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Challenges to the development of the Welfare State in Portugal and Greece:

A tale of two countries under Troika pressure

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Portugal and Greece under crisis applied economic adjustment programs (2010-2018) as conditionalities for receiving loans by the Troika. Both count among the most poor and unequal countries in the EU and their welfare states have been built recently. Our main research objective is to conduct a comparative analysis of the impact of social policy reforms on public expenditures, development and welfare indicators such as poverty, inequality, unemployment, net earnings, and emigration. If results differed in the two cases, what are the reasons? Is it due to previous growth levels, exogenous factors (adjustment programs) or endogenous ones (welfare state models) or post-Troika governments? We retrieve evidence from secondary literature, state archival documents, IMF and EC evaluation reports. We elaborate on statistical datasets retrieved from Eurostat. We find that welfare state components – i.e. health and employment levels – were deeply affected in Greece and we explain processes of divergence towards a universalist model.

Keywords: Welfare State; Neoliberal reforms; Income inequality; Unemployment.

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Desafios ao desenvolvimento do Estado de bem-estar social em Portugal e na Grécia: **Uma história de dois países sob pressão da Troika**

Resumo

Portugal e Grécia, em crise, adotaram programas de ajuste econômico (2010-2018) para receber empréstimos oferecidos pela Troika. Ambos estão entre os países mais pobres e desiguais da UE e seus Estados de Bem-estar foram construídos recentemente. Nosso principal objetivo de pesquisa é realizar uma análise comparativa do impacto das reformas da política social nos gastos públicos, desenvolvimento e indicadores de bem-estar, tais como pobreza, desigualdade, desemprego, renda líquida e emigração. Se os resultados diferiram nos dois casos, quais são as razões? É devido aos níveis de crescimento anteriores, a fatores exógenos (programas de ajuste) ou endógenos (modelos de estado de bem-estar), ou aos governos pós-Troika? Recolhemos evidências da literatura especializada, documentos de arquivos estatais e relatórios de avaliação do FMI e da Comissão Europeia. Elaboramos um conjunto de dados estatísticos recuperados do Eurostat. Constatamos que componentes do Estado de bem-estar – isto é, os níveis de saúde e emprego – foram profundamente afetados na Grécia e explicamos os processos de divergência em direção a um modelo universalista.

Palavras-chave: Estado de bem-estar social; Reformas neoliberais; Desigualdade de renda; Desemprego.

Desafíos al desarrollo del Estado del bienestar en Portugal y Grecia: **Una historia de dos países bajo la presión de la Troika**

Resumen

Portugal y Grecia, en crisis, aplicaron programas de ajuste económico (2010-2018) como condicionantes para recibir préstamos de la Troika. Ambos se cuentan entre los países más pobres y desiguales de la UE y sus estados de bienestar han sido contruidos recientemente. Nuestro principal objetivo de investigación es realizar un análisis comparativo del impacto de las reformas de las políticas sociales sobre el gasto público, el desarrollo y los indicadores de bienestar como la pobreza, la desigualdad, el desempleo, los ingresos netos y la emigración. Si los resultados difieren en ambos casos, ¿cuáles son las razones? ¿Se debe a los niveles de crecimiento anteriores, a factores exógenos (programas de ajuste) o endógenos (modelos de estado de bienestar) o a los gobiernos posteriores a la Troika? Recogemos evidencias de la literatura secundaria, documentos de archivos estatales, informes de evaluación del FMI y de la CE. Nos basamos en conjuntos de datos estadísticos extraídos de Eurostat. Constatamos que componentes del estado de bienestar – es decir, los niveles de salud y empleo – se vieron profundamente afectados en Grecia y explicamos los procesos de divergencia hacia un modelo universalista.

Palabras clave: Estado de bienestar; Reformas neoliberales; Desigualdad de ingresos; Desempleo.

Les défis du développement de l'État providence au Portugal et en Grèce: **L'histoire de deux pays sous la pression de la Troïka**

Résumé

Le Portugal et la Grèce en crise ont appliqué des programmes d'ajustement économique (2010-2018) comme condition pour recevoir des prêts de la Troïka. Tous deux comptent parmi les pays les plus pauvres et les plus inégalitaires de l'UE et leurs États-providence ont été construits récemment. Notre principal objectif de recherche est de réaliser une analyse comparative de l'impact des réformes de la politique sociale sur les dépenses publiques, le développement et les indicateurs de bien-être tels que la pauvreté, l'inégalité, le chômage, les revenus nets et l'émigration. Si les résultats diffèrent dans les deux cas, quelles en sont les raisons? Est-ce dû aux niveaux de croissance antérieurs, à des facteurs exogènes (programmes d'ajustement) ou endogènes (modèles d'État providence) ou aux gouvernements post-Troïka? Nous extrayons des informations de la littérature secondaire, des documents d'archives de l'État, des rapports d'évaluation du FMI et de la CE. Nous nous appuyons sur des ensembles de données statistiques récupérées auprès d'Eurostat. Nous constatons que composantes de l'État-providence – à savoir, le niveau de santé et le niveau d'emploi – ont été profondément affectées en Grèce et nous expliquons les processus de divergence vers un modèle universaliste.

Mots clés: État providence; Réformes néolibérales; Inégalité des revenus; Chômage.

Introduction

Loans provided by the Troika of international and multilateral organisations – namely the International Monetary Fund (IMF), the European Commission (EC) and the European Central Bank (ECB) – in the context of the recent Eurozone crisis (2010-2019) have come associated with Structural or Economic Adjustment Programs (SAPs or EAPs) imposing austerity policies and various so-called “structural reforms” to boost the competitiveness and growth potential of the most affected economies. Ireland, Greece and Portugal have had to adopt programmes of this kind since 2010, but while the Irish one was brief and light, the Portuguese and Greek ones were longer and harsher, especially the latter.

In this paper, we pay particular attention to the cases of Portugal and Greece, due to the fact that they shared various social and economic features while having to deal at the same time with similar structural problems concerning their welfare states. Portugal and Greece are counted among the poorest and most unequal countries in the EU, suffering dramatic political pressure due to external interventions (Greece is often seen as a dismantled democracy over the last years). Both are considered “semi-peripheral” countries, where the social welfare state is a relatively recent phenomenon by European standards and closely associated with the process of democratisation from the mid-1970s onwards. Moreover, both have been subject to full-fledged EAPs by the Troika in the period 2010-2018. The short-term effects or long-term impact of these policies on development and welfare indicators has been questioned by numerous scholars (Rickard & Caraway, 2019; Perez & Matsaganis, 2018; Taylor-Gooby, Leruth, & Chung, 2017; Kosack, Ranis, & Vreeland, 2005).

Our principal research objectives are to conduct a comparative cross-space and cross-time analysis of fiscal consolidation reforms (aiming at reduction of fiscal deficit) as well as of their implications on welfare states and redistribution mechanisms in the eurozone countries under Troika intervention; and identify whether EAPs (SAPs), applied particularly in Portugal and Greece, led to socio-economic development or instead to rising recession and inequalities. What was the impact of the EAPs on public expenditures? All of them implied heavy fiscal consolidation, affecting especially some typical welfare state components, such as education, health care, or social protection. What was the impact of these reforms on real socio-economic indicators such as poverty, inequality, unemployment, net earnings and emigration? If results differed to a certain extent in the two cases (Portugal and Greece), why is that? Is it due to previous growth levels (GDP), to exogenous factors (nature of interventions) or endogenous ones (welfare state models and structural problems)?

We retrieve qualitative and quantitative evidence from both secondary literature and primary sources, such as state archival documents, IMF policy and evaluation reports and

press coverage. We elaborate on existing statistical datasets (Eurostat, OECD, PORDATA) and create new ones, while conducting interviews with representatives of multilateral organisations and state officials. We present measures of fiscal consolidation as well as their impact on welfare sectors (education, health, social protection). We explore similarities and differences between the two welfare systems as well as processes of universalisation. Last, we would like to discuss lessons learned from applied reforms in the eurozone countries as well as future policy implications. We exclude from our analysis the Covid-19 pandemic period due to the sudden disruption it caused in economic and social developments.

Sections 1 and 2 give an overview of the historical background, the political context and the socio-economic conditions, under which the welfare state emerged in Greece and Portugal, as well as of the early IMF interventions in the 1970s Portugal, and the 1980s-2000s reforms. Section 3 presents relatively recent welfare reforms in Greece and Portugal in different sectors such as health, education, social security, and employment. Sections 4 and 5 analyse the effects of the Troika interventions on public investments, welfare and development in Portugal and Greece, compared to Ireland. The latter went through a similar but also different experience, since the memorandum that Ireland signed as well as its impact were much lighter. Section 6 discusses why the picture in Portugal has been brighter than in Greece in many aspects and examines various hypotheses concerning external factors (i.e. the design of the programs) and internal ones (the nature of the welfare states) in the two cases.

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1. Welfare state building, the 1970s crisis, and first IMF interventions in Portugal

Portugal and Greece transitioned to democracy and built welfare states from the mid-1970s onwards. Major historical events, political and social transformations occurred in Portugal as well as in the Third Greek Democracy in the second half of the 1970s and first half of the 1980s. In the case of Portugal, the period was marked by the bloodless Carnation Revolution in April 1974, which brought a major regime change, with the fall of the almost 50-year-old authoritarian regime (since the 1926 coup and the following establishment of the Salazar's *New State* in 1933), and the beginning of a process of democratisation as well as the simultaneous end of the Colonial War and consequent independence of African territories in 1975.

In the case of Portugal, this new era was initially characterised by failed right-wing and left-wing coups, polarisation and political instability, following a Cold War-style division typical of the time, opposing two large groups: those willing to install a socialist political and economic regime and those favouring a Western-style capitalist liberal-democracy. The initial

governments became progressively dominated by the socialist forces, leading to major social and economic changes: civil and labour rights were strengthened, crucial economic sectors were brought under the direct control of the government, banks and other firms were nationalised, factories were occupied, while large amounts of land were expropriated and put under workers' control (Amaral, 2019, pp. 232-234). However, in November 1975, the liberal-democratic revolutionaries gained the upper hand. Elections were then announced, and a New Constitution was approved in 1976, mixing liberal-democratic with socialist principles. The creation of a welfare state became compulsory and socio-economic policies became increasingly moderate. Public spending on Social Security, Health and Education increased decisively and a universal National Health Service was created in 1979 (Amaral, 2019).

This era was also marked by a combination of major external and internal economic shocks. The external shocks were the end of the so-called "Bretton Woods system" in 1971 (the fixed-exchange rate mechanism created in 1945), after the Nixon Administration's decision to terminate the convertibility of the US dollar into gold; and the decision of the Arab countries which were members of the Organisation of Petroleum Exporting Countries (OPEC) to embargo oil exports to various Western countries in 1973. The internal shock was the April 1974 revolution and its consequences. Besides the policy changes mentioned above, the revolution led to a decolonisation process with an enormous economic impact: panicked settlers fleeing from the colonies, mostly Mozambique and Angola, flocked to Portugal, in what amounts to the largest short-term population movement into the country in all Portugal's history (Amaral, 2019, p. 230-231). Population growth, and consequent growth of the labour supply, combined with rising wages and capital flight, led to a very serious economic crisis.

The governments from 1976 needed, on the one hand, to deal with the crisis and on the other, to fund social services and develop the welfare state, which other European countries had done much earlier in the post-war era. Growing budget deficits and inflation, with prices of imported goods going up in the context of the oil crisis, led to problems of imbalance in international payments. The interruption of trade with the former overseas provinces, due to the latter's independence, and the reduction of tourism and migration remittances, because of political turbulence in Portugal, aggravated further the economy's situation, determining a long external payment crisis. Three stand-by arrangements (SBA) with the International Monetary Fund (IMF) were signed in 1977, 1978, and 1983, to deal with it (Amaral, 2019, p. 247). Austerity programs were adopted in the context of the three interventions, while a programmed system of exchange rate depreciation named "crawling peg" was introduced in September 1977, lasting until 1990 (Amaral, 2019, p. 250).¹

¹ A large loan was then provided to Portugal by a series of countries led by the US, under the condition that IMF assistance would follow. In 1978 Portugal signed a second SBA with the IMF, now imposing

By the end of the third programme, external balance had returned to Portugal, but at a high cost in terms of growth and unemployment. Rebalance allowed Portugal to enter the European Economic Community (EEC) in 1986, after long negotiations (Amaral, 2019, p. 254). Throughout this era (1974-1985), growth was modest and volatile, bringing an interruption to the process of convergence of Portugal's GDP per capita with EU countries, which had been rapid between the 1950s and 1973 (Amaral, 2019, p. 254).

We should note that in the 1970s and early 1980s, IMF interventions were not yet of the heavily intrusive kind, with a significant weight put on conditionality associated with structural reforms. That became mostly common from the second half of the 1980s onwards, following the outbreak of the South American debt crisis. From then on, the IMF stopped having programmes with industrialised countries and started specialising in developing ones (Diz, 1984; De Vries, 1985). Up to then, as noted by De Vries (1986, p. 11), "the system was intended to give countries more freedom than did the gold standard to pursue their macroeconomic policies [...] so that they could reach their domestic goals, particularly the goal of attaining and maintaining domestic full employment". The system was, thus, a hybrid, where the advantages of free trade, convertibility and fixed exchange rates were to be combined with the advantages of Keynesian demand management. This means that, despite some austerity that was associated with the IMF interventions in Portugal in the late-1970s, their impact was not entirely negative for the development of the country's welfare state (Amaral et al., 2020).

In the case of post-junta Greece, the welfare state grew more gradually than in Portugal, probably because it was already slightly developed. Moreover, the regime transition, after the fall of a 7-year dictatorship, was led by the conservative political party of New Democracy and the elites rather than by workers' unions. However, at least on a symbolic level the legitimacy of the welfare state increased. Political freedoms and civil rights were connected to redistribution of public income (Garcia & Karakatsanis, 2006, p. 127). Between 1974 and 1977, farmers' pensions were increased by 150%, collective bargaining was restored, price controls were abolished, and real wages rose while working hours were reduced (Spourdalakis, 1988, p. 133).

various conditionality measures: a ceiling was put on the credit to be granted by the banking system to public companies; interest rates were again raised; a ceiling was put on wage increase; the government engaged into a restrictive fiscal policy; and the prices set by the government were increased. Depreciation under the crawling peg regime was reinforced. These measures were effective in terms of international balance, with the current account reaching balance in 1979 (Amaral, 2019, p. 251). Another oil shock in 1979, combined with certain expansionary internal political measures, reverted the positive steps. In 1983 an SBA between Portugal and the IMF was signed. This time the measures were stricter, although of basically the same nature than under the previous two SBAs (Amaral, 2019, p. 253).

Several nationalisations in the transportation, water and banking sectors took place. The two first social-democratic governments of the Panhellenic Socialist Movement (PASOK) in the 1980s (elected in 1981 and 1985, lasting until 1989) further contributed to the development of the welfare state, by adopting a series of redistributive and social policies. Without questioning the European standards set by Greece's membership in the EU from 1981, this period signified a paradigm shift in the government's method of securing the consent of the working class and increasing legitimisation. In the framework of the new social contract, PASOK led by Andreas Papandreou created the National Health System, institutionalised civil marriage, democratised the trade unions and modernised the operation of Higher Education (Tsakas, 2022, pp. 260-61).

In other words, in the 1980s, relatively moderate socialist governments rose to power in both Portugal and Greece, despite their different starting points (a communist revolution in Portugal and a more conservative democratic transition in Greece). Welfare provision became increasingly universal and social benefits skyrocketed, despite the limiting effects of the economic downturn (Garcia & Karakatsanis, 2006, p. 128). In 1982 Portugal pensions grew by 40% and the health system was fully decentralised, while the Greek government of PASOK passed progressive legislation for public health and social security, granted considerable increases in wages and salaries and improved unions' protection. In 1983 Greece, the National Health System unified benefits, regardless of the citizens' socio-economic and occupational status (Garcia & Karakatsanis, 2006, pp. 129-130).

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2. The European social model and the 1980s-2000s reforms

Several scholars claim that the welfare state in Southern Europe developed along a particular path due to a number of reasons (Ferrera, 1996; Rhodes, 1996). One of them was the fact that, in contrast with Northern Europe, some welfare structures and social services in Southern Europe were implemented prior to democratisation, therefore being initially built without the political participation of civil society groups and labour unions (Andreotti et al., 2001, p. 49).² For instance, in Portugal the Social Welfare Reform, which initiated the development of a unified social welfare scheme, took place in 1962, still under Salazar's regime (Carolo & Pereirinha, 2010, p. 481). The expansion of the Welfare State after democratisation was, hence, combined with these pre-existing efforts, leading to substantial differences as compared with the Northern European experiences, where modern democracy had been a reality already for a few decades.

² On the impact of corporatism and authoritarian regimes on welfare development, see Garcia and Karakatsanis (2006).

Compared to Salazar's regime, public spending on health, education, and social security increased significantly in Portugal in the mid-1970s. The 1976 democratic constitution terminated corporatism (which was the official ideology of the pre-existing authoritarian regime) and established health care, education, and social security as official social rights to be delivered by the State.³ However, due to the pre-democratic developments, Portugal ended up adopting a Bismarckian model, where a big share of benefits is derived from social contributions (Garcia & Karakatsanis, 2006, p. 126).

Due to this hybrid nature, various dimensions of the welfare state model in Southern Europe were considered problematic by a vast body of literature, already before the recent crisis. This model would be characterised by both a high level of subsidiarity of the State's actions in relation to the family and by the importance of the participation of the breadwinner (mostly male) in the labour market. The family would play to a large extent the role attributed to the State in the experiences of Northern countries, complemented by an additional crucial layer of third-sector institutions following the family's efforts (Ferrera, 1996; Rhodes, 1996).

Social benefits would be strongly associated with employment entitlements, rather than having the nature of universal rights, thus leading to "unparalleled peaks of generosity" and "protection gaps" (Andreotti et al., 2001, p. 47). Such problems would mostly arise from the segmented nature of the Southern European labour markets, opposing a fraction of the workforce protected with long-term contracts and unionisation (the "insiders") to another with short-term contracts, many times self-employed, with no unionisation and no significant protection (the "outsiders"). The self-employed represent a disproportionate share of workers in Southern European countries, and their social integration is done mainly through tolerance of tax evasion and informal economic activities (Andreotti et al., 2001, p. 54). This would be complemented by the existence of large clientelistic networks and patronage mechanisms, creating a particularly problematic mix.

The blurred limits between the spheres of the state and civil society, the low level of law enforcement and ineffective interventionism, the emphasis on rhetorical politics, the fragmentation of public administration, the clientelistic bureaucracy and particularly the corporatist regime of social service provision were viewed as the root causes for the lack of universal regulations and practices as well as the absence of strong redistributive mechanisms in social protection. As a result, the inequality between stronger lobbies and less privileged social groups would be wide (Ferrera 1996; Rhodes, 1996; Andreotti et al., 2001). These features of the Southern welfare state model would distinguish it from the universal

³ While the public health system in the early 1970s served only 50% of the population, by the turn of the decade the coverage was almost universal.

mechanisms typical of Scandinavian welfare states but also from the less universal models of Continental Europe (Esping-Andersen, 1990, 1999).

However, other scholars have criticised the view of a powerful but inefficient state combined with a weak civil society, which had prevailed in political sociology, at least in the case of Greece (Mouzelis & Pagoulatos, 2003). The “Greek case” has been reconsidered over the last decades, as neither civil society was or is “atrophic” in all its aspects, nor has the state been as ineffective as presented by the sociological paradigm during the democratisation period. A different approach to this issue is attempted by Voulgaris (2006), who revisits the stereotypical dipole “hypertrophic and inefficient state – atrophic civil society” from a Gramscian perspective. On the one hand, he highlights the contribution of the Greek state to the modernisation of society and on the other hand he stresses that Greek civil society is stronger than the mainstream strand of literature demonstrates, while civil society is not always and necessarily “good” and positive, under any circumstances (*ibid.*, p. 6).⁴

Moreover, the Welfare States of Portugal and Greece have passed through a few reforms since their creation in the 1970s and 1980s. Some authors argue that the reforms in the Portuguese case have made it transition partly from its original segmented Southern kind to a more universalist one (Arcanjo, 2011; Alves, 2014). The most important changes would have been the introduction of a minimum income mechanism in 1996, the changes throughout the 1990s and early 2000s in unemployment benefits making the system more generous and less centred on the breadwinner, and the progressive unification of the pension systems in the direction of a fully universal State-run system also during the 1990s and early-2000s (Ferrera, 2000; Karamessini, 2007; Arcanjo, 2011, 2012; Alves, 2014).

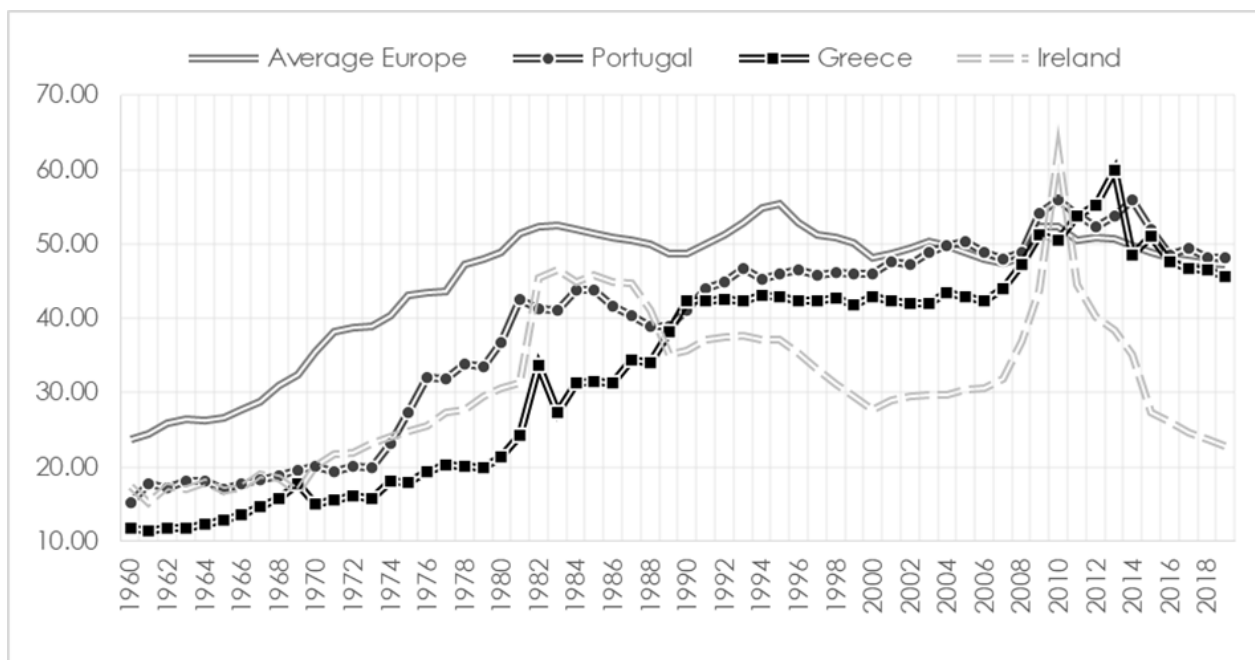
As for Greece, its social model has been characterised since the 1990s-2000s as a mixed system, because it combines elements from the Beveridge and Bismarckian model, while allowing extensive private sector development (Papatheodorou & Moysidou, 2011, p. 29). For example, the health sector is financed by the state budget in parallel with social security and private payments, which equally contribute as important funding sources. Social security has been mandatory and is based on contributions from employees, employers and the employed. The participation of social security has been gradually declining and state funding is increasing, without however providing for the necessary legislation to continue the effective operation of the NHS; with the immediate consequence of expanding private expenses. Administrative modernisation (via laws in 1992, 1994, 1997, 2001, 2003 and 2004) was attempted by introducing managers in the hospitals, “regionalising” the system with the

⁴ Also, the author does not accept the notion of a civil society-state relationship as a “zero sum” relationship, according to which as one pole becomes stronger the other weakens (Voulgaris, 2006, p. 15).

establishment of Regional Health Systems (PES) and promoting digitalisation, so accessibility especially from the rural areas is facilitated (Papatheodorou & Moysidou, 2011, pp. 30-33). Thus, coordination and provision were delegated at the local level, aiming at eliminating malfunctions and bureaucratic obstacles as well as expanding the protection of the population. In any case and despite these efforts, there has been a steady, temporal gap between the declared reforms and the implemented policies in Greece (Papatheodorou & Moysidou, 2011, p. 31).

Overall, in both countries and especially Greece, the issue of reforms during the recent crisis has been presented by the mainstream media in a simplified way, as a confrontation between “Europeanisation and anti-Europeanism”. On the other hand, Sakellariopoulos and Economou (2006, p. 6) have shown from a historical-institutionalist approach that labour and social policies, as developed during the 1970s-2000s Greece, were designed and implemented to a large extent on a basis of national priorities. The main reason for this has been the significant social protection deficit in the country that motivated the rapid expansion of social institutions, in contrast to international trends of the time; which under the influence of neoliberalism pushed for cuts in social benefits and shrinking social rights.

Figure 1. Public spending as a % of GDP. Portugal, Greece and Ireland: 1960-2019.



Source: Eurostat.

To sum up, both Portugal and Greece are young democracies with incipient welfare states. This means that they took time to reach the same level of public expenditure existing

in Western Europe. Public spending grew progressively from the 1960s onwards, with accelerations in the 1970s and 1980s, but only in the early twenty-first century did the two countries reach the average level of public spending typical of Western Europe. This is shown in Figure 1, where public spending is measured as a percentage of GDP in Portugal and Greece, compared to Ireland and the European Union since 1960.

3. Welfare reforms in Greece and Portugal during the recent crisis (2010-2018)

In the case of Greece, three economic adjustment programs were implemented in the period 2010-2018. A joint mission of the European Commission, International Monetary Fund and European Central Bank visited Athens from 21 April to 3 May 2010 following a request for international financial assistance. On 2 May the Eurogroup agreed to activate stability support to Greece via bilateral loans centrally pooled by the European Commission. On 9 May the IMF executive board approved a "Stand-By Arrangement" (European Commission, 2010). On 18 May 2010, the Euro area member states disbursed their first instalment of 14.5 billion Euros to Greece, following a disbursement of 5.5 billion Euros from the IMF (European Commission, 2010).

In total, the first memorandum (May 2010) set the amount of 80 billion Euros to be released during the period from May 2010 to June 2013, of which 53 billion Euros were disbursed according to the European Council. The second memorandum (2012) committed the additional amount of 145 billion Euros for the years 2012-2014 (later postponed until the end of June 2015), of which 142 billion Euros were disbursed. And the third (August 2015) committed the amount of 86 billion Euros from 2015 until 2018, of which 62 billion Euros were disbursed (information from the European Council).⁵

In the case of Portugal, only one two-fold adjustment program was introduced. In May 2011, the Portuguese authorities signed two Memoranda of Understanding (one with the European Union and another with the International Monetary Fund) and they agreed to engage into a series of reforms in exchange for a €78 billion bailout package until 2014. Portugal was the third eurozone country, after Ireland and Greece, receiving emergency funds.⁶ The main objectives of its adjustment program were re-gaining access to financial markets, placing the Portuguese economy on the trajectory of recovery and sustainable growth as well as the financial stability of the country, the Eurozone, and the EU (Hespanha, 2017). Specifically, the Memoranda foresaw deficit reduction, by cutting public spending on education, pensions, and

⁵ See: <https://www.consilium.europa.eu/en/infographics/financial-assistance-to-greece-2010-2018/>.

⁶ The loan was equally split between the European Financial Stabilisation Mechanism, the European Financial Stability Facility, and the International Monetary Fund (European Commission, 2010).

health, reducing transfers to local authorities and public sector employment, encouraging competitiveness (labour reforms and liberalisation). In May 2014, Portugal exited the programme and external supervision by Troika, but remained under excessive deficit procedure until June 2017 (Moury, De Giorgi, & Barros, 2020, p. 157).

In both Greece and Portugal, during the two first years of the crisis (2008-2010), the main reforms aimed at increasing individual income tax rates, partially compensated by decreasing tax rates for lower brackets, reducing the fiscal benefits and bonuses, increasing VAT taxes and cutting public sector wages. Additionally, in Greece they widened the contributory basis and introduced a special tax on pensions, while in Portugal they imposed an additional tax rate for top earners. In Greece, there were cuts in public pensions and in Portugal they froze almost all social insurance benefits and pensions (Callan et al., 2011).

Concerning the health sector, Greece has been tackling an unprecedented number of reforms since 2010 and most of them “have been a direct result of the EAPs” (Economou et al. 2017). Greece and Ireland had the largest decrease in per capita health expenditure between 2009 and 2011; 11.1% and 6.6% respectively (Sarantopoulou, 2015, p. 257).⁷ The main measures of the period 2010-2011 included the operation of the Price Observatory, all-day operation of hospitals, reduction of salaries and a ratio of 1/5 in pensions and recruitments for the National Healthcare System of Greece, collection and increase of the fee in the outpatient clinics from 3 to 5 euros, merging of hospitals and reduction of operating costs (Kolypera, 2014, p. 44). In both Portugal and Greece, the major trend is the growth of private healthcare as a percentage of total expenditure. In the case of Portugal, numerous measures were directed towards public health care expenditure, while the next target was pharmaceutical spending. Among other things, a new system of international reference pricing for drugs was introduced (Moury, De Giorgi, & Barros, 2020, p. 167).

With respect to public education, the two countries diverged in their situation prior to the EAPs. Portugal had a tradition of strong investment in public education, something that was reflected, for instance, in the fact that it was the OECD country having the highest ratio of teacher per pupil in the early twenty-first century. The Troika programme changed that. The number of schools dropped to 6,575 in 2014 from 8,881 in 2010, a 15% reduction in four years. The number of professors was also heavily reduced, thanks to the non-renewal of contracts and to the slowing-down of new contracts, passing from 156,528 in 2010 to 120,784 in 2014, a 22% decline in the same four-year period.

⁷ The total public investments in health fell from 16.098 billion euros in 2009 to 8.267 billion euros in 2014 (Benos, Zdoukos, & Festas, 2020, pp. 239-240).

As for Greece, the inadequate state budget, the lack of technology infrastructure and the shortage of teachers in school units placed Greece among the lowest rankings in Europe. According to experts, the implementation of the 2010 Memorandum severely weakened education at all levels, while predictions for the near future, based on Troika's indicators, are equally pessimistic. "Schools can hardly perform their basic functions" under these circumstances (Charamis & Kotsifakis, 2015, pp. 137-138). The number of schools dropped to 12,734 in 2013-14 from 14,435 in 2009-10; in other words, there was a 12% reduction within four years (Charamis & Kotsifakis, 2015, p. 139).⁸ Moreover, although every year many teachers retire, they are not replaced by new teachers. The number of teachers in secondary education has dropped by 27.1% (from 104,043 in 2010 to 75,849 in 2014 (based on data released by the Ministry of Education and processed by OLME) (Charamis & Kotsifakis, 2015, p. 140).

Furthermore, all three memoranda signed by the Greek government provided for a series of labour reforms. However, in both Greece and Portugal important labour reforms had already taken place since the early 1990s and 2000s, such as in wage-setting institutions, in industrial relations, and employment protection. All aimed at increasing wage and labour flexibility to boost profitability, offering employers more incentives for making investments. In 1990 Greece a new law on collective bargaining was passed that abolished state intervention via compulsory arbitration (replacing it with mediation by independent specialists). Since then, the inflation rate has been used as a basis for bargaining on minimum wage at national level, between the General Confederation of Greek Workers and employer organisations. Another major development in Greece was the reform of the civil service pay structure in 1996 (Karamessini, 2007, p. 8).

In Portugal a set of measures targeted civil servants, including wage cuts and increasing working hours. The most significant change in wage setting over the last decades has been the 2003 Labour Code, according to which collective agreements expire if one of the signatories denies renewing them. The Code introduced expiry clauses in collective agreements and ceased compulsory arbitration by the Minister of Social Security and Labour in case a collective agreement expires and is not replaced by another. Consequently, by 2004 the total number of collective agreements declined considerably. In 2005 the new social-democratic Government changed the Labour Code on this point to protect collective bargaining as a key element of industrial relations (Karamessini, 2007, p. 9).

⁸ This is based on data obtained by the Greek Statistical Office and processed by the Greek Federation of Secondary Education State School Teachers – OLME.

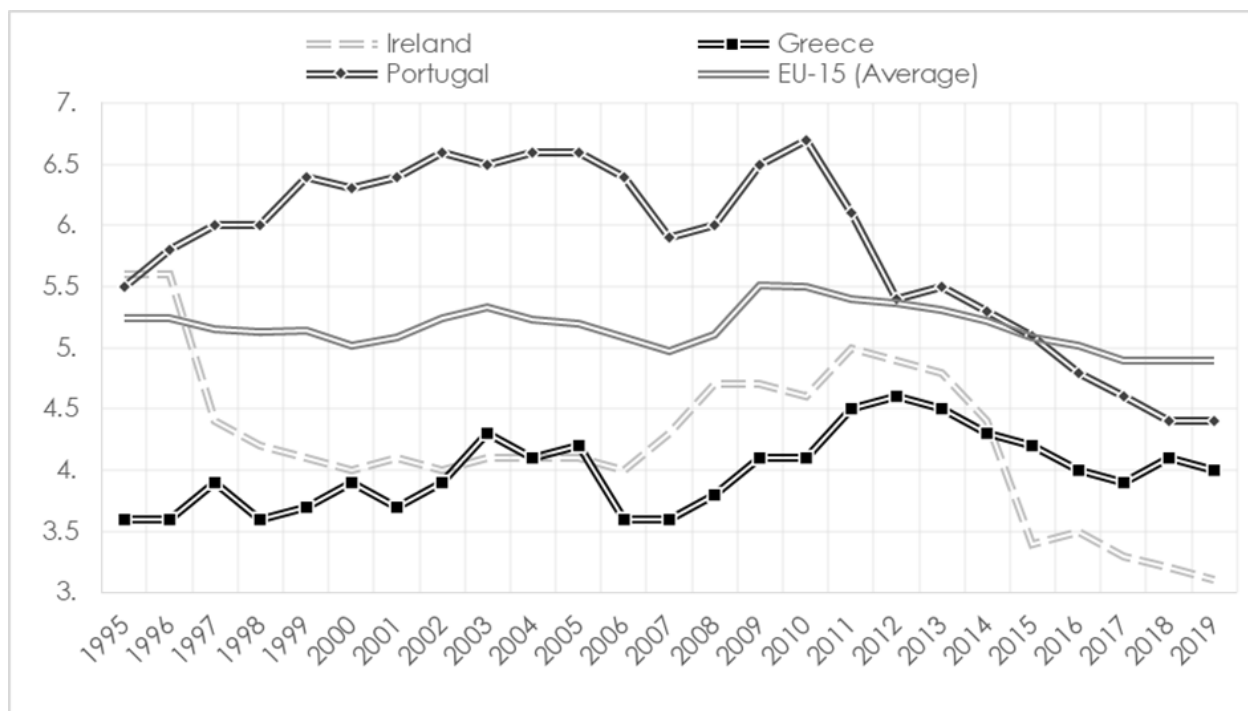
The main objectives of these regulatory and institutional reforms were making wages more adaptable to economic slumps, encouraging or obliging unions to accept moderate wage increases, reducing inflation, allowing higher profitability and fostering investments. In Italy and Spain trade unions compromised on some fronts to avoid unemployment in case of decreasing competitiveness. In contrast, in Greece this occurred solely as an exception, during the recession of the early 1990s and in a politically hostile environment for the unions, while in Portugal the largest union confederation has steadily refused to ratify agreements determining wage increases (Karamessini, 2007, p. 9). In any case, reforms in Portugal were more radical than in Greece, facilitating the use of fixed-term contracts and allowing the operation of temporary work agencies.

4. Effects of recent Troika interventions on public investments

With the ratification of the adjustment programs, Portugal and Greece agreed to cut down their budget deficit, by shrinking public investments and especially investments in social services. For instance, Portugal had to cut it from 9.8% of GDP in 2010 to 5.9% in 2011, 4.5% in 2012 and 3% in 2013 (Eichenbaum, Rebelo, & Resende, 2016). In this section we present figures for Ireland too, to provide a benchmark for comparison. However, we will not analyse the impact of its EAP programme on the Irish society and economy, which is beyond the scope of this paper.

As Figures 2 and 3 demonstrate, public spending on education significantly decreased in Portugal and Greece over the last decade. In the case of Portugal this fall appears much sharper, since Portugal invested more extensively in education over the previous decades. The education spending rates as GDP shares in Portugal were much higher than the EU-average until the crisis broke out (Figure 2). In the case of Ireland, we see a sharp fall only when we consider public spending as a share of GDP, since overall GDP of Ireland has been much higher than GDP of Southern European countries. In other words, it is a reflection of higher GDP rates rather than a reality of reduced spending on education. In contrast, when we consider per capita estimates, education spending in Ireland is almost identical to the EU-15 average, while in Portugal and Greece returns to the pre-2000s levels (Figure 3).

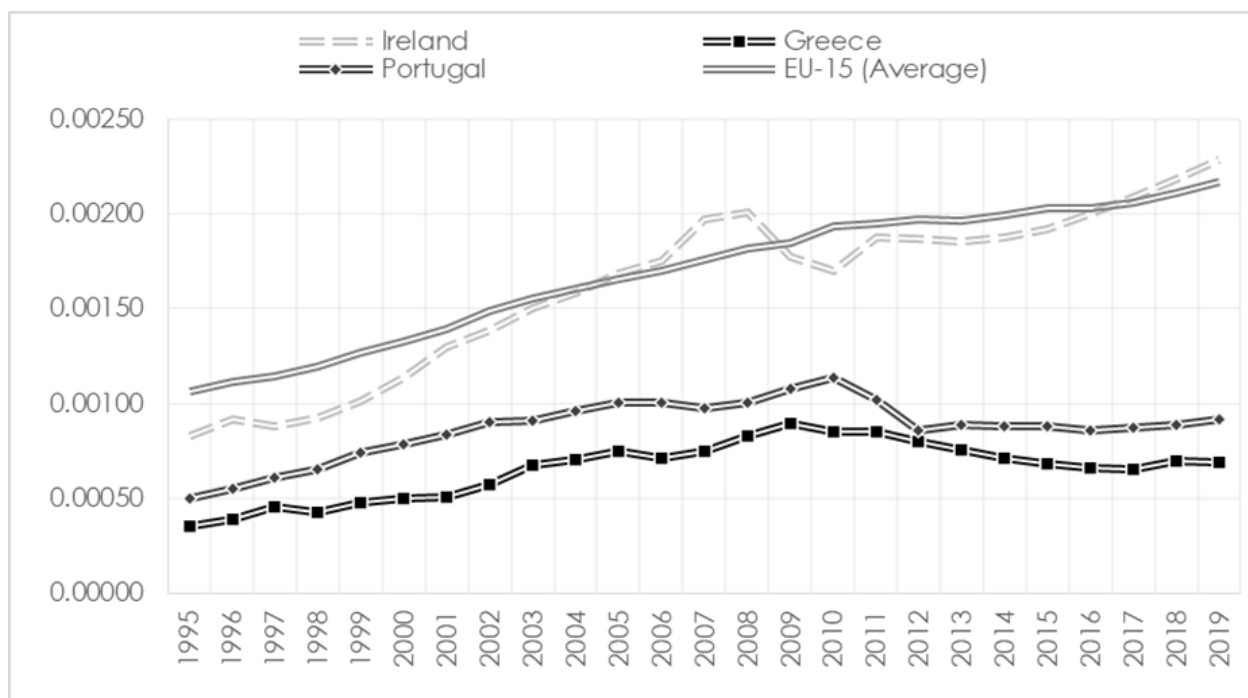
Figure 2. Public spending on education (GDP shares). Portugal, Greece and Ireland: 1995-2019.



Source: Eurostat.

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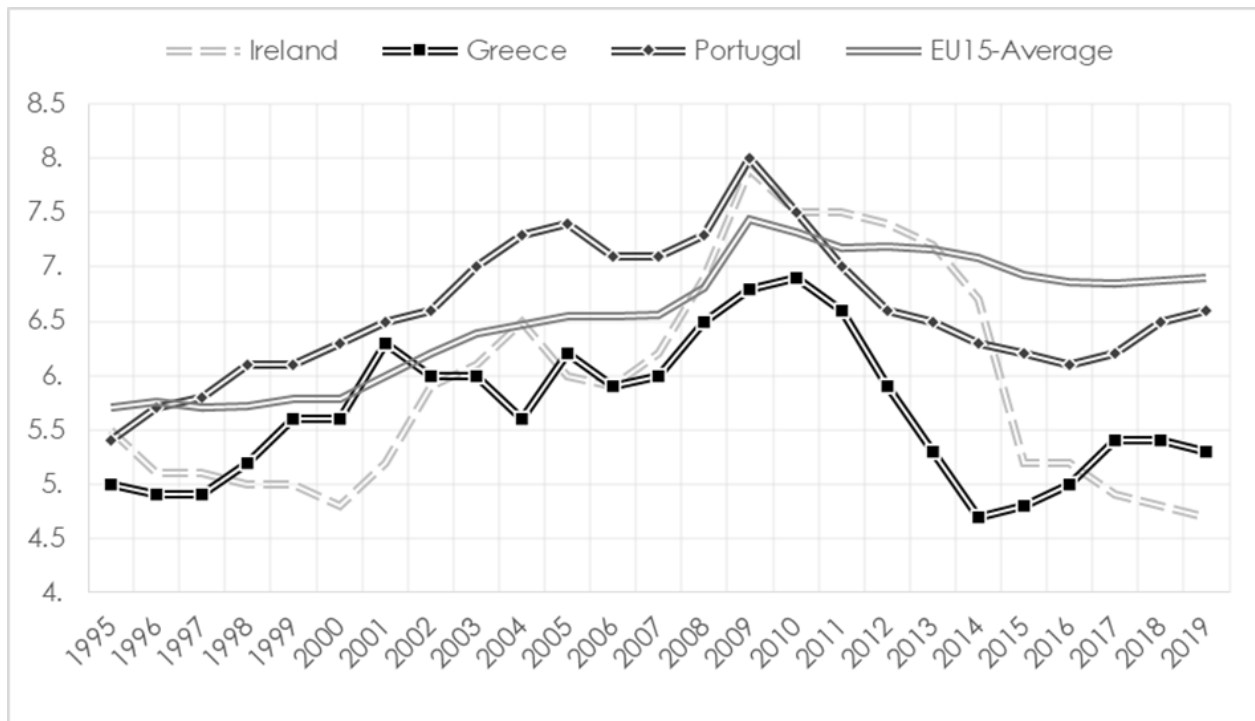
Figure 3. Public spending on education (per capita). Portugal, Greece and Ireland: 1995-2019.



Source: Eurostat.

Concerning public spending on health as a GDP share, again Portugal and Greece show a tremendous decline, with Greece reaching the lowest point in 2014 (Figure 4). Almost the same course is observed in Ireland, while the EU-15 average remains at higher levels throughout the crisis. Per capita estimates in Figure 5 present a different picture, with Ireland following the same path as the EU average, while Portugal and Greece show a smoother fall, compared to GDP shares. This occurs for the same reasons that we already explained in the case of education (difference between Ireland's and Southern European countries' GDP rates).

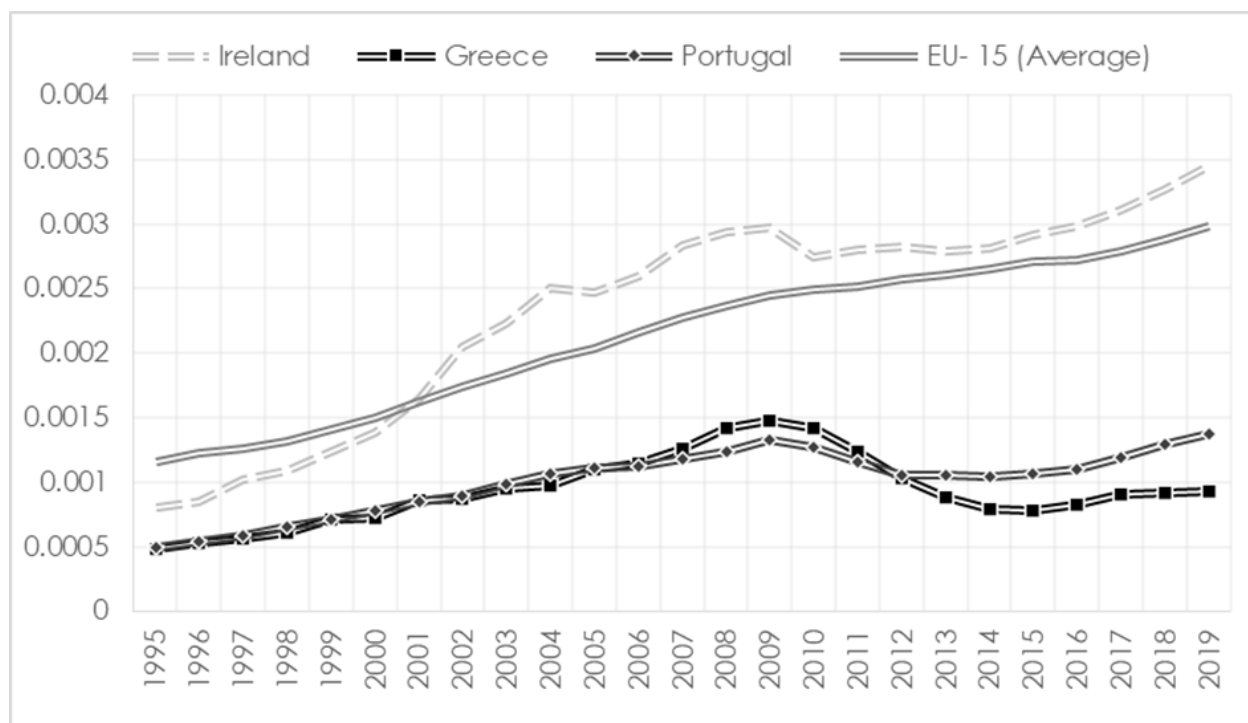
Figure 4. Public spending on health (GDP shares). Portugal, Greece and Ireland: 1995-2019.



Source: Eurostat.

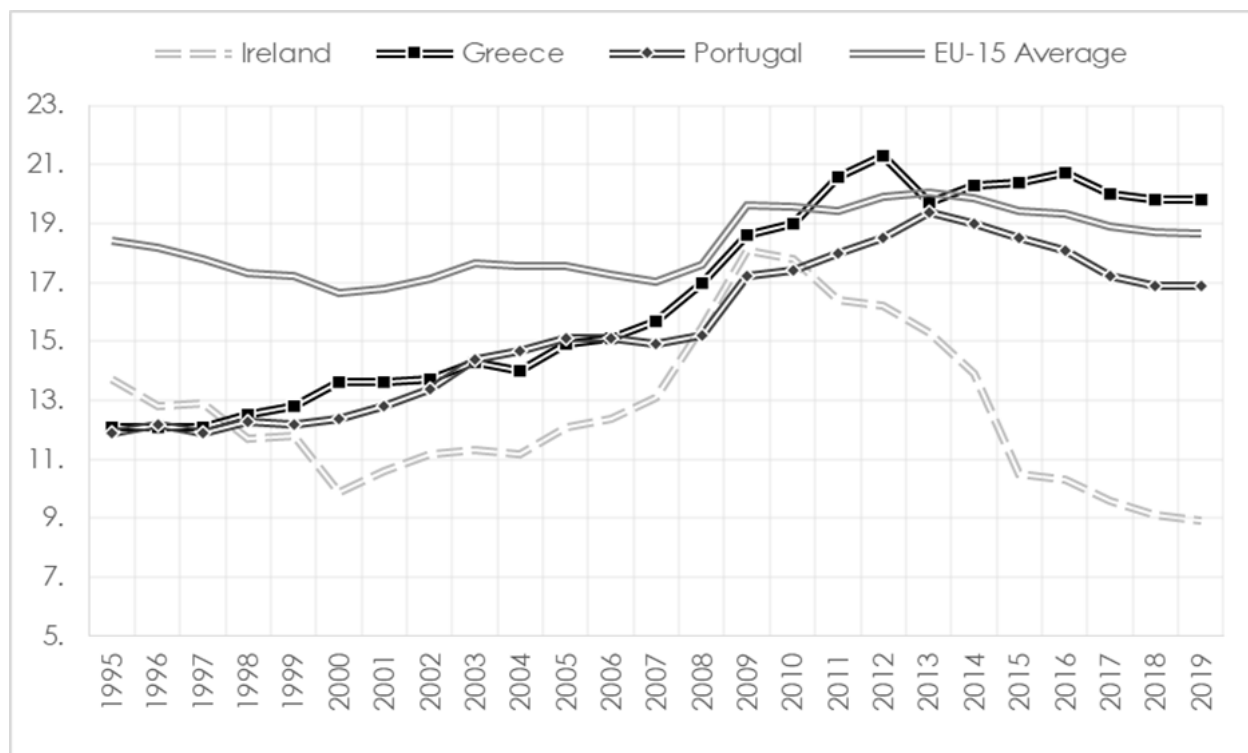
On the other hand, the case of public spending on social protection is particularly interesting, as Figures 6 and 7 show. Both in GDP shares and in absolute numbers, social protection spending in Portugal and Greece demonstrates an almost steady course or a rise respectively, not far from the EU-15 average. On the contrary, social protection spending in Ireland moves downhill, although its rates seem closer to the EU average in per capita terms (Figure 7). This fall is even more apparent when spending is expressed in GDP shares (Figure 6).

Figure 5. Public spending on health (per capita). Portugal, Greece and Ireland: 1995-2019.

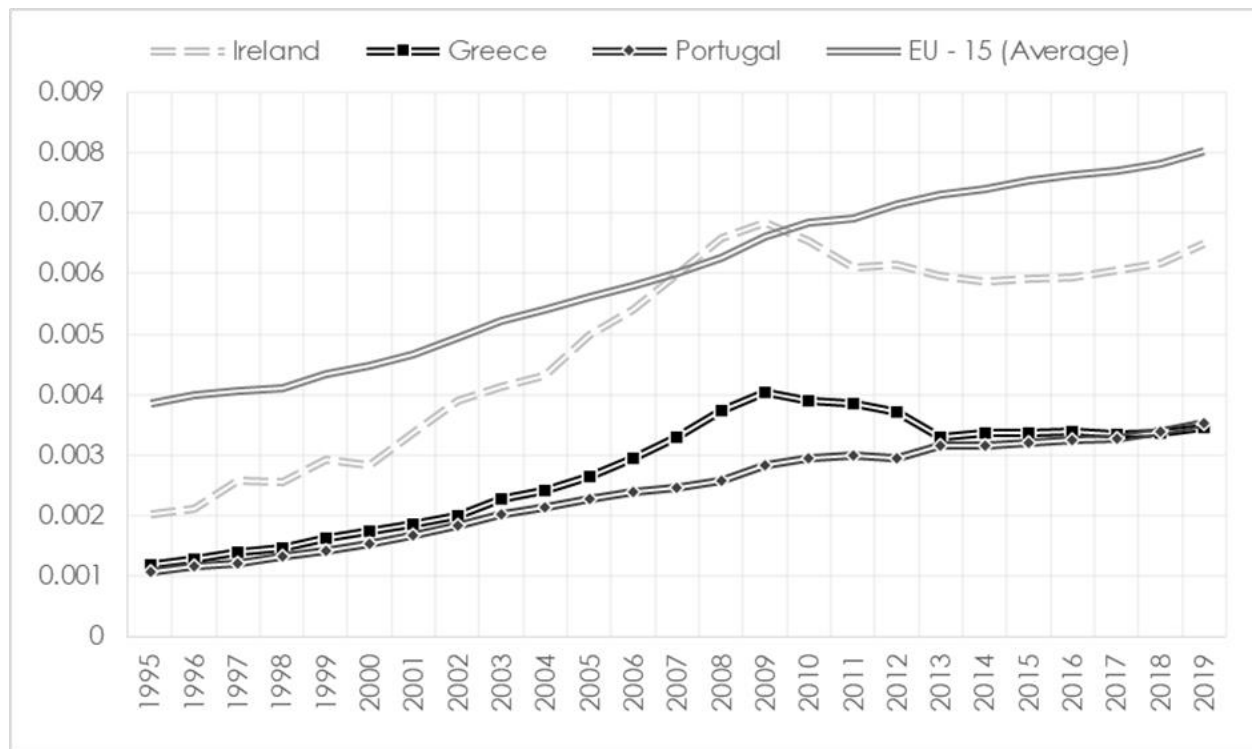


Source: Eurostat.

Figure 6. Public spending on social protection (GDP shares). Portugal, Greece and Ireland: 1995-2019.



Source: Eurostat.

Figure 7. Public spending on social protection (per capita). Portugal, Greece and Ireland: 1995-2019.

Source: Eurostat.

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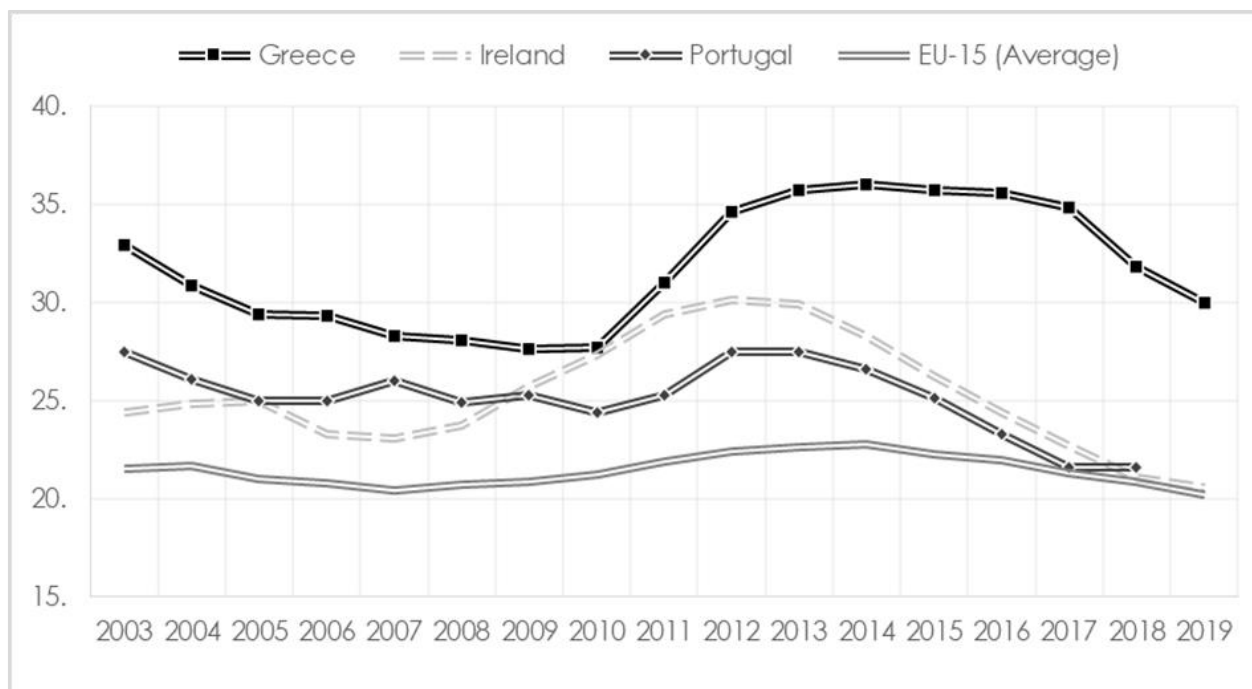
As some scholars point out, in the pre-crisis decades (1980s and 1990s) the levels of social expenditure had been steadily increasing in the two countries. However, the internal distribution remained uneven, in favour of pensions. As a result, only a small share of public resources was spent on labour policies, housing, and other sources of social exclusion (Andreotti et al., 2001, p. 46).

5. Impact of interventions on development and welfare indicators

The lasting impact of the financial crisis itself and the following interventions by Troika has been severe, especially in the case of Greece, and can be measured via a series of development and welfare indicators. A 2020 report by Amnesty International states that even today the levels of unemployment and poverty remain worse than they had been before the crisis. For instance, in 2009, 27.6% of the population of Greece was at risk of poverty or social exclusion. This reached a peak of 36% in 2014 and was 31.8% in 2018. Similarly, during the crisis years, unemployment in Greece increased dramatically. In 2008, the unemployment rate -meaning the number of people unemployed as a share of the total active population- was 7.8%. This reached a maximum of 27.5% in 2013; in other words, one out of four people

able to work in Greece were unemployed. Although the situation has improved since then, in 2019 the unemployment rate was still at 17.3%, more than double the pre-crisis levels (Amnesty International, 2020, April 28, p. 6).

Figure 8. People at risk of poverty or social exclusion (%). Portugal, Greece and Ireland: 2003-2019.

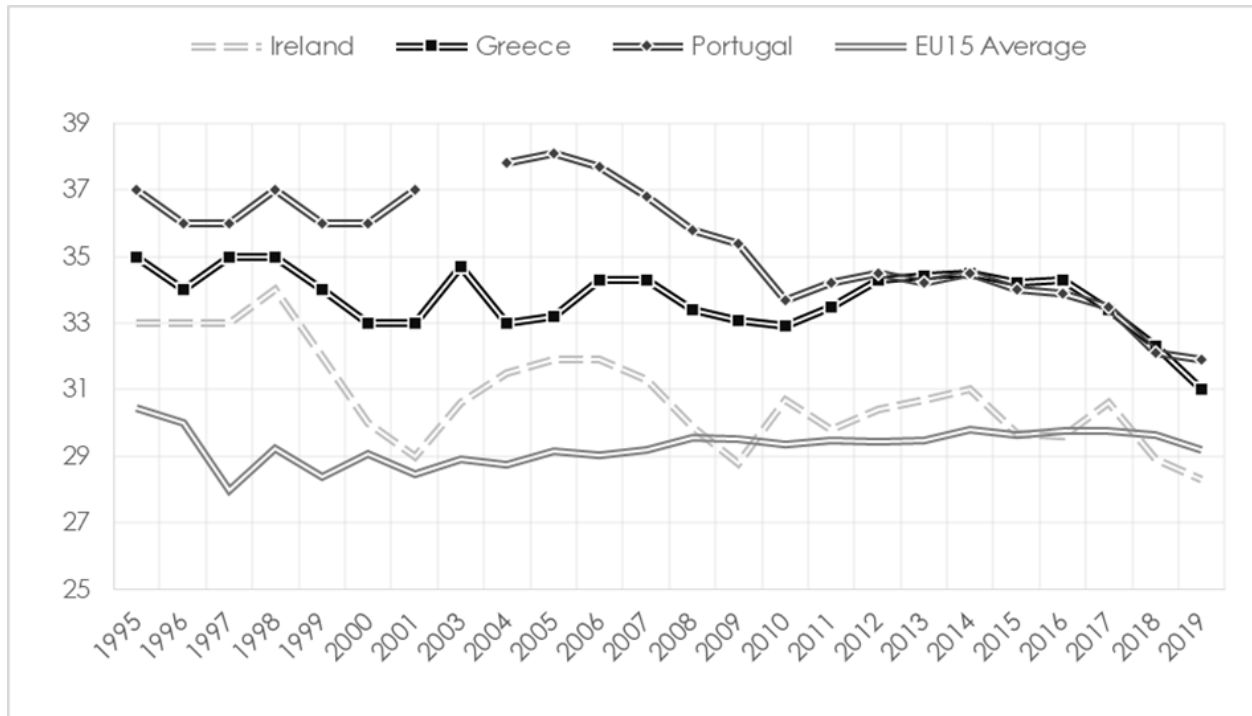


Source: Eurostat.

Figure 8 shows shares of the population being at risk of poverty over the last two decades. In the case of Greece, poverty rates exploded after 2010, while Portugal has managed to restrict them only to the beginning of the crisis (performing better than Ireland) and after 2015 even making them decrease to levels that were lower than those existing before the crisis. Furthermore, Figures 9 and 10 demonstrate income inequality, measured either by Gini Coefficient or the S80/S20 ratio.⁹ In this respect, Portugal presents the highest inequality rates in the decades of 1990s and 2000s, but that was followed by a steady decline since the first years of the twenty-first century. In the crisis period it was able to prevent a massive increase in inequality, and to lower the rates after the conclusion of the Troika intervention. As for Greece, the picture is a bit more mixed, but it has also been able to reduce inequality levels in the last few years, after an increase during the intervention. Lastly, Ireland was able to gradually approach the EU-15 average.

⁹ The S80/S20 is an income distribution measure that compares the income held by the richest 20% of the country's population to that held by the 20% poorest.

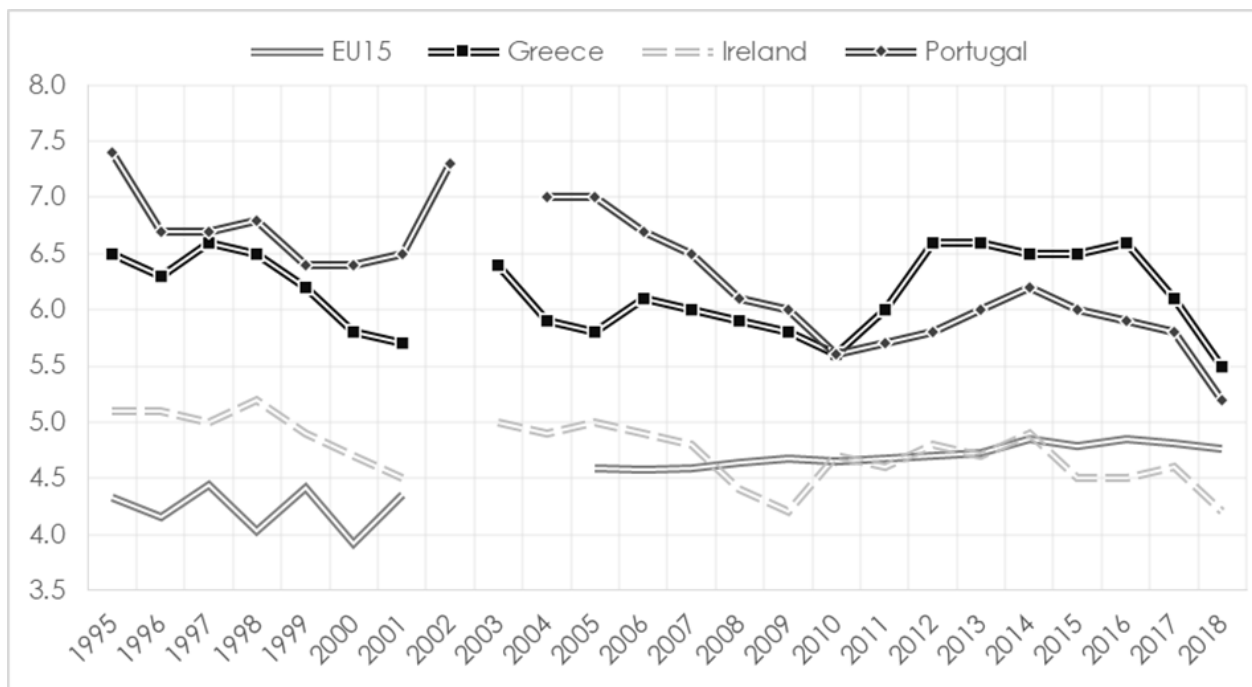
Figure 9. Income inequality (Gini coefficient). Portugal, Greece and Ireland: 1995-2019.



Source: Eurostat.

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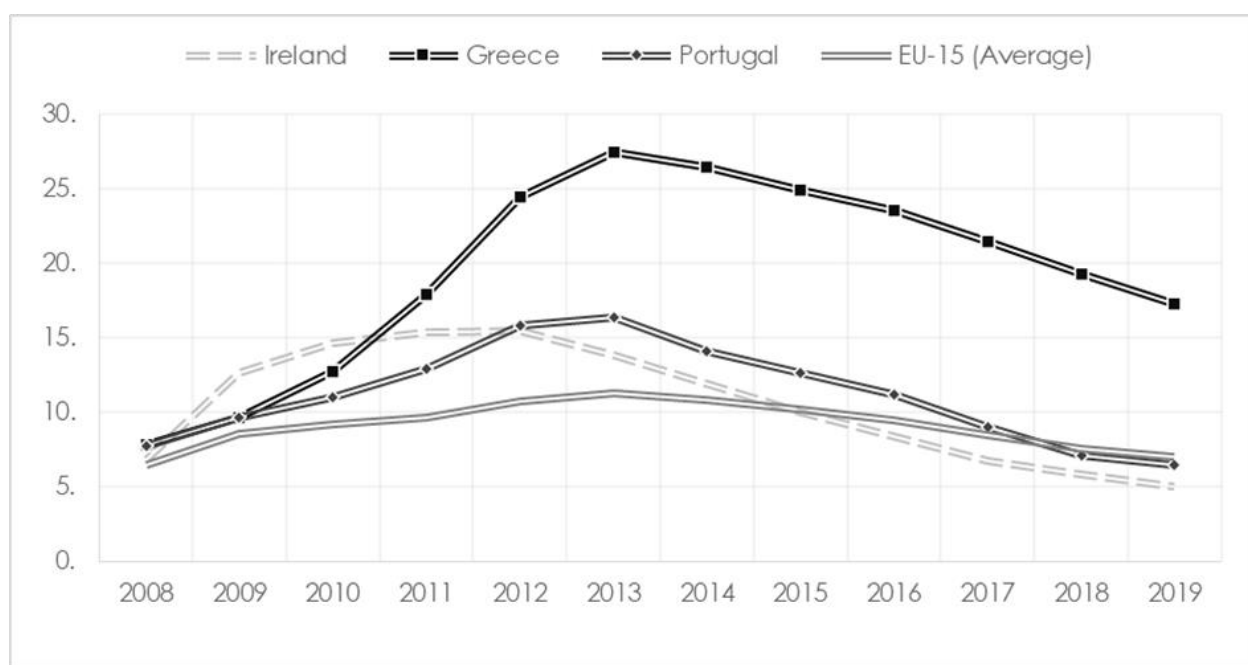
Figure 10. Income inequality (S80/S20 ratio). Portugal, Greece and Ireland: 1995-2018.



Source: Eurostat.

According to Appendices A1 and A2, which show the evolution of the national equivalised income between 2010 and 2019, as distributed by the income deciles of the populations of Portugal and Greece, the increase in inequality during the interventions was mostly at the expense of the lower and top income deciles. As the figures also show, the middle income deciles slightly increased their share of national income through the crisis. This does not mean that their income did not fall, as it actually did due to the economic crash, but that their share of the existing income slightly improved. In addition, the recent decline in inequality was obtained mostly at the expense of top income deciles but the recovery of the lower income deciles was only to the pre-crisis levels.

Figure 11. Unemployment rate (active population). Portugal, Greece and Ireland: 2008-2019.



Source: Eurostat.

Other socio-economic indicators such as employment and emigration complete the picture. Figure 11 shows unemployment rates in the active population over the last decade. Official unemployment in Greece reached the peak of almost 30% in 2013 and remains overall at very high levels, surpassing by far Portugal and Ireland, which move much closer to the EU-15 average. In the case of Greece, ELSTAT data show that youth unemployment under the age of 30 remains at a high level, which rose in 2017 to 263,250 people or 35% (2013: 440,050 or 49.5% and 2008: 163,490 or 15%). In terms of youth unemployment by gender, young women show the highest unemployment rates, reaching 142,760 people or 40.7% in 2017 (2013: 217,720 or 53.2% and 2008: 95,800 or 20.5%) (Katsoridas, 2020, pp. 217-218).

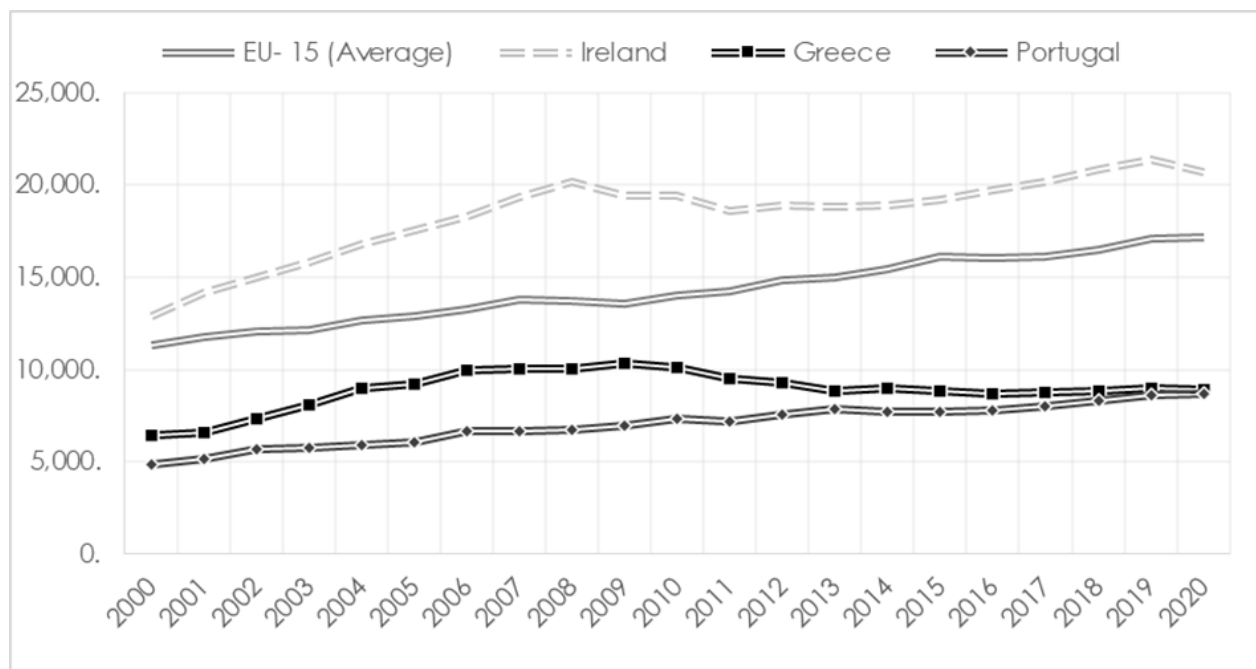
The low level of female participation, combined with high rates of female unemployment, has been considered a distinct feature of Southern European labour markets. In Greece the gap between male and female unemployment rates had already risen in the 1990s, while Portugal is the exception in this respect, with a female participation rate normally being higher than the EU average (Garcia & Karakatsanis, 2006, p. 95).

Moreover, in Southern European countries a considerable share of freelancers and subcontractors frequently work for one employer and should be classified as dependent workers. This form of labour requires lower costs for employers but also flexibility in hiring and firing and, along with the informal sector, has been expanding since the early 1990s (Karamessini, 2007, pp. 12-13). The informal sector was estimated to be about 30% of GDP in Greece, and about 20-25% of GDP in Portugal (Kanellopoulos, 1992). Until today, Greece provides the least generous unemployment benefits (lasting between 5 and 12 months and representing less than 50% of the national minimum wage) (Karamessini, 2007, p. 16).

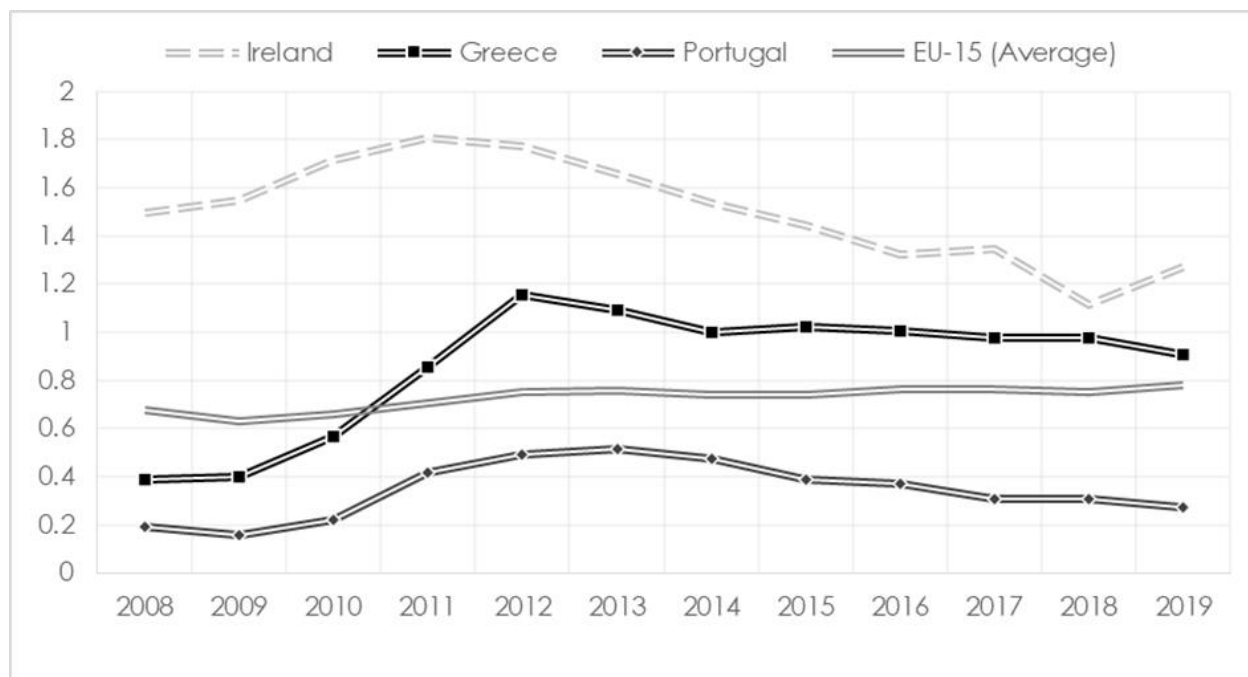
Annual net earnings have also been at low levels for both Portugal and Greece over the last two decades, while Ireland performs significantly better (Figure 12). Lastly, emigration shares (Figure 13) are high for Ireland and Greece and less so for Portugal. Greece has a serious “brain drain” problem, whilst Ireland’s high levels of emigration represent the traditional cyclical or permanent migration streams to the UK and the US. Therefore, we do not consider them as a result of the economic crisis or IMF interventions.

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Figure 12. Annual net earnings (Euros). Portugal, Greece and Ireland: 2000-2020.



Source: Eurostat.

Figure 13. Emigration shares (general population). Portugal, Greece and Ireland: 2008-2019.

Source: Eurostat.

Already in the 1990s and 2000s, outmigration flows from Southern European countries, such as Greece and Portugal, and especially of young people discouraged state investments in professional training and other labour market policies targeting young workers. Flows of migration also slowed down the process of proletarianization, which along with the steadily high rate of self-employment have been significant features of the so-called Southern European model (Andreotti et al., 2001, p. 44).

6. Explaining the different effects in Portugal and Greece: exogenous or endogenous factors?

The crisis and the subsequent Troika interventions had different effects in Greece, Portugal and Ireland. We do not confirm the Portuguese success story as presented in the global mainstream media, and we do confirm that the worst effects were observed in Greece, while in Ireland the effects were only vaguely felt.

The impact of the EAPs on GDP growth was particularly strong in Greece, less so in Portugal and even less in Ireland. In Greece we evidence a long-run depression, while in Portugal we see a fall but followed by a relatively quick recovery (even if far from being a success story). Some socio-economic indicators (such as poverty and inequality) in Portugal and Ireland, after having worsened during the EAPs, got actually better than before the crisis and the implementation of the EAPs. Why such different outcomes?

Our main hypotheses are the following: 1) The structural differences between the economies of Portugal, Greece (and Ireland) have played a crucial role (i.e. pre-Troika GDP growth, public deficit and, industrialisation level); 2) The design of the EAPs, including the conditionalities and measures applied, was different for the two (three, including Ireland) countries; 3) The potential “streamlining” of the welfare state models occurred only in Portugal and Ireland, not in Greece; 4) The pre-Troika structural reforms had already affected the welfare of the two (three, including Ireland) countries; 5) The potential positive effects of post-troika government policies might have outweighed the negative impact of the interventions.

In other words, our principal question is: Could the different effects be attributed to the different design of the EAPs for each country or due to the nature of the welfare states and structure of the economies? And our potential answers are the following.

1. The three countries differed considerably in structural terms (i.e. high public deficit and external debt of Greece; industrialisation of Ireland and Portugal).

All three countries developed internal and external imbalances before the crisis and the Troika interventions. The problems were similar in the three countries, although especially serious in Greece, with Portugal in an intermediate position. In all of them, growth in the years prior to the crisis was based on credit and consumption, with accompanying loss of competitiveness, leading to high current account deficits. Additionally, Portugal and Greece had high public debt and budget deficit ratios, something that was not a serious problem in Ireland. In all aspects, Greece was in a worse situation.

One of the Greek economy’s biggest problems was the small dimension of its export sector as a percentage of GDP, as well as the low-tech nature of its exports, highly based on tourism. Together with the credit-financed growth, which spurred mostly domestic demand, unit labour costs increased strongly in the years preceding the crisis. Consequently, Greece lost competitiveness in a precipitous way between 2001 and 2009, when measured by the real effective exchange rate. The same happened in Portugal and Ireland, but the larger size of their export sectors smoothened the problem, especially in Ireland: exports represented only 10% of Greece’s GDP in 2010, but represented 20% of Portugal’s GDP and 50% of Ireland’s. As the effects of the EAPs were mostly felt in the curtailment of internal demand, thanks to fiscal consolidation, this meant that the Greek economy was particularly hit. Both Portugal and Greece had to correct very significantly their budget and debt ratios (the same not being true of Ireland), but the higher weight of internal demand in Greece meant that it was much more negatively affected by these measures than Ireland and even Portugal (Amaral, 2019; Riedl et al., 2015; Eichenbaum, Rebelo, & Resende, 2016; Wyplosz & Sgherri, 2016; Alcidi, Capolongo, & Gros, 2020).

2. *Greece was subject to three harsh adjustment programs (2010-12, 2012-15, 2015-18), while Portugal only to one heavy program (2011-14) and Ireland to a very light one (2010-13).*

Not only Greece was subject to three EAPs but also the fiscal objectives included in them were much more stringent than in Portugal and Ireland from the beginning. For instance, the second EAP (2012-2015) posited that the Greek public debt ratio should fall to 120% of GDP by 2020, coming from 170% in 2011, implying a reduction of 50 percentage points in just a few years. This required a primary surplus of over 4% per year in the period from 2014 through 2020, an excruciatingly harsh objective. The targets for Portugal and Ireland were much lighter: Portugal's public debt ratio should fall by 10 percentage points between 2011 and 2020, and the country was not asked to have surplus primary balances – in the case of Ireland there was not even any concern with debt, only with the budget deficit (Rield et al., 2015; Eichenbaum, Rebelo, & Resende, 2016; Wyplosz & Sgherri, 2016; Alcidi, Capolongo, & Gros, 2020).

One salient aspect of the Greek programmes was the frontloaded nature of their austerity measures, in contrast with Portugal and Ireland. Greece's fiscal adjustment was 11 percentage points of GDP in 2010 and 2011, in the first year of implementation of the first EAP, at the height of a recession. Another aspect of the Greek fiscal consolidation programmes was that it was mostly based on the revenue side rather than the expenditure side, implying a stronger negative impact on growth. Close to half of the consolidation in 2011–2014 was of this sort in Greece and in Portugal, but in the latter the size of the measures was smaller, and they were almost insignificant in Ireland. The economic consequences of the Troika's approach in Greece were, hence, more negative than in the other two countries. In turn, this ricocheted in such a manner as to make the fulfilment of the fiscal objectives more difficult, prolonging the crisis and the need for new subsequent EAPs (Rield et al., 2015; Eichenbaum, Rebelo, & Resende, 2016; Wyplosz & Sgherri, 2016; Alcidi, Capolongo, & Gros, 2020).

As for the structural reforms that were part of the Economic Adjustment Programs (EAPs), they were similar in Greece and Portugal, and virtually non-existent in Ireland. They pointed mostly at making the labour and product markets more flexible and were generally put in place. They failed, however, to produce the growth recoveries that were expected for Portugal and Greece; especially in the latter, as the former had some growth in the years following the intervention, whilst Ireland passed through a fast-paced growth period immediately after the intervention (Rield et al., 2015; Eichenbaum, Rebelo, & Resende, 2016; Wyplosz & Sgherri, 2016; Alcidi, Capolongo, & Gros, 2020).

3. The EAPs could have helped to streamline some aspects of these countries' welfare states which were seen as unbalanced before the crisis. If so, streamlining did not happen in Greece, only in Ireland and Portugal.¹⁰

Garcia and Karakatsanis (2006, p. 92) suggest four characteristics as the main features of the Southern European Model: severe labour market inflexibilities, extreme fragmentation of welfare provision depending on occupational status, persisting patron-client relations not only in politics but also in social services as well as the dominance of family as a safety net and welfare provider. The Greek welfare system has been characterised by substantial regional disparities (similarly with Italy). In Greece, structures of health care provision, education and employment have been concentrated in the country's two biggest cities, Athens and Thessaloniki, and it is often difficult for the rural population to access them (Garcia & Karakatsanis, 2006, pp. 98-99).

Cultural patterns and economic conditions, as dynamic phenomena, gradually changed. The falling marriage rates and rising marriage ages as well as increasing divorce and single-parenthood rates in Southern Europe during the 1990s–2000s show that young people have been seeking more independence from family and kin ties (Garcia & Karakatsanis, 2006, p. 112). However, nowadays we observe that the harsh economic conditions have reversed to a certain extent this trend. More young people tend to stay longer in their parents' home, due to high unemployment, low wages, and subsequent economic dependency rather than traditional cultural values. In this sense, the crisis and the Troika interventions aiming at increasing austerity, shrinking labour rights and limiting welfare provision, might have made the state and social services more universal to a certain extent; however, by repressing social strata and cultivating equality towards the bottom of society rather than facilitating social mobility towards the top. Therefore, in the long run the adjustment policies led to greater inequalities and dependencies, especially in the case of Greece that was hit more severely by the economic and refugee crisis.

4. Some reforms that took place in the Portuguese welfare state in the 1990s and the early 21st century might have moved it closer to the Northern "universalist" model. This transformation did not occur in Greece.¹¹

The Portuguese welfare system was already less fragmented in the 1990s than the Greek one. In this context, we view the course of Portugal towards a more universalist social model over the last decade as the continuation of its course since the 1990s. Therefore, we

¹⁰ See the discussion on the unbalanced aspects of the "Southern model of the Welfare State": Esping-Andersen (1990), Ferrera (1996), and García & Karakatsanis (2006).

¹¹ See Ferrera (2000), Karamessini (2007), Arcanjo (2009; 2012), and Alves (2015).

disassociate to a certain extent this universalisation trend from the 2010-2020 crisis, Troika interventions and recent Portuguese governments. We argue that it is a policy continuum rather than a rupture and institutional path dependency plays a role here.

5. The possibility that policies implemented by post-Troika governments corrected some of the effects of the Troika's interventions (i.e. Syriza government in Greece or left coalition in Portugal).

The Portuguese left-wing government reversed a series of public spending cuts, halved the unemployment rate, lowered notably the budget deficit and regained credibility in the markets (Moury, De Giorgi, & Barros, 2020, p. 152). The draft of the state budget in 2016 included several reversal points with respect to policies approved by the previous centre-right government. For instance, pre-bailout working hours, salaries and bonuses in the public sector were reestablished (ibid., p. 160). A solution suggested by the negotiators and accepted by the Left, was to outweigh the growing expenditure by raising revenues derived from higher taxes on luxury goods such as alcohol, tobacco, and vehicles. There was wide consensus on the state budget, as it was approved by the other political forces (PS [Socialist Party], BE [Left Block], PCP [Portuguese Communist Party], and PEV [Green Ecologist Party]) for the first time in Portuguese history (ibid., p. 161). Also, by the end of the bailout and the government change, the measures targeting the working hours and the wages, for example of the NHS workers, was eventually reversed (ibid., p. 167).

In the case of Greece, there are examples of policy reversal by the left government of Syriza ("Coalition of the Radical Left – Progressive Alliance"), but also persisting Troika-driven measures and effects until today. For instance, on 1 April 2015 the Greek government of Syriza abolished the obligation of patients to pay a 5-Euro exam fee to the public structures of the National Health System (Government Newspaper) and on 4 April 2016 increased further inclusiveness of public health structures, by making them accessible even for the uninsured, regardless their legal and economic status (Ministry of Health). The category of uninsured normally concerns very vulnerable social groups, such as migrants and homeless people. On the other hand, in the text of the third Memorandum (August 2015), the Greek side explicitly pledged to refrain from any improving intervention in the labour market. In other words, it committed not to return to the pre-Memorandum labour legislation and potential changes could not lead to a reintroduction of arrangements that would be incompatible with fiscal adjustment programs (Katsoridas, 2020, p. 197). Furthermore, during the Syriza governance, public funding on health did not increase sufficiently to reach pre-memorandum levels. On the contrary, it remained frozen at 2014-2015 levels (Benos, Zdoukos, & Festas, 2020, p. 243).

Conclusions

The Structural / Economic Adjustment Programs were imposed on Portugal and Greece in association with the loans given to them in the context of their external imbalance crises in the second decade of the twenty-first century. Such programmes brought austerity policies and various “structural reforms” that had inevitable effects on the two countries’ economies and societies. Both count among the poorest and most unequal countries in the EU, with relatively young democracies and welfare states. The EAPs had a heavy cost in terms of economic growth, and the austerity and structural reform policies affected necessarily the development of the welfare states of both countries, with consequences for their social indicators. All economic and social indicators deteriorated during the Troika years, improving afterwards, but while in the case of Portugal there was close to a return (although incomplete) to the situation existing prior to the intervention, some of the worst negative effects persisted in Greece for the full 2010-2019 years.

We assessed this differential impact through a series of indicators measuring a) the effect of the EAPs on public expenditures, especially those dedicated to typical welfare state components, such as education, health care, and social protection, and b) the effect of those policy measures on socio-economic indicators such as poverty, inequality, unemployment, net earnings and emigration. We posited some hypotheses that could explain the different results in the two countries. They might be due to the fact that the two economies differed from each other in structural terms, so that Portugal could bear the shock of its EAP better than Greece; or to the fact that the design of the Greek EAP implied harsher measures than the Portuguese one, imposing a heavier economic cost. One further hypothesis we raised was that the EAPs brought some “streamlining” of the welfare state that was partially effective in Portugal but not in Greece, something that we link to another hypothesis: that Portugal had reformed its welfare state in the decades preceding the Troika intervention in a more universalist, rather than the typical Southern corporatist model, than Greece had done; this could have made the Portuguese welfare state more apt to deal with the shock of the crisis. We posit, as one last hypothesis, that the post-Troika government policies might have outweighed the negative impact of the interventions, with better effects in Portugal than in Greece.

For now, the aforementioned possibilities are presented as hypotheses and our tentative answers are based mostly on secondary literature, attempting to interpret certain aspects not only of the recent crisis but also of the macro-process of welfare state building in the two countries since the regime changes in the 1970s. We conclude that the hypotheses 1, 2 and 4 hold to a larger extent than the hypotheses 3 and 5. In other words, we observe that besides the recent EAPs and Troika interventions per se, other historical and structural factors

differentiating Greece from Portugal as well as the reforms preceding the crisis, rather than post-crisis government initiatives, have played an important role. Therefore, the time span of a research study on the subject and the consideration of historical, institutional factors from the perspective of path dependency matters. Moreover, the striking stereotype of black-and-white “success” or “failure” stories, promoted by the mainstream media during the previous decade, is not confirmed. Last, we intend to explore all hypotheses in a more systematic and formalised way in future works, by testing them in fully developed statistical tests.

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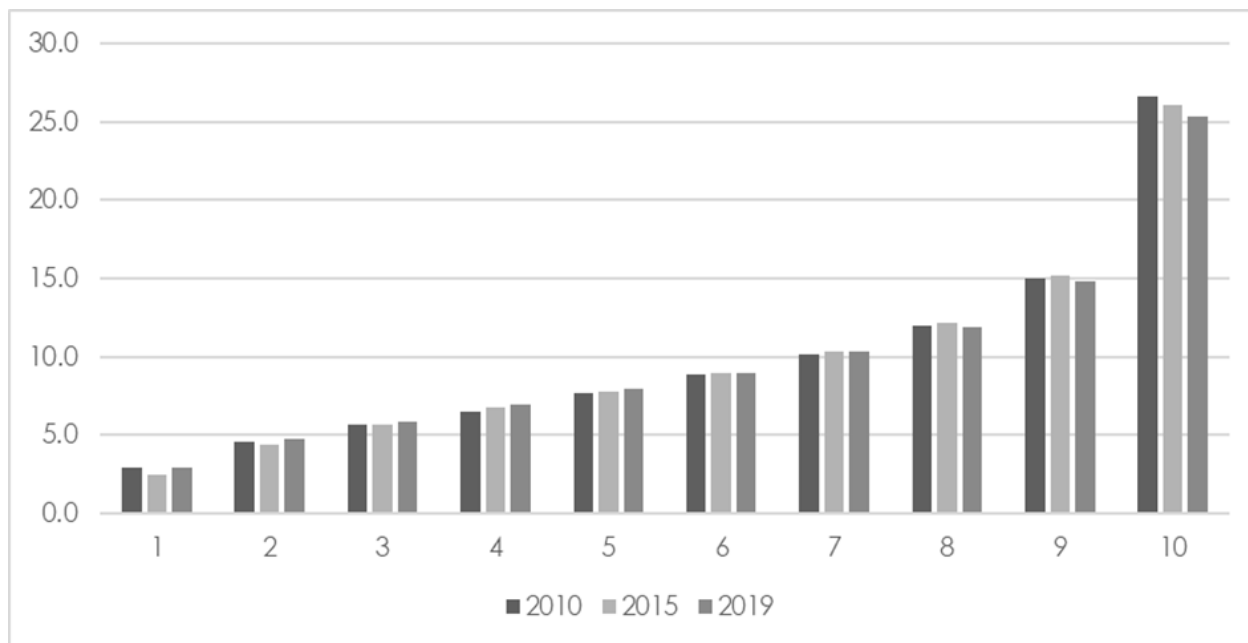
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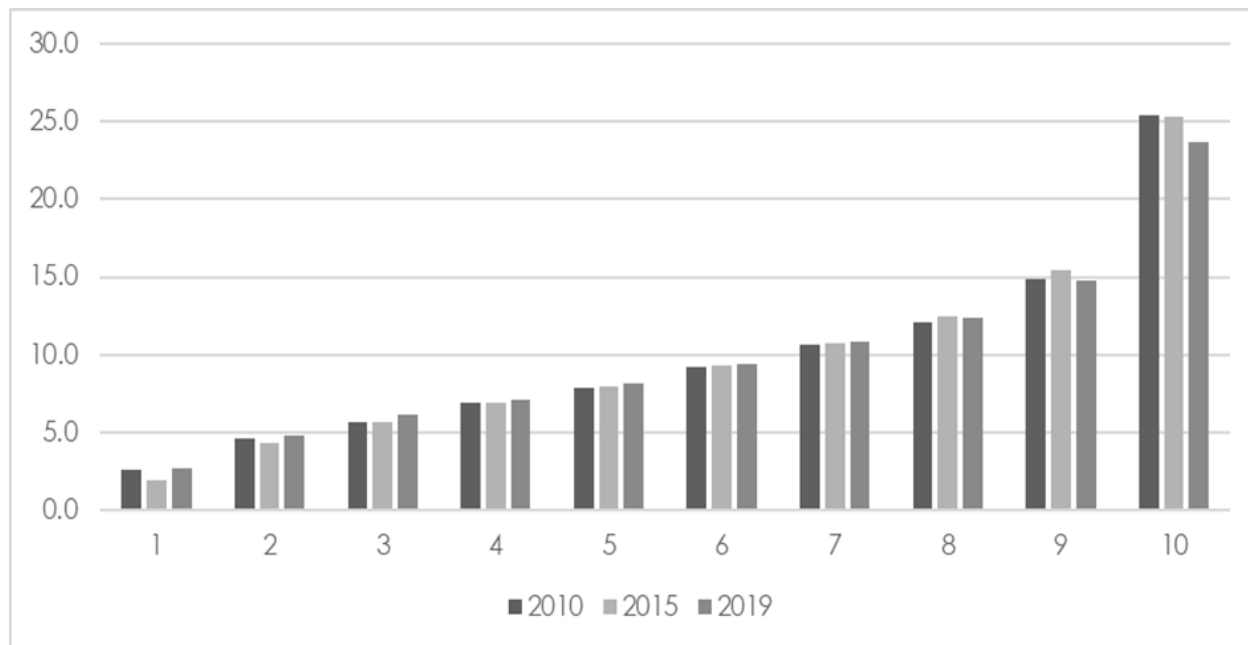
Appendix

A1. Share of national equivalised income. Portugal: 2010-2019.



Source: Eurostat.

A2. Share of national equivalised income. Greece: 2010-2019.



Source: Eurostat.