pension levels in line with GDP and inflation changes and the economic viability of insurance funds. Law 3863/2010 also contains provisions for financial incentives for those opting to remain in paid work beyond the age of 65, further funds' amalgamation and the creation of a central registry and pensions' payout facility (*Government Gazette* 115/15 July 2010).

Though it is early for a comprehensive assessment and the law foresees various possible adjustments based on forthcoming reports on the funds' financial situation, the reform contains significant changes and satisfies the criterion of economic efficiency, principally by tightening the link between contributions and benefits. For instance, article 11 explicitly limits future pension expenditure above 2.5 per cent of GDP until the year 2060, while

article 37 obliges the state to pay out only the (minimum cost) basic pension post-2015. It also facilitates the administrative rationalization of a notoriously complicated system.

However, whether the recent reform marks a decisive break with past failure remains doubtful. Privileged occupational groups (engineers, doctors, lawyers and journalists) retain their separate insurance funds, and those insured in OGA are subject to a different insurance system than the rest of employees. Moreover, the law increases the coefficient for occupational pensions in line with the duration of insurance. Although this offers incentives for insurance towards the end of one's working life, it reduces the corresponding incentives to become part of the formal insurance system at an early working age, that is, when coefficients are low (Matsaganis 2010). Finally, no actuarial study was conducted alongside the reform and the system's real financial parameters remain for the most part unclear.

From a discursive institutionalist point of view, the recent Greek reform is not substantially different from previous attempts. To start with, the reform, following the introduction of EU-IMF conditionality in May 2010, was inevitable. The financial imperative of reducing costs through rationalizations and cuts to salvage the country's ballooning deficits dominated the process of reform, including the dramatic statements by the then Minister of Labour Loverdos on the near-bankruptcy of the system and the looming inability of the funds to pay out pensions (Karzis 2009). Secondly, the government's communicative discourse was principally couched in terms of economic efficiency and much less on the need to change an unjust and inequitable system. The latter, crucial element was introduced in the debate only after the reform's main items were decided and the unions opted not to participate in its formulation, citing the government's 'already fixed' agenda (Papadis 2010).

Finally, the coordinative discourse of the government proved yet again inadequate. With very few exceptions, the responsible minister was left alone to argue the merits of the changes introduced while senior ministers refused to back him in public (Kovaios 2010). Multiple last-minute amendments introduced to the final bill reinforce the impression of hastily prepared changes whose impact remains uncertain, making further changes in the near future inevitable.

MAKING THE ARGUMENT: THE ITALIAN CASE FOR PENSION REFORM

Matching the Greek with the Italian case becomes useful when one considers the traditional features of the Italian pension system. This includes highly uneven benefit levels, generous pensions enjoyed by 'core' employees, and very little correlation between contributions and benefits (Levy 1999, p. 253). The similarities with Greece become more pronounced when one adds the seniority pensions, originally introduced in the 1950s, which allowed retirement before reaching the minimum retirement age if a certain number of contributions years could be proven (Baccaro 2002, p. 416).

Over the 1990s, however, pension reform was successful. While the pension system that emerged is by no means perfect, since it entails long adjustment periods and some inter-generational injustices, it passes both the efficiency and equity tests. The 1992 reform increased the pensionable age to 65 for men and 60 for women, changed the pension calculation formula from five to ten years, and harmonized requirements for entitlement to seniority pensions across sectors (Baccaro and Locke 1996). It was nevertheless not yet a structural reform, since it kept seniority pensions intact, maintained a gender-based differential in the pensionable age, and rules on the determination of pension benefits remained unequal.

The 1995 changes went much further. A minimum threshold for pension entitlements (57 years for all workers and a minimum of five years of paid work) as well as a flexible retirement age (between 57 and 65 years) was introduced. A 3 per cent penalty on pension income has been inserted for those opting to retire before 65. The reforms tightened the relationship between years of contribution and pension levels, as pension amounts are directly linked to contributions made. These were set at 32 per cent for public and private sector workers and 15–16 per cent for the self-employed.

On the financial side, over the long run, spending has been kept under control. Pension expenditure as a percentage of GDP is projected to reach 15.8 per cent by the year 2032, much lower to the pre-reform forecast of 23.2 per cent (Ferrera and Gualmini 2000, p. 194). The reform also addressed major issues of the previous system's inequities. For all occupational groups, including the previously privileged ones, such as electrical workers or bus drivers, rates of accrual of pensions have now been homogenized. Moreover, the reform introduced obligatory pension insurance for contingent workers, previously largely uninsured, funded through earmarked contributions by employers and employees. State pensions for immigrant workers have also been part of the changes (Baccaro and Locke 1996). It is little surprise that the 1995 reform has even been described as 'revolutionary' (Ferrera and Gualmini 2000, p. 192). These measures set the framework for all subsequent modifications (Levy 1999, p. 256; Della Salla 2004, p. 145).

How did this reform happen? The 1990s political environment was conducive to change. The collapse of the old political establishment in the wake of the '*mani pulite*' affair led to the overhaul of the old party political establishment. Moreover, the 1992 economic crisis opened a window of opportunity, as the goal of EMU participation focused minds on the big prize and allowed commitment to European integration to shine through (Carrera 2009). But Greece too was only slowly emerging from a scandals-driven political atmosphere, and the EMU goal was equally powerful for a country on the margins of 'core Europe'. The political discourse followed by Italian policy entrepreneurs made a difference insofar as they utilized cognitive and normative mechanisms to convince people about the need for change. Using discourse to narrow reform options towards their preferred outcomes, they reshaped pension politics for years to come. Policy entrepreneurs were able to generate consensus in the corporatist arena in a way that had not been possible before (Natali 2004).

Schematically, one could argue that policy entrepreneurs focused on the twin notions of 'Europe' and 'fairness'. They formed a winning coalition of pro-reformist groups within the trade unions to legitimize their actions. Throughout the process, the coordinative and communicative discourse of government functionaries remained closely linked, minimizing phenomena such as press leaks and double-speak that led to the demise of the Spraos initiative and the Giannitsis proposals in Greece.

On a cognitive level, the architects of the 1992 reforms argued the case for reform based on the need to restore financial health to the system (Schmidt 2005, p. 11). Policy entrepreneurs sought to make a link between the right to a decent retirement and the wider economy. The argument centred on the need to contain labour costs by enhancing competitiveness thus reducing unemployment. In fact, the discourse followed went beyond the narrow confines of short-term economic gain. It played on the desire by Italians to see a democratization of the economy by taking power away from corporate interests and their wish to enjoy a transparent and efficient welfare state (Della Salla 2004, pp. 144–7).

The discursive appeal of the Italian centre-left, in particular the former communist party (renamed the Democratic Left Party (PDS) in the early 1990s), was both consistent and open to change favoured by its allies, the trade unions. It proved a masterstroke in that it convinced the trade unions of governmental intentions while making them partners to reform. The contrast with the Greek handling of the Giannitsis proposals could not have been greater. Particular interests with access to privileged pensions were targeted in the name of equity. Giving 'more to the sons, less to the fathers' was one of the rhetorical schemes employed to appeal to inter-generational notions of solidarity (Sbragia 2001). Massimo D'Alema, Italy's Prime Minister from 1998 to 2000, linked the issue of pensions to the privileges enjoyed by specific groups, arguing that those entitled to seniority pensions have been undermining future growth in the EMU and thus represented an obstacle to Italy's prosperity (*La Repubblica* 1999). In contrast to Greece, financial sustainability was not the main theme of pension reform rhetoric (Della Sala 2004, p. 144).

The government's handling of the 1995 reform deserves special mention because of its discursive consistency, the cognitive appeal to a 'house put in order' but also because of the way it handled the trade unions. Excluded from the reform process by the previous administration, the unions were now given advance notice of all main reform elements and were invited to participate in the structure of the new system. The consensual style of Labour Minister Tiziano Treu was especially important, as was the government's desire to achieve consensus with the unions. At the end of the process, in light of some union demands on the cohorts affected by the reform, concessions were made.

Throughout the process, Prime Minister Lamberto Dini acted as a norm entrepreneur to build a wide consensus around the need for sustainable reforms through consistent argumentation and a well-coordinated message. Trade union leaders, once convinced of the government's straightforward approach, publicly backed the scheme and called it a 'minor evil' (*mal minore*) in the face of inaction (Natali 2004, p. 1089; Carrera 2009, p. 16). This element in the reform process is crucial. As Schmidt notes, 'much depends not only on the framing of the ideas but also on the response of those at whom they are directed' (Schmidt 2009, p. 537). Compromise solutions to reform were found through the unions' collaboration when the unions organized nation-wide ballots for their members. Having crafted a winning formula, 'vice into virtue' was used, targeting inherited, gross inequities (that also happen to be fiscally problematic) and using those vices to enhance equity and efficiency (Levy 1999, p. 240).

When union leaders sounded out rank and file members they noticed their strong objection to key parts of the reform. Once amendments were made, tens of thousands of union assemblies were organized. In those meetings, union cadres explained the proposals in detail highlighting why and how they addressed systemic injustices. They made an explicit distinction between 'just' and 'unjust' measures, justifying the characterization with concrete examples and declaring that only the former would meet with their approval (Ferrera and Gualmini 2000). Employees had the chance to voice their opinions. This allowed rational arguments to surface and offered the reformists the chance to juxtapose their arguments to those narrowly based demands. As Baccaro and Locke note,

Over the course of these debates some workers came to realize that although the proposed reform challenged their immediate interests, it nonetheless addressed broader societal concerns ... the [debates] encouraged a process through which preferences were not just expressed *but also shaped in ways that 'filtered out' more particularistic concerns.* (Baccaro and Locke 1996, p. 25, emphasis added)

Institutional factors, including the differences between Italian and Greek trade unionism, undoubtedly played an important role in this process. In 1993 the Italian social partners agreed to reform workplace representation by creating a single pattern of representation. The usefulness of this move was revealed in the revitalization of workplace representation (Regini and Regalia 1997, p. 219) as well as the outcome of the pension referenda. In addition, Italian unions have historically identified with the European integration project. When objecting to the creation of the European Monetary System (EMS) in the 1970s, for instance, they were quick to disassociate that particular project from European integration, which they continued to adhere to.

Such factors stand in sharp contrast to the Greek reality, where trade unionism is a party-dominated affair ravaged by factionalism. This is institutionally reproduced through the existence of divergent, party-affiliated factions within GSEE (Lavdas 2005). What is more, the pro-European discourse of Italian unions has never set the tone of the equivalent debate in Greece. Indeed, a suspicious attitude towards the 'neoliberal' outlook of the EU sets the tone among trade union militants regardless of party affiliation. This, in turn, reflects the anti-liberal and statist attitudes of trade union functionaries who benefit from a closed and unrepresentative industrial relations structure. In addition and in contrast to Italy, 'the conversion of Greek society in general and the unions in particular to adherence of the EU project has [a short] historical record' (Tsarouhas 2008, p. 361).

Having said that, the *way* in which the debate on pension reform took place in Italy inevitably affected workers, since the pension issue is full of complicated details.

Workers in similar structural conditions often reacted differently to the pension reform depending on the particular 'framing' of the problem. The cases ... illustrate the fundamental role played by local union representatives in the construction of consent. (Baccaro 2002, p. 427, emphasis added)

The institutional reform of the 1990s, therefore, played into the hands of the *delegati*, the employee representatives. They, rather than the organizational leaders, helped generate a pro-reformist consensus by shaping the preferences of workers. Their familiarity with day-to-day events in the workplace as well as workers' conditions was crucial: organizational leaders, on the other hand, lacked this familiarity and their influence was therefore lower (Baccaro 2002, p. 429).

Considering the active role played by policy entrepreneurs to shape a new path, public opinion survey results come as no surprise. In the same 1993 Eurobarometer survey that showed 27 per cent of the Greek population acknowledging the costly nature of social security, the corresponding figure in Italy was 50 per cent, 14 points above the EU average. A full 33 per cent acknowledged that people would have to retire later in the future (Ferrera 1993). In the 2001 survey, Italians have the fourth highest percentage of those responding positively to a possible rise in retirement age to finance pensions and are first in their support for pension levels corresponding to the level of contributions paid (Eurobarometer 2001).

CONCLUSION

The Italian case of pension reform is marked by policy entrepreneurs' ability to frame reform in ways that made its reception more acceptable to those directly affected by it. Undoubtedly, the institutional aspect of the process is a central aspect of the reform story. The fact that a policy of concertation flourished in the 1990s and led to diverse agreements

on labour market issues is central to any analysis of reform outcomes, as is the fact that the Italian unions' ability to use democratic modes of decision making gave them the option of organizing consent, making the passage of reform easier (OECD 2009).

The Italian case study, however, demonstrates the usefulness of discourse in shaping a reform path, even in countries where policy legacies do not favour reform. Both the Greek and Italian administrations faced problematic legacies, had reformist preferences and argued the case of fiscal responsibility to fulfil the goal of EMU entry. However, while in the Greek case policy-makers failed to implement reforms, in Italy policy entrepreneurs made use of the opportunities political discourse offers on two levels.

1. by appealing cognitively and normatively to the need for change in a coherent and consistent manner;
2. by building up alliances using a carefully crafted discourse to maintain a reformist coalition and expose the old system's inherent injustice.

Discourse thus became something bigger than 'cheap talk'. It formed a core part of the reform process as it was successfully employed to convince union leaders (and through them, their members) about the need for change on normative and cognitive grounds.

As Pierson observed more than a decade ago, 'failure to adapt in a timely manner could exacerbate the severity of pressures on the welfare state, increasing the prospect for a more radical and more conflictual process of policy change in the long run' (Pierson 1998, p. 558). In the throes of the EU and the IMF for assistance, it seems that Greece did indeed miss a 'historic opportunity' in 2001 (Giannitsis 2007b). Yet because pension reform is ongoing there is time to make good use of expert advice. A recent comprehensive study published by the OECD endorses the salience of path shaping in sustaining change. It argues that communicating the goals of reform is crucial as it reduces the likelihood of reversals later and prevents opponents from defining the likely endpoint of the process (OECD 2009, pp. 49–50). Such findings can function as an alarm bell for Greek policy-makers, especially at a time of yet more changes to the country's pension system.

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