

Maria Karamessini **The Southern European social
model: Changes and
continuities in recent decades**

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continuities in recent decades**

Maria Karamessini

International Institute for Labour Studies
Geneva

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ISBN Print: 978-92-9014-832-6

Web/pdf: 978-92-9014-833-3

First published 2007

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Requests for this publication should be sent to: ILS Publications, International Institute for Labour Studies, P.O. Box 6, CH-1211 Geneva 22 (Switzerland).

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Preface

Research on social models seeks to connect development paths, labour and social policy by analyzing complementarities and tensions between institutions in the areas of production, employment, industrial relations, skill formation and welfare within different national models. It draws on two influential bodies of literature in comparative political economy, concerned with the varieties of capitalism and of welfare regimes. Both of these literatures were initially built around OECD countries, but they are being expanded to cover developing settings as well.

The ILS Research Conference in November 2006 addressed the question of how national social models in Europe and Latin America have been changing in recent decades in response to globalization. Fifteen scholars from these two regions delivered presentations on individual national models as well as on cross-cutting issues and trends. Several of these presentations have been developed into discussion papers and articles forthcoming in the *International Labour Review*. Work is also under way to prepare two parallel edited volumes with in-depth country studies from each region.

The present discussion paper focuses on the Southern European social model, a construct that captures important similarities across the four Mediterranean countries of Greece, Italy, Portugal and Spain. The author surveys developments in all four countries showing that, despite having made great strides towards catching up with Northern European welfare, education and training levels, there remain important challenges such as persistent labor market segmentation and reliance on the family for social protection.

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August 2007

1. Introduction¹

The notion of *social model* refers to a *specific mode of social reproduction* in a particular national/cross-national/regional context in a given period. Social reproduction is ensured in mainly three ways: engagement in gainful employment, unpaid family work and intra-family transfers, and welfare state support through social transfers and the provision of public goods and services. Welfare delivery by voluntary non-profit organizations also contributes to social reproduction, though to a lesser extent than the other sources of welfare production and distribution.

A social model is taken here to involve two elements: an *employment* and a *welfare regime*. The first element refers to how industrial relations, skills development, and wage setting are organized and employment regulated. The second element refers to how social protection is organized and social services are provided, following Esping-Andersen's seminal typology of welfare regimes and according to the different roles played by the state, the market and the family in the production and distribution of welfare (Esping-Andersen 1999). The employment and welfare regime are interrelated but not necessarily coherent in a period of wide-ranging and intensive institutional change.

In his initial work on the different worlds of welfare capitalism, Esping-Andersen (1990: 159) maintained that '*welfare-state regimes and employment regimes tend to coincide*' and form regime clusters. This followed from his analysis of the impact of his three different welfare-state regimes on the level of total and female labor supply and labour force participation behaviour as well as on the level and structure of employment. In Esping-Andersen's second seminal work (1999) where the notion of welfare-state regime was replaced by that of welfare regime, the notion of employment regime had disappeared. It was however recognized that one of the distinguishing features of welfare regimes is their different approach to social risks within the labour market (regulatory vs. non-regulatory regimes). In this work Esping-Andersen also examined whether welfare regimes and industrial relations models cluster together and whether *institutional path dependencies* concerning labour market regulation and the management of unemployment are responsible for the observed differences between the clusters of nations belonging to the various welfare regimes in employment performance and the incidence of unemployment among different population groups. In sum, in this work Esping-Andersen tried to include industrial relations models and the degree of labour market regulation in his welfare regime typology.

Our approach to employment regimes in this paper differs from the one just described above, in that it does not only include in the notion of employment regime labour market institutions responsible for wage and employment regulation but also the institutions responsible for the skills composition of the labour force (education and training systems). This choice reflects the need to create a bridge between the literature on the 'varieties of welfare regimes' with those on the 'varieties of production regimes' and the 'varieties of capitalism' in order to understand the differences between social models and their evolution.

Employment regimes and welfare states are elements of social models, but they also complement to national production systems. For instance, a country's system of education and training is at the centre of strategies for maintaining or improving competitiveness in the global economy since '*relative abundance in certain skills in a given country constitutes a comparative advantage for the firms in that country*' (Estevez-Abe, Iversen & Soskice 2001: 146). More generally, '*the institutional, cultural and social organization of the labour market will influence the likely success of a particular type of production and may therefore help to shape the nation's*

¹ Acknowledgements to Lydia Fraile, Paola Villa, Maria do Pilar Gonzales, Josep Banyuls and Annamaria Simonazzi for their valuable comments on the first draft of this paper presented at the ILS Research Conference on *Decent Work, Social Policy and Development*, 29 November – 1 December 2006, ILO Headquarters, Geneva.

competitive strategy' (Rubery & Grimshaw 2003: 51-52). On the other hand, '*disability benefits and early retirement benefits can allow firms that operate production regimes requiring employee loyalty to release labour without violating implicit contracts about long-term employment*' (Hall & Soskice 2001: 50). In other words, changes in the production regime call for accommodative changes in both the employment regime and the social protection system, and the relationship between production regimes and social models is a two-way one.

In this paper Italy, Spain, Portugal and Greece are taken to possess the same (similar) mode(s) of social reproduction and thus to belong to a 'Southern European social model', which is different from that found in other European countries. This argument, which was elaborated in the framework of comparative socio-economic research in the first half of the 1990s, holds at a certain level of abstraction and is far from indisputable. The literature supporting it has underlined the common characteristics of the welfare state, the family and labour market structures in Southern Europe (SE) by using quantitative data and qualitative information mostly from the 1980s or early 1990s. However, characteristics are subject to change and typologies should be periodically scrutinized. The aim of the paper is to analyze the main changes in the labour market, the welfare state and the family in Italy, Spain, Portugal and Greece in recent decades and check the robustness of the SE social model over time, especially since the mid 1980s. We maintain that in the last twenty years we have witnessed substantial change in all components of the employment and welfare regime, including the family which is the cornerstone of the SE social model. Along with its traditional functions as provider of childcare, the family has become the main 'social shock absorber' against high youth unemployment, a protracted school-to-work and youth-to-adulthood transition and an increasing demand for long-term care of the elderly. However, institutional change to face the major challenges to the SE social model, i.e. increasing female labour force participation, high youth unemployment, and population ageing, has led to an inadequate de-familialisation of the SE social model and hence to a 'birth strike'.

In the second section of the paper we present the basic features of the SE social model. The subsequent sections are dedicated to the description of institutional change in recent decades in Spain, Portugal, Italy and Greece in the following areas: a) industrial relations, wage setting and employment regulation b) education and training c) social protection against unemployment, pensions, healthcare and social assistance d) the gender division of labour and the care regime. Institutional changes will be linked to structural transformations and trends in the labour market, the family and the welfare state in all four SE countries. In the final section we will briefly comment on the direction and intensity of change and draw some tentative conclusions about the continuing pertinence today of the notion of a 'Southern European social model' referring to a shared mode of social reproduction among the four SE countries examined here.

2. The Southern European social model

The question on the distinctiveness of a Southern European (SE) model of **social protection** and **welfare state** goes back to the early 1990s and has caused much debate (Liebfried 1992, Petmesidou 1996, Castles and Ferrera 1996, Ferrera 1996, Gough et al. 1997, Rhodes 1997, Esping-Andersen 1999, Andreotti et al. 2001, Katrougalos & Lazaridis 2003, Vasconcelos Ferreira & Figueiredo 2005). The debate has been extended to **family models** and **care regimes** (Jurado Guerrero & Naldini 1997, Trifiletti 1999, Saraceno 2000, Bettio and Plantenga 2002). Recent comparative research on gender inequalities in the labour market, the family and the welfare state in Spain, Portugal, Italy and Greece (González, Jurado & Naldini 2000) has drawn similarities among these countries as regards transformations in the '*gender order*' in recent decades but has not made the case for a distinctive SE '*gender regime*' or '*world of European patriarchy*'.

Still today different views are expressed in the literature on whether Italy, Greece, Spain and Portugal constitute a “fourth world of welfare capitalism” or simply a subcategory of the conservative welfare regime of Continental Europe whose main features are: *corporatist* status divisions in the social security system based on employment and occupation, *residual* social assistance schemes to strata without a ‘normal’ employment relationship, *strong labour market regulation and familialism*. The latter refers (a) to the centrality of the family as care-giver and as locus of solidarity and welfare provision and (b) a male bread-winner bias in social and employment protection (Esping-Andersen 1999).

Esping-Andersen (1999) but also Katrougalos and Lazaridis (2003) consider the SE countries as a variant of the conservative welfare regime. For the former familialism is stronger and takes different forms in SE countries than in the other countries of the conservative regime. For the latter SE countries differ from their Continental European counterparts because of the immaturity and relative inefficiency of their social protection system.

At the other extreme, Leibfried (1992), Petmesidou (1996) and Ferrera (1996) have argued in favour of a distinct SE model of social protection and welfare though each one of them on different grounds. For Leibfried it is the residualism in state welfare provision and the central role of the Church and the family that granted the distinctiveness to the SE model. Petmesidou has claimed that the main elements of the distinctive mode of income generation and distribution in SE societies are familism and clientelism. As for Ferrera, he has drawn a longer list of features: the high fragmentation and internal polarisation of the income maintenance systems of all four SE countries, their departure from corporatist traditions with the creation of universalistic National Health Systems, the highly collusive mix between public and private actors and institutions and the selective distribution of cash benefits through clientelism and patronage networks.

Gallie and Paugam (2000) have studied the experience of unemployment under different types of welfare regimes, and classified Greece, Italy, Spain and Portugal in the familialist model of *social regulation of unemployment*. Their typology comprises the public-individualistic, the familialist and the shared responsibility models of social regulation of unemployment and is based on the different degrees and combinations of responsibility of the welfare state and the family for the protection and well-being of the unemployed.

All the authors exploring the common features of SE welfare states in the 1990s have made reference to the role of the family in developing strategies to protect and augment the welfare of its members: pooling incomes from different sources, mobilizing clientelistic networks to get social benefits and access to public sector jobs, securing and transferring home ownership, providing income and protection to unemployed members (Ferrera 1996, Petmesidou 1996, Castles & Ferrera 1996). Moreover, comparative research on the family and family policy models and care regimes has corroborated the argument of a distinct SE welfare regime.

Drawing from their comparative research of Italian and Spanish families, on the one hand, and families in West-Germany, France, UK and Denmark on the other, Guerrero & Naldini (1997) proposed a distinct SE family model that contrasts with the central/northern European one. It includes the following behavioural and attitudinal traits: generations living long together in one household, high institutionalization of marriage, low female employment in the formal labour market and high continuity in female employment patterns, family-oriented attitudes, high valuation of children, relations between generations seen more in terms of obligations, and importance of Church-oriented values.

Studying family ties in the countries of Western Europe in a comparative perspective, Reher (1998) has also drawn the dividing line between the centre and north of Europe on the one hand, characterized by relatively weak family ties, and the Mediterranean region on the other, characterized by strong family ties. He draws this conclusion from the study of two important

aspects of family life in historical perspective, namely the moment when young members of the family set up their own household and the way in which the family organizes support for its most vulnerable members. In northern Europe young adults normally abandon their parental households when they acquire a degree of maturity so as to start their adult lives and the degree of family solidarity for the needy and vulnerable members is not very high. On the contrary, in Mediterranean Europe young adults leave their parental home at marriage while the degree of family solidarity for the needy and vulnerable members is very high. Reher's concluding argument is that the divergent practices between northern and southern Europe have deep historical roots going back to the late Middle Ages.

A further contribution to the debate was made by Trifiletti (1999) arguing that one of the basic differences between the SE and the continental/corporatist welfare regime is the degree of development of family policy. Drawing from the Italian case and projecting her findings to the other SE countries, Trifiletti has maintained that the state in SE does not take on the responsibility of guaranteeing a family wage for the male breadwinner as in the continental/corporatist welfare states. Instead of one male breadwinner, the family in SE needs more income earners and more sources of income to provide for its members and improve their well-being.

Comparative research on the care systems/regimes is more recent. Concerning childcare, Saraceno (2000a) has classified all four SE countries in a separate group among EU Member States sharing a cultural emphasis on the crucial role of the mothers' presence and care in the early childhood years and a high reliance on the family for supporting childcare needs. Bettio and Plantenga (2004) have recently compared and categorized care strategies for children and the elderly in different EU-15 Member States, using both formal and informal care indices and taking into account all policy instruments (leave arrangements, financial provisions, social services). Five distinct care strategies were identified in the EU, one of which corresponds to the SE family care model also prevalent in Ireland. Italy, Greece and Spain are its most typical cases. They score high on the provision of informal care, whereas formal care arrangements for children and the elderly are underdeveloped. The authors of the study underline that this is explained by a very cohesive family system which has survived 'modernization'. Portugal shares most of the features of the SE family care model regarding formal care arrangements, but was found with a surprisingly low score on informal care.

As regards labour market structures of the four SE countries examined here their similarities have been identified by numerous comparative socio-economic studies:

- Persistence of relatively high shares of employment in agriculture until the mid 1970s in Italy and Spain and until today in Greece and Portugal;
- Much higher than EU average self-employment rates;
- Low female employment rates in all countries except Portugal;
- Low part-time rates and widespread informal work;
- High unemployment rates among youth and women and low among prime age men and older workers;
- Pronounced labour market segmentation along different divisions (public/ private sector, large/small firms, formal/underground economy, age, gender and ethnicity).

Similarities in labour market features are obviously related to the common characteristics of production systems, welfare regimes, labour market institutions and their interrelationship in SE countries. Esping-Andersen has pointed to the interrelationship of the welfare regime and labour market institutions by observing that *'the unusually high levels of worker security that characterize especially Southern Europe reflect an implicit familism in labour market management, namely the urgency of safeguarding the earnings and career stability of the male bread-winner'* (1999: 23). He also argued that formal rigidity of employment in SE was

countervailed by informal flexibilities that ‘*mainly take the form of informal (or black-economy) employment and, increasingly self-employment*’ (ibid: 129).

However, only Mingione (2002) has provided an explanation of labour market similarities by taking at the same time into account a number of common political, social and economic features of these countries in a historical perspective. More specifically, he has discussed the hypothesis that, notwithstanding national and regional differences, Italy, Greece, Spain and Portugal constitute variants of the same *model of capitalist development*. This is typical of late-industrialising countries where the state has persistently protected the productive role of small and family enterprises (protectionism of internal market and tolerance of tax evasion). Consequently, the formation of a fully proletarianized manufacturing working class is limited while non-wage contributions to the livelihood strategies of households and irregular forms of work are disproportionately diffused. At the same time, tolerance of tax evasion by small and family firms and independent workers has led to high taxation on wage work thus contributing to the spread of the underground economy and informal work. On the other hand, the familial philosophy of post-war governments in these countries has been a cornerstone of social policy characterised by high degrees of employment protection for the male breadwinner in large and medium-sized concerns and underfinanced social services. The familial philosophy and its corresponding social policy are also responsible for the low official participation rate of adult married women in the labour market. Finally, the long tradition of emigration resulting from de-ruralisation and industrialisation has led to extremely weak state policies for regulating the entry of young workers into the labour market in the form of vocational training and active labour market policies. Mingione’s concluding argument is that the ‘SE model of labour market structuration’ is the product of a common SE pattern of socio-economic development whose core is (a) the strong *economic role of the family* and (b) a *not fully proletarianized* (dependent on wage income) condition of workers. These core elements are long lasting and create path dependency. He also alleges that, although northern Italy has a long and successful industrial history and a high level of development, it has preserved the core elements of the SE model and constitutes an extreme pole, with southern Italy situated at the opposite pole.

From the debate summarised above we can deduce that whether we accept that there is a distinctive ‘Southern European social model’ or not we can discern the following similarities in the pattern of social reproduction in SE countries:

- a) The family is the primary locus of solidarity whose role is both social (provision of care and support) and productive (creation of family businesses);
- b) The male breadwinner enjoys high employment protection and job stability, while other labour force groups (women, young people, migrants) suffer from high unemployment and are disproportionately involved in irregular forms of work, mostly in small businesses and the underground economy;
- c) Social security is based on occupational status and work performance and is organised around the male breadwinner/female carer family model (derived rights for dependants);
- d) Social assistance schemes are residual since those without a normal working career must primarily rely for support on the family;
- e) Child and elderly care are basically provided by family members and mainly women’s unpaid work;
- f) Labour market segmentation creates gaps and inequalities in both employment and social protection;
- g) The unemployment compensation and vocational training systems are underdeveloped;
- h) Jobs in the public sector or cash benefits are selectively distributed through clientelism and patronage networks;
- i) Welfare-state institutions are highly inefficient.

After having described the basic features of the Southern European social model we will now turn to changes in the model in the last twenty years.

3. Changes in the Southern European social model

Changes in the SE social model since the mid 1980s can only be fully understood when set against a background of common economic and socio-political challenges that occurred and matured in the SE countries during the previous period. These were the high levels of industrial conflict and social unrest through the 1970s and the economic crisis and industrial restructuring from the mid 1970s onward.

Workers' rights and the welfare state greatly expanded in all four countries in the 1970s and in some of them also in the 1980s. This was the outcome of social and political struggles that started with the 'Hot Autumn' in Italy and developed after the fall of dictatorships in Greece (1974), Portugal (1974) and Spain (1975). Social and political struggles in the 1970s were facilitated by very low unemployment rates in all four SE countries. The recession of the early 1980s, growing unemployment and the opening of the economies to international competition via EEC membership interrupted the previous trend. By the mid 1980s governments in all four countries had adopted economic stabilization policies to curb inflation, public and current account deficits and an ever-growing demand for social rights and redistributive policies. At the same time de-industrialisation and industrial restructuring were in full progress, de-ruralisation was continuing, and unemployment had climbed to high levels. Finally, in 1986, at the very moment when Spain and Portugal were joining the EEC - Greece had already become full member in 1981 - the Single European Act initiated a new phase of European integration, which ever since has exerted a permanent and critical influence on the employment and welfare-state regimes of all four countries.

Other challenges to the SE social model came to a head in the late 1980s, even though they were the product of longer-term trends. These are the erosion of the male-breadwinner/ female-care model of the family economy, as a result of increasing female labour force participation, and the ageing of the population due to the increase in life expectancy and the decline in fertility.

3.1 Changes in the employment regime

In this section we describe changes in labour market institutions and regulation i.e. industrial relations and wage setting and employment protection. We also discuss developments in education and training.

3.1.1 Industrial relations and wage setting

There are similarities but also great differences in the character of industrial relations between SE countries. The main common features are: high levels of industrial conflict, the capacity of unions to deliver mass mobilization and highly politicized and internally divided labour movements. In Italy, Spain and Portugal political/ideological cleavages take the form of parallel unions forming different confederations while in Greece that of factionalism within unitary unions. Except for Spain, which has lower levels of organisation, all four SE countries possess union density rates slightly above or below the EU average and medium levels of centralization and coordination of collective bargaining (Visser 2004). Finally, legal or administrative extension of coverage by collective agreements to non-union workers is practised in Spain, Portugal and Greece. In Italy, in spite of the absence of a legal base, contractual minima are applied *erga omnes* to all regular employees i.e. to all those that are not working in the underground economy.

Adversarial relations between unions and employers were a common feature of the industrial relations system in these countries until recently and remain in many segments of the system even today. In Spain, Portugal and Greece this resulted from the repression of free unionism and collective bargaining and from employer authoritarianism at the workplace under the dictatorial regimes of the Iberian countries as well as under the post-war regime of 'restricted democracy' and the colonels' dictatorship in Greece. The transition to democracy liberated workers' demands for democracy at the workplace, and fuelled wildcat strikes as well as wider social and political struggles. In Italy adversarial relations originated in 1968-1972 when workers' mobilization and industrial conflict led to 'a major paradigm shift' in industrial relations in this country (Ferner & Hyman 1992).

Nevertheless, industrial relations have gradually become more consensual in recent decades both at the workplace and at higher levels of interest representation. The timing and process differ widely between the four countries along with the degree to which change has led to a radical break with the previous antagonistic culture.

From the late 1970s until the mid 1980s in both Italy and Spain union confederations engaged in tripartite *macro-concertation*; they exchanged wage moderation for institutional recognition, social benefits and job creation (Regalia & Regini 1998, Martínez Lucio 1998). This phase of 'weak neo-corporatism' was succeeded by a new phase of antagonism in industrial relations whose main feature was opposition to government policies. Social pacts reappeared in both countries in the 1990s and have become a permanent feature of their industrial relations system since then. Their aim has been to improve competitiveness and combat unemployment by introducing new wage-setting rules and wage increase formulas, allowing for regulated flexibility of the labour market, reducing non-wage labour costs and improving the skills of the labour force (European Commission 2000).

In Italy, a *new variant of neo-corporatism* reappeared with the tripartite agreements of 1992 and 1993 where, for the first time, wage moderation and concessions by the unions were not counterbalanced by favourable welfare legislation. At the same time the 1993 agreement opened the way to regular meetings of social partners to discuss incomes policy and became the starting point to a practice of mutual information, if not formal concertation, of social partners and the government before major reforms. A tripartite agreement was also reached in 2002 (not signed, however, by the CGIL) on incomes policy, labour market reform, tax concessions, and investment and employment. The move towards this new variant of neo-corporatism was encouraged by the demise of the country's old party system and the shift in the confederal unions' identity and strategy – especially those of the CGIL - in the early 1990s. In fact, the self-perception of these unions changed from agents of social dissent to partners in the process of economic change (Locke and Baccaro 1999). In Spain social dialogue at the peak level recovered in 1996, on a bilateral basis, with the negotiation of the pension reform between the government and trade unions. Although social concertation has never returned to tripartite macro-regulation of the economy as in the late 70s and the first half of the 1980s, bilateral social dialogue between peak-level unions and employer associations has produced major pacts in several policy fields (Fraile 1999). Tripartite concertation resurfaced in 2005-2006 with the agreements on the national care system for dependent persons, labour market reform and the reform of the training system.

In Portugal tripartite social dialogue started as early as in 1985 after the government set up a national body to consult social partners on its economic and social policy. Some influential tripartite agreements were concluded in 1990, 1996 and 2001, while several pacts on vocational training, health and safety, social security and recently on collective bargaining have also been concluded. But the persistent problem of non-involvement of the larger class-oriented union confederation of the country (CGTP) in most of the agreements remains unresolved. Hence the *'ideological divisions within the labour movement between "class-oriented" and "concertation-*

oriented' bodies continue to be a determining feature of industrial relations, obstructing the creation of a pattern of class compromise and trust relations' (Barreto & Naumann 1998: 393). Consequently, notwithstanding two decades of social dialogue, industrial relations in Portugal remain adversarial.

Industrial relations are even more adversarial in Greece, the only country where the union movement is formally united. There is only one union confederation for private sector employees (GSEE) and one for civil servants (ADEDY). Despite control of the GSEE by the 'realists', which has encouraged the logic of social dialogue, class politics remains the dominant point of reference of unions (Kritsantonis 1998). Social dialogue started in the mid 1990s and has produced only one social pact in 1997. All initiatives taken by governments ever since have failed. Lack of firm political commitment to social dialogue and partial and ad-hoc social concertation initiatives on specific issues that could have been otherwise brought together to facilitate mutual concessions between the parties have minimized the possibility of *qui pro quo* between the government and trade unions (Ioannou 2000). However, it should be kept in mind that regular bargaining rounds between the GSEE and peak-level employer organisations for the national general collective agreement, involving bargaining on the national minimum wage and a great range of institutional issues, have operated as *functional equivalents* to social concertation on wage guidelines and other topics in the other three SE countries.

Since the beginning of the 1990s important changes have occurred in wage-setting institutions in Greece, Italy and Spain. In 1990 a new law on collective bargaining was passed in Greece that abolished state intervention via compulsory arbitration, replacing it with a new semi-voluntary system of conciliation, mediation and arbitration by independent specialists of a tripartite organisation. The same law enlarged the scope of collective agreements and tried to promote industry – as opposed to occupational-level bargaining. In the same year the system of automatic indexation of wages to past inflation dating from 1982, was abolished by law. Since then it is the projected inflation rate that has been used as a basis for national level bargaining between GSEE and peak employer organisations on national minimum wage increases. Moreover, in the late 1990s the bargaining rounds between management and the strong unions in public utilities and banking were decoupled from those between GSEE and peak employer organisations on the national minimum wage. The basic mechanism of wage drift through articulated bargaining² was thus broken (Ioannou 2000). Another major development of the 1990s in Greece was the reform of the civil service pay structure in 1996.

In Italy a 1992 tripartite agreement abolished the system of indexation of wages to past inflation established in 1945. A second tripartite accord in 1993 established a new two-tier system of collective bargaining breaking with the previous unregulated system. From the late 1960s the provisions of company level agreements in the larger companies tended to shape the content of national bargaining through national industry agreements spreading to other sectors of the economy (Regalia & Regini 1998). According to the 1993 accord, national industry agreements (whose length was fixed to four years) would define the bargaining issues and procedures for lower level bargaining. Company-level bargaining would only deal with matters different from those regulated by industry-level agreements and would not overlap with their pay-related provisions. Wage increases at the industry level should refer to the government's target inflation and to wage guidelines set through biannual tripartite consultations. In case of discrepancy between actual and target inflation rates, further increases could be negotiated two years after the signature of the collective agreement. Pay increases agreed at the company level had to be linked with productivity and company performance while cuts in social security

² Since the eighties, during negotiations with employer organisations, union federations of private sector employees used national minimum wage increases as the floor and the best rate achieved by public utilities and banking federations as the target.

contributions were offered to employers who introduced flexible pay schemes. In 1992-1993, a reform of labour relations in the public sector gave public managers the power to decide unilaterally work organisation, the articulation of working time schedules and the introduction of flexible pay schemes (Locke and Baccaro 1999), while the 1996 Pact for Employment established area contracts and territorial pacts allowing for labour cost reductions in economically depressed areas (Samek Lodovici 2000).

In Spain important changes in the wage-setting institutions took place between 1994 and 1997. In 1994 a number of revisions to the 1980 Workers' Statute enlarged the scope of collective bargaining by including issues previously regulated by law, e.g. working time, trial period etc.; made it compulsory for sector collective agreements to set out the conditions under which companies in economic difficulties could 'opt-out' of implementing the pay terms agreed; addressed the question of articulation between bargaining levels and assigned to multi-industry 'interprofessional' agreements the responsibility for setting out voluntary procedures for resolving disputes relating to the interpretation of agreements (Martínez Lucio 1998). In 1996, a national level agreement between the major employer organisations and union confederations established provisions for compulsory mediation and voluntary arbitration in sector industrial disputes, while a similar agreement in 1997 proposed the specialization of the content of bargaining by bargaining level to avoid overlapping between levels. Since 2002, annual inter-sector framework agreements between social partners have laid down guidelines for lower level bargaining. The basic criteria for wage increases in the agreements are: the forecast inflation rate, wage guarantee clauses to recover purchasing power lost when actual inflation is higher than forecast inflation, and a variable amount linked to productivity.

In Portugal the main level for collective bargaining is the sector, while the role of the company level remains limited. The more important institutional change in recent decades regarding wage setting is the Labour Code that came into force in 2003. The Code establishes that collective agreements will expire (after a transition period) if one of the signatories refuses to renew them and provided for the introduction of expiry clauses in collective agreements and the possibility of compulsory arbitration being determined by the Minister of Social Security and Labour if a collective agreement expires without being replaced by another. As a result, the number of collective agreements dropped dramatically in 2004. In a 2005 bilateral agreement, social partners committed themselves to concrete measures to overcome the deadlock. The new Socialist Government in office since March 2005 changed the Labour Code on this particular point to ensure that collective bargaining remains a central feature of industrial relations. Moreover, in 2006, for the first time in the history of social concertation, social partners – including the CGTP - signed a tripartite agreement on the statutory minimum wage increases during 2007-2011.

The institutional changes described above in both industrial relations and wage-setting rules and procedures aimed to make wages more flexible to economic downturns and productivity differentials and to induce/compel unions to accept moderate wage increases in order to curb inflation and allow a portion of productivity gains to be translated into higher profitability in order to stimulate investments. In Italy and Spain unions seem to have made concessions in exchange for other (mostly institutional) benefits and/or in an attempt to avoid a negative impact on employment in case of reduced competitiveness. In Greece this has happened only during the recession of the early 1990s and in a politically unfavourable environment for the unions while in Portugal the largest union confederation has systematically refused to sign concertation agreements providing guidelines on wage increases for lower level bargaining.

Wage developments can be observed in Table 1 along with those of other economic indicators. After the abolition of the wage indexation system in Greece and Italy and in the first half of the 1990s real wages declined in both countries. From 1996 to 2005 real wages have stagnated in Italy, while they have risen notably and in line with productivity in Greece. In the

same period the Greek economy enjoyed high rates of growth while the Italian economy has never recovered until today from the recession of the early 1990s; its performance has even deteriorated since the early 2000s. During the first half of the 1990s real wages in Spain grew more than productivity, but from the mid 1990s to the mid 2000s they have stagnated along with productivity, despite high GDP and employment growth rates. Portugal is a singular case, since real wages in this country have kept rising from the early 1990s to the mid 2000s at a higher rate than productivity. Yet real wage increases have been insignificant since the beginning of the 2000s, when the Portuguese economy entered a prolonged phase of stagnation after its high growth performance in the second half of the 1990s.

We can thus deduce that changes in the wage-setting system along with recession had an impact in Greece and Italy in the first half of the 1990s. In Italy these effects seem more persistent; while in Greece, after the recovery of the economy in the second half of the 1990s, the unions have claimed and obtained wage increases equal to actual inflation rates plus productivity growth. In Spain the changes of the wage-setting system in the mid 1990s and the union's policy of wage moderation have kept real wages constant between 1995 and 2005 despite high growth of GDP and employment over the same decade. Conversely, the guidelines for wage increases of a string of tripartite agreements on incomes policy in Portugal since 1987 have not been followed by the CGTP at the bargaining table.

3.1.2 Employment protection and labour market segmentation

The high degree of protection of the male-breadwinner's employment has been listed among the distinctive features of the SE social model. OECD summary indicators on the restrictiveness of employment protection legislation place Spain, Italy, Greece and Portugal at the top of OECD countries along with Mexico and Turkey (Table 2). The restrictiveness of employment protection legislation, especially as regards individual dismissals, is not only the legacy of *authoritarian corporatism*, which is true for Spain and Portugal, or the manifestation of *strong familialism*, which has influenced policy makers in the post-war period. It can also be explained by the underdevelopment of *unemployment compensation systems* until the 1980s.

After the Italian 'hot autumn' and the fall of dictatorships in Greece, Spain and Portugal, employment protection legislation became stricter. In 1975-1976 Portuguese legislation made both individual and collective dismissals very difficult by establishing long notice periods and very high severance pay. Similar changes were produced by the Workers' Statute in Spain in 1980. In Greece prior administrative approval of collective dismissals was established in 1967 but their definition became stricter after 1974 and even more so in the early eighties. A law in force from 1920 established very high severance pay for individual dismissals of white collar workers and lower for those of blue-collar workers. In Italy, in 1966 and 1970, labour law made regulation of unfair dismissals very strict. Collective dismissals were regulated through collective agreements and were eased since 1969 through the CIG (wage guarantee fund) provisions and later on through pre-retirement schemes.

On the other hand, in the mid 1970s, all four countries had strict legislation on fixed-term contracts that limited their use to objective reasons and specific cases. As early as 1976 Portugal introduced flexibility in the use of fixed-term contracts (renewal up to a maximum period of 3 years) as compensation for making legislation on individual and collective dismissals extremely stringent. It was followed by Spain that made in 1984 their use unconstrained by abolishing the 'causality principle' and also set the maximum period at 3 years. In Greece, although the law in force from 1920 restricted the use of fixed-term contracts to objective situations by the nature of the activity or the task to be accomplished, the non-specification of the number of renewals and maximum accumulated duration of these contracts, made their use in the private sector flexible in practice. Since the late 1970s use of short-term contracts was extended to the public sector. The variation of their incidence until the mid 1990s mainly followed the political cycle i.e.

waves of expansion before elections and contraction after elections, following their conversion into permanent contracts to satisfy the clientele of voters. In Italy, the only form of temporary employment (fixed-term contracts up to a maximum of 24 months) was the work-training contracts for young people, which were introduced in 1984. They were promoted through a series of incentives provided to employers such as lower than minimum entry wages, cuts in social security contributions, and simplifications in hiring procedures (Samek Lodovici 2000). In 1987 a law allowed the use of fixed-term contracts through collective agreements that would specify target groups and employment shares. However, the law did not succeed in promoting temporary employment in large scale.

Briefly, from the oil shocks of the 1970s until the late 1980s Spain, Portugal and Greece reacted to the rise of unemployment by reinforcing their employment protection legislation while relaxing the restrictiveness in the use of fixed-term contracts. It is therefore no surprise that temporary employment as a percentage of dependent employment rose in these countries above the OECD average by 1990 (Table 3). Especially in Spain, where the use of fixed-term contracts became practically unconstrained, the share of temporary employment reached 35 per cent in 1995. In contrast, in Italy unemployment was mainly addressed by increasing recourse to temporary lay-off and pre-retirement schemes for those employed. The share of temporary in total dependent employment remained in this country very low until the mid 1990s.

By the late 1980s labour market segmentation had been generated in all SE countries between the protected male prime age and older workers, on the one hand, and the young and predominantly female labour force participants, on the other. The former were experiencing low unemployment rates and job stability, while the latter high unemployment and employment instability.

Portugal was the first of the four countries to adopt a *new approach to labour flexibility* meant to tackle labour market segmentation by preventing exclusive concentration of the costs of employment flexibility on labour market primo-entrants and the peripheral groups of the labour force. According to this approach, the protection of employees working under indefinite duration contracts was to be reduced while the use of temporary employment was limited and regulated. In 1989 prior administrative authorization for collective dismissals was abolished; the use of fixed-term contracts was restricted to objectively temporary needs, business start-ups and hiring of first-time job seekers and long-term unemployed; temporary employment agencies were first introduced and their activity strictly regulated.

Spain followed in Portugal's steps some years later. In 1994 prior administrative authorization for dismissals for economic reasons was abolished; objective grounds for collective redundancies were extended and procedural requirements were made less time-consuming; the 'causality principle' for fixed-term contracts was restored and an exception was made only for hiring workers older than 45 years and long-term unemployed; temporary employment agencies were first established and their operation was regulated. The labour market reform of 1997 introduced a 'new permanent contract' with less employment protection for hard-to-place groups of the labour force. The core of the reform consisted of using reductions in severance pay for individual dismissals and cuts in employers' social security contributions as incentives for the promotion of permanent employment among vulnerable groups of unemployed. Additionally, for firms with less than 25 employees the Wage Guarantee Fund would pick up 40 per cent of the cost of collective dismissals. The subsequent labour market reforms of 2001 and 2006 have followed the same logic, extending the groups for which reductions in severance pay and employers' contributions are permitted and granting subsidies for the conversion of fixed-term to permanent contracts. At the same time these reforms have increased the disincentives for the use of fixed-term contracts by introducing severance pay after their expiration, limiting the number of renewals and setting a 24-month limit to the accumulated duration of contracts.

Quite the opposite happened with the 1997 and 2001 labour market reforms in Italy, given the low rates of temporary employment in the country in the mid 1990s. The 1997 reform increased the number of renewals of fixed-term contracts, introduced monetary sanctions for violations of the maximum duration instead of automatic transformation into a permanent contract and allowed the establishment of temporary employment agencies. The 2001 reform went further in promoting temporary work. It allowed the unrestricted use of fixed-term contracts through the elimination of the previous explicit listing either by law or by collective agreement of the specific circumstances in which the use of such contracts is legal, and abolished the maximum accumulated duration of successive contracts. In a similar vein, but not going to such an extreme, the Portuguese Labour Code of 2003 extended the maximum accumulated duration of fixed-term contracts to six years.

In Greece, the legislation passed in 2004 to transpose the EU directive on fixed-term contracts specified for the first time the situations in which these contracts can be used, allowed up to two renewals of the contract and set a maximum of two years for the accumulated duration of successive contracts. In the public sector this ceiling can be exceeded in special cases. However, a move towards more flexibility in hiring and firing was made in Greece some years earlier. In 2001 temporary employment agencies were first introduced. The leasing period was defined up to 8 months with the possibility of extension for 8 more months. According to the Greek law, agency workers should be paid according to the collective agreements applying to the user company. There are similar provisions in the Italian, Spanish and Portuguese laws.

Notwithstanding the series of reforms in all four SE countries to introduce different **forms** and **mixes** of labour flexibility, in 2003 these countries – along with Turkey and Mexico – remained the OECD Member States with the most restrictive legislation concerning individual dismissals and the use of temporary contracts, with two exceptions (Table 4). First, Italy had joined the group of countries with intermediate stringency of protection, after having liberalized its legislation on temporary employment. Moreover, labour market regulations in this country do not apply to firms with fifteen employees or less i.e. to about 60 per cent of all employed. Second, France had surpassed in restrictiveness Italy and Greece after having increased limitations to both individual dismissals and the use of temporary employment. It should be finally mentioned that Portugal may have also joined the group of intermediate stringency in employment protection legislation after the 2003 reform of national legislation on fixed term contracts.

However, legislation is one thing and employment flexibility on the ground another. Table 5 shows that the SE group of countries splits in two as regards the incidence of temporary employment. Spain and Portugal belong to the group of OECD countries with high incidence of temporary employment while Italy and Greece to the group of OECD countries with intermediate incidence. Moreover, the efforts to curb temporary employment in Portugal made progress during the first half of the 1990s but the trend was reversed in the second half. Similar efforts in Spain from 1997 until today have not produced the expected results. In Greece the share of temporary employment has declined after recent legislation came into force, since a great number of temporary employees working in the public sector saw their contracts transformed into permanent. On the other hand, the continuous encouragement of temporary employment in Italy since 1997 has succeeded in raising the share of temporary workers in that country.

Last but not least, when studying labour flexibility on the ground, particularly in SE labour markets, one should not overlook the role of self-employment and informal work as **functional equivalents** to temporary employment and flexibility in the termination of the open-ended labour contract. In SE countries a large share of *freelancers and subcontractors* employed on service contracts are mainly working for one employer and should be normally considered as dependent workers. This hybrid form of work entails lower non-wage labour costs for employers

but also flexibility in hiring and firing and has been increasing since the early 1990s. Because of the importance it gained it has become subject to regulation in all SE countries. On the other hand, the growth of *informal work* (undeclared, irregular, uninsured) since the beginning of the 1990s, stimulated by the inflow of migrants from non-EU countries, has immensely increased employers' capacity to quickly adjust the personnel to the fluctuation of activity, especially in SMEs.

To sum up, the protection of employees with indefinite duration contracts has been relaxed in Portugal and Spain in the last twenty years but not in Greece and Italy. The use of fixed term contracts has become more restrictive in Spain, Portugal and Greece and more flexible in Italy. However, the incidence of fixed term contracts is still extremely high in Spain and above the EU average in Portugal, reflecting the impact of their unconstrained or permissive use in the 1980s. In Greece and Italy this incidence is below the EU average. The establishment of temporary employment agencies in all four countries has given a new impetus to temporary employment with limited impact up to now.

The persisting distinctiveness of Southern Europe can be seen in the high protection a permanent contract provides to the worker. Even after the reductions of severance pay entitlements, the special categories of workers under the new permanent contracts in Spain enjoy the best employment protection in the OECD. On the other hand, flexibility either through the different forms of temporary employment or through the reduction of the cost of hiring and dismissal of employees under a permanent contract has been explicitly or implicitly designed by policy-makers for the younger cohorts and hard-to-place groups including the low-educated, those aged over 45 or 50 years, and the members of minority groups. Finally, the underground economy and informal/irregular work have not retreated but expanded during the last twenty years with the large waves of immigration, pointing to a highly stratified labour market where the direct cost of hiring and firing is practically zero in its lower strata. Labour market segmentation has been redefined along new divisions based more on age, ethnic origin and large/small size of firm and less on public/private sector of employment than in the past.

3.1.3 Education, training and skills development

In the early 1980s all SE countries displayed lower than EU-15 average educational attainment levels for their youth, which was compatible with their much higher shares of low educated working age population and lower productivity levels. The process of catching up to the advanced economies of Centre and Northern Europe in terms of productivity involved a parallel effort of educational catching up.

In recent decades the intensity of policy effort has varied among SE countries. Between 1995 and 2005 Greece and Italy increased the share of the population aged 20 to 24 years completing at least upper secondary education by 10.2 and 14 percentage points respectively, against 5.3 in the EU-15 on average (Table 4). Conversely, progress in Spain and Portugal during the same period has been disappointing: 2.3 and 3.3 points respectively. In 2005, the Greek rate stood at about 10 percentage points higher than the average rate of EU-15 countries (84 per cent against 74.5 per cent), while the rates of the remaining SE countries were below the EU-15 average in the same year, with Portugal at the bottom end with a rate of 48.4 per cent.

There are great disparities between SE countries also as regards enrolment in tertiary education. In 2004 the enrolment rate of young people aged 20 was 60.2 per cent in Greece, 37.7 per cent in Spain, 36 per cent in Italy and 30 per cent in Portugal while the respective average rate in the EU-15 was 33.1 per cent. However, in the same year Italy and Greece had much lower than EU-15 average shares of the population aged 25 to 29 years completing higher education. This implies very high drop-out rates in Greece and high in Italy. On the contrary, Spain had the fifth highest completion rate in EU-25 (Graph 1).

Have these developments radically affected the ranking of the SE countries in the EU with regard to the educational attainment level of their working age population? It does not seem so. According to Eurostat data for 2005, SE countries retain their comparative disadvantage in the EU with respect to the educational attainment of their workforce. Portugal, Spain, Italy and Greece have higher shares of working age population with low educational attainment than the EU-25 average (72.8, 50.7, 51.9 and 40.8 per cent respectively against 32.8 per cent) while only Spain has a higher share of the working age population with high educational attainment than the EU-25 average (25.7 per cent against 19.9 per cent).

Skills are not only produced by the education system but also by the training system, which has been restructured in recent decades in SE countries. In Italy initial vocational training consists of the apprenticeship system dating from 1955, school-based vocational training in upper secondary education and training organized by the regions since 1978 (Allulli et al. 2001). Changes have been made in all the subsystems in the 1990s and 2000s. In 1993 training provided by the regions was reformed to give more impetus to continuing training for employed and unemployed adults. The 1999 reform of the school system raised the compulsory school leaving age from 14 to 15 and made it obligatory for school-leavers to follow some form of training until they are 18 whether they have a job or not. Training may be undertaken either in the formal school system, in a job training scheme or in an apprenticeship. In 2003 the Moratti reform of the school system replaced the school-based vocational stream of upper secondary education by vocational training schools which alternate school and work periods. This 'school-work' path is organized on the basis of agreements of school institutions with companies or with their respective representative associations, chambers of commerce and other bodies.

From 1953 until 1980 vocational education in Greece was provided to primary school graduates through the apprenticeship system. In 1976 lower secondary education became compulsory, new vocational training schools were established for its graduates, while a vocational stream was created in the upper secondary education (Kasimati et al 1984). Vocational training for the unemployed started developing after Greece's entry in the EEC in 1981 with financing from the European Social Fund (ESF). However, it is only in the 1990s that a comprehensive vocational training system was created by separating initial from continuing training. Initial vocational training for upper secondary education graduates was established in 1992, while continuing vocational training for both the employed and the unemployed was rationalised through a major reform in 1994. In 1993, as a result of national agreement between social partners, a special fund was created with a levy on wages imposed on both employers and employees to finance training schemes (Tsekouras et al. 2004). In 1997 and 1998 all types of post-compulsory education vocational schools merged into one type of school and their graduates were refused access to tertiary education. A recent educational reform has re-established the vocational stream in the upper secondary education and allowed its graduates access to tertiary education. In 2003 a National System for Linking Vocational Education and Training with Employment was created with the aim of integrating the systems of secondary vocational education, initial post-secondary training and continuing training in order to avoid overlapping between them, and of establishing a unified system of certification of vocational qualifications.

Major reforms also took place in Portugal and Spain in the 1990s. In Portugal a unified legal framework for vocational training both within the education system and the labour market was established in 1991. Moreover, the apprenticeship system which was formally created in 1984 was reformulated in 1996 (Centeno & Sarmiento 2001). The 2003 Labour Code introduced major innovations in a market of continuing training strongly influenced by the supply-side (EE0 2005). The first innovation stipulated the legal obligation for all employers to provide 20 hours of continuing training per year for 10 per cent of the workforce, except those on fixed term contracts, raised to 35 hours per year in 2006 and following years. The second innovation is the

establishment of the individual right to training which can be exercised directly by the worker in case the employer fails to provide continuing training. This right consists of an annual minimum of 35 hours of certified training. A special tripartite agreement on vocational education and training was signed in 2006 between the government and social partners including a number of measures to render the new employee right to training effective. These measures aim to encourage both firms (especially SMEs) and workers to invest in continuing vocational training (financial incentives, training cheque etc.).

In Spain, the 1990 organic law on the education system created an initial training school path after lower and upper secondary education while, since 1992 national four-year tripartite agreements are signed between the social partners and the government on continuing training. Since 1996 administration of continuing training for the employed was transferred from the state to the social partners and funded by a training levy on companies and workers. The National Vocational Training and Occupational Integration Plan, financed by the ESF and the training levy, organises training for the unemployed (Oroval & Torres 2000). In 2003 the National System of Qualifications and Vocational Training was created while in 2006 a tripartite agreement was signed between the government and social partners. The signatories decided to merge the vocational training system for the unemployed with the continuous training system for the employed by linking both to the National System of Qualifications. The aim is to provide accreditation for the skills acquired in both formal and informal training. The same agreement puts forward the idea of an annual time credit for training, extends the possibility of applying for individual training leave and allows the company to refuse the leave only on the grounds of production or organisational needs.

In short, the development of continuing training for both the unemployed and the employed, the consolidation of vocational streams in upper secondary education, the establishment of post-upper secondary education initial training and the creation of paths between the education and training systems and links between initial and continuing training have been common trends and remain challenges among the four SE countries since the early 1990s. The most innovative changes are (a) the National System of Qualifications and accreditation of training in Spain (b) the new right of all employees to training and the obligation of all firms to a minimum provision in Portugal.

Although institutional change has been important, this has not yet shown up in statistics on the participation of the workforce in lifelong learning. In 2005 the participation rates of the population aged 25 to 64 to lifelong learning in all SE countries were much lower than the EU-15 average (11.2 per cent). Italy and Spain were the best performers (with participation rates of 5.8 and 5.2 per cent respectively), while Greece was the laggard with a rate of 1.9 per cent.

3.2 Changes in the welfare regime

In this section of the paper we describe the main trends in the welfare state and the family model of SE countries. We start from discussing the basic changes in unemployment compensation, pensions, healthcare and social assistance systems and then turn to the modifications of the family model and point to its implications for the care regime.

Before starting our analysis, it is useful to observe that since the early 1970s in Italy and after the fall of dictatorships in Spain, Portugal and Greece all four SE countries have engaged in a process of catching up with the advanced Western European welfare states. Italy had a better starting point. Table 5 shows that the catching up of Greece and Italy as regards social protection expenditure was particularly important in the 1980s; that of Portugal between 1990 and 2003. Although serious deficiencies still exist, Greece, Italy and Portugal do not have any more an under-developed social protection system as it was the case in the 1970s and 1980s. Spain made great progress between 1980 and 1993 but has experienced since then a significant retreat in

social protection expenditure as a percentage of GDP. As a result, the past progress was canceled out.

3.2.1 Social protection against unemployment

Among the SE countries Greece was the first to establish an unemployment insurance system in 1945 followed by Spain in 1961. However, the coverage rates and earnings replacement ratios during the post-war decades were low in both countries. In Italy the oldest income support scheme for the jobless goes back to 1960, consisting of an unindexed fixed-amount benefit whose purchasing power soon became insignificant (Tronti et al. 1996). Yet, until the 1988 and 1991 reforms (see *infra*) Italy was practically a country without a real unemployment insurance system. Unemployment assistance benefits, covering less than 10 per cent of the jobless, were the only support for the unemployed in Portugal before 1985 when the unemployment insurance system was first established (Bover et al. 1998).

It may thus be argued that *employment protection of the male-breadwinner* during the post-war decades in all SE countries went hand in hand with *residual unemployment protection systems*. Workers' mobilization, transition to democracy, and rising unemployment contributed to the improvement of social protection against unemployment in all SE countries in the 1970s and 1980s. In Italy a Wage Guarantee Fund (CIG) was first created in 1969 to provide earnings compensation to temporarily laid-off workers due to collective redundancies. A special scheme of the CIG was introduced in 1975 providing compensation for longer periods than the ordinary scheme (24 to 36 months) to the victims of mass redundancies due to industrial restructuring. A similar Fund (FOGASA) was created in Spain in 1976 to compensate earnings losses of permanently laid-off workers from bankrupted firms. Through the 1970s Spain improved the generosity of its unemployment insurance system. Yet, a major push forward was given by the 1980 reform and subsequent improvements in the 1980s. The gross earnings replacement ratio of unemployment benefits increased from 13 per cent in 1973 to 28 per cent in 1981 and 36 per cent in 2003 (OECD data cited by European Commission 2006: 147).

The establishment of the unemployment insurance system in Portugal in 1985 was followed in 1989 by the easing of the eligibility criteria and the increase of the maximum duration period for both insurance and assistance benefits (Bover et al. 1998). The gross earnings replacement ratio in this country increased from 7 per cent in 1983 to 22 per cent in 1985 and 34 per cent in 1991 (OECD data cited by European Commission 2006: 147). Conversely, the 1985 reform did not do much to improve the generosity of the Greek unemployment insurance system, which has remained unchanged until today. The gross earnings replacement ratio of unemployment benefits increased from 7 per cent in 1985 to 13 per cent in 2003 (OECD data cited by European Commission 2006: 147). In Italy the unemployment benefit for those individually dismissed was redefined as a percentage of the previous wage only in 1988. Moreover, in 1991, a new 'mobility allowance' was introduced for workers definitely dismissed and put on mobility rolls after the period of CIG compensation is over. The duration and amount of allowance depends on the age of the worker and the location of the firm (Tronti et al 1996). Consequently, the gross earnings replacement ratio of unemployment benefits in Italy gradually rose from 3 per cent in 1989 to 19 per cent in 1996 and 34 per cent in 2003 (OECD data cited by European Commission 2006: 147).

Out of the four SE countries Greece has still today the least generous - nearly residual - system of unemployment compensation with the duration of benefits between 5 and 12 months and its level less than 50 per cent of the national minimum wage. In Italy the amount and duration of compensation still varies significantly between the workers made collectively redundant (mainly male-breadwinners) and those individually dismissed. First job seekers are not entitled to any income support. In Spain, the duration of benefits depends on the contribution record but the maximum duration is 24 months. Unemployment assistance follows after the

entitlement period expires. The system also provides minimum benefits to workers on fixed-term contracts. In Portugal age was the only determinant of the duration of unemployment benefits until the end of 2006. Their duration varied from 12 months for those aged under 30 years to 30 months for those aged 45 or more and their level was equal to 65 per cent of the average wage received by the worker during the 12 months prior to unemployment. Since the 1st January 2007 the duration of unemployment benefits depends not only on age but also on the contribution record. The duration varies from 9 months, applying to the unemployed aged less than 30 years and having low contribution record, to 30 months, applying to those aged 45 years or more and having high contribution record.

Having developed very generous unemployment compensation systems for international standards with the reforms of the 1970s, 1980s and 1990s, Italy, Spain and Portugal have all tried in recent years to exert more pressure on the unemployed for active job search. The reforms of 2000 and 2002 in Italy, that of 2002 in Spain, and those of 2003 and 2006 in Portugal all make the receipt of unemployment benefits subject to regular visits to the local employment centres, active job seeking, non repeated refusal of 'suitable' job offers and non refusal of temporary jobs or jobs at a certain distance from home. This does not necessarily mean that the reforms were actually effective in terms of activation, as can be clearly illustrated by the case of Italy. Since unemployment benefits in Greece are very low and do not last long enough to create disincentives for job search, it is no surprise that there has been no initiative from governments to reform the unemployment compensation system in place since 1985. In this country we also find the most important resistance of unions against the reform of legislation against individual and collective dismissals.

The persisting distinctiveness of Southern Europe stands out when coverage rates are considered. By computing averages from ECHP data for the years 1994-2002, Boeri and Brandolini (2004) have shown that Italy displayed during this period the lowest rate among EU countries (17 per cent) of unemployed who had lost their job in the previous 12 months and reported to receive unemployment benefits. The respective rates for Greece and Portugal were around 36 per cent, for Spain around 47 per cent, while for Belgium, Finland, Austria, Germany and Denmark between 80 and 90 per cent. The distinctiveness of Southern Europe also shows up if we consider the gap in coverage and income support between the 'male breadwinners' who had been employed for many years under permanent contracts mostly in large firms, on the one hand, and the young first job seekers or unemployed after termination of a temporary contract who receive little or no compensation at all, on the other. In the Portuguese unemployment compensation system, age is an official criterion of differentiation of the duration of compensation.

3.2.2 Pensions, healthcare and social assistance

One of the characteristics on which Ferrera (1996) based the distinctiveness of the SE welfare model relative to the conservative model of Continental Europe was the *high degree of fragmentation* of the income maintenance system by occupation status and its marked polarization between a group of hyper-protected beneficiaries and large numbers of under/ un-protected workers and citizens.

It is important to stress that in the 1970s there were large official gaps in social security coverage in the SE countries and a major stake was to extend coverage to the whole population. For instance, in Portugal a universal and compulsory system of social security was established after the fall of the dictatorship by revolutionary law, while in Greece official gaps in coverage were filled in the early 1980s. On the other hand, the large underground economy and extent of irregular work in these countries created *de facto* inequalities in both coverage and entitlements.

The reforms that took place in the pension systems of all four countries since 1985 in Spain and the early 1990s in all the others illustrate common trends but also some differences in

the intensity and character of change. It is important to underline that before the reforms had started, the legal age of retirement was lower for women than for men in Italy, Greece and Portugal but not in Spain. But in all countries the levels of generosity of the pension schemes in the public sector were much higher than those in the general schemes of private sector employees and self-employed. Generosity refers to the required retirement age for full or reduced pensions, minimum contribution records and levels of benefits.

The common trends of legislative reforms since the mid 1980s are the following³:

- setting a minimum contribution period for eligibility (15 years);
- gradual equalization of legal retirement age of women with that of men;
- tightening the requirements for eligibility for full pension by increasing minimum required age and the length of contribution period;
- abolition or tightening of the conditions of early retirement schemes;
- gradual enlargement of the calculation base of benefits from the wages received during the last years of work to those received during longer periods before retirement (Spain, Greece) or during the entire working life (Portugal);
- financial incentives for working beyond the legal retirement age and entitlement to 'flexible' or 'partial retirement';
- creation of reserve funds (Portugal 1989, Spain 1997) or a legal obligation on the state to contribute as a third party to contribution-based general pension schemes through general taxation (Greece 1992 and 2002);
- establishment of non-contributory means-tested pension schemes for people with an insufficient contribution record in the 1980s and top-up benefits to raise the lowest contribution-based pensions to a minimum level in the 1990s;
- gradual unification of the basic rules of the different statutory pension regimes by reducing the generosity of civil service and special schemes, by unifying schemes or by absorbing special schemes to general schemes.⁴

A major innovation of the last fifteen years has been legislation on the creation of occupational pension funds (Italy 1993, Spain 1995, Portugal 2001, Greece 2002). In 2001 12.3 per cent of the employed population in Italy was contributing to such funds and participation is encouraged by tax incentives. In the same country, a law of 2004 provided for a mechanism of automatic transfer of 'end-of-service' allowances to the occupational pension funds (but not in case of refusal from the employee). In Spain, supplementary pension schemes of the second or third pillar were estimated to cover around 41 per cent of the employed in 2003. In Portugal only 4 per cent of the employed participate in occupational pension funds while 1.5 per cent of the population is covered by individual schemes. A law passed in 2006 increased the tax incentives for participation in supplementary occupational schemes. In Greece, second pillar occupational pension funds remain in an embryonic state due to lack of incentives for employees,⁵ while third pillar life insurance benefits are not popular and typically come in the form of a lump sum and rarely as an annuity.

Yet the most radical change in the pension systems of SE countries has occurred in Italy in 1995. The Dini reform of statutory pensions is leading to a gradual shift from the currently defined-benefit scheme to a notional defined-contribution scheme, applied fully to all entrants in

³ Information for the reforms has been drawn from the European Employment Observatory (2003) and CEC (2006).

⁴ Today Portugal and Spain have the less fragmented social security systems of the four SE countries. They possess unified earnings-related mandatory pension schemes for all employees and self-employed. Only civil servants and few categories of liberal professions or employees have special schemes. The last 2005 reform in Portugal provided for the convergence of the special pension schemes and health subsystems of civil servants with the general regime for the employees and self-employed (EIRO, 2005 *Annual Review for Portugal*).

⁵ In Greece occupation-based supplementary pensions are provided by auxiliary insurance funds based on pay-as-you-go principles.

the labour market from 1996. Under the new system, benefits are calculated on the basis of the amount of contributions paid throughout the entire career, capitalized at the average growth rate of GDP over the previous five years. Such notional capital is multiplied by a coefficient reflecting life expectancy at the time of retirement, which increases with the actual retirement age. Consequently, Italy has gone the farthest in changes in the organizing principles of its pension system and is followed by Spain. The pension systems of Portugal and Greece are still dominated by pay-as-you-go principles.

Last but not least, heavy immigration flows in all four SE countries since the early 1990s and high youth unemployment have reinvigorated the underground economy, boosted the numbers of irregular workers and reproduced de facto gaps in social security coverage and benefit entitlements among the working population. Consequently, although polarization of the income maintenance system between a group of hyper-protected beneficiaries and large numbers of under-protected workers and citizens has been officially reduced in all SE countries in recent decades, it has been reproduced on the ground due to informality.

According to Gough et al. (1997) who studied the social assistance systems of OECD countries in a comparative perspective, Greece, Italy, Spain, Portugal and Turkey belong to the same social assistance regime qualified as *rudimentary*. The social assistance systems of this group of countries are characterized by the existence of multiple categorical schemes and by the low level of benefits. In the last twenty years, the establishment of non-contributory pension schemes and top-up benefits on low contribution-based pensions in the four SE countries studied here, and the introduction of 'minimum income guarantee schemes' in most of them in the 1990s (Matsaganis et al. 2004) have contributed to the improvement of their social assistance systems. However, fragmentation of the latter has continued, with the exception of Portugal that established a minimum income guarantee scheme at the national level in 1996. Such schemes were introduced by regional governments in Spain between 1989 and 1995, producing large regional differences regarding the minimum income level and eligibility requirements. In Italy experimentation has started in several municipalities in 1998, but the national coverage rate is low and conditions of delivery differ between municipalities. In Greece all governments during the last decade have refused to introduce a national minimum income guarantee scheme. Out of the four SE countries, Greece is today the one with the most fragmented and residual social assistance system, followed by Italy.

Let us now turn to changes in healthcare systems. According to Ferrera (1996) and the proponents of a distinctive SE model of welfare, universalistic National Health Systems (NHS) in Italy (1978), Portugal (1979), Greece (1983) and Spain (1986) signify a deviation from the conservative corporatist systems of Continental Europe based on the insurance principle.

Since the 1980s the healthcare system provides full coverage of the population in all four SE countries but still today in all four countries some services are provided within the framework of social insurance. Yet this is especially the case in Italy and Greece. Differences also exist among SE countries relative to the sources of funding.⁶ In Spain social security contributions covered about two thirds of public health expenditure in the mid 1970s but only 30 per cent in 1989. By 1999 they had completely disappeared. In Portugal, social contributions represented 10 per cent of public health expenditure in 2001, the remaining 90 per cent coming from taxation. In Italy the share of contributions rose to more than 50 per cent of total public financing in 2001, while in Greece the respective share was equal to 46 per cent in 2000.

A common trend in the SE countries is that health expenditure has grown fast since the establishment of the NHS. Today, total health expenditure (as a percentage of GDP) stands above the OECD average in Greece and Portugal and below this average in Italy and Spain. However, *'because of the deficiencies of the public health services, there has been a significant growth of*

⁶ Information for this paragraph comes from the WHO series of country reports on *Health Care Systems in Transition*.

private sector activity, through private health insurance and direct payments. Furthermore, the reforms in all countries aiming at cost containment of the NHS resulted in the introduction of different methods of co-payment by the patients for public health services' (Katrougalos 2003: 133). Both phenomena have resulted in a high share of private in total health expenditure, reaching 47 per cent in the case of Greece (Table 6). Increasing privatization of the health market is therefore a common trend though differences exist in the pace of change.

3.2.3 Change/continuity in the family model and care regime

Given that the strong family is the cornerstone on which the specificity of the SE social model is based, it goes without saying that the continuity or the demise of the latter depend on changes in the family in recent decades and their implications for the welfare regime. Among the changes of relevance for the welfare regime we highlight the erosion of the male-breadwinner/female-carer model, the delay of young people in marrying and leaving the parental home and the sharp decline in fertility. Continuity mainly refers to the maintenance of a high degree of intergenerational solidarity despite the decrease of cohabitation of older generations with their children and grandchildren. Intergenerational monetary and non-monetary transfers are mainly directed towards small children, young adults and dependent elderly parents/ relatives.

The growth of female activity rates over the last decades, especially since the early 1980s, has undermined the male-breadwinner/female-carer model that became predominant in the SE countries in the 1960s and 1970s along with the process of de-ruralisation of the economy and real wage growth in the urban sector. In the early 1980s the female activity rates in all SE countries except Portugal were significantly below the EU-15 average, with Spain being the extreme case (Table 7). Although these rates had risen significantly by 2005, they remained the lowest in the EU-15; only Portugal's rate was among the highest. The gap with the EU-15 average had narrowed in Spain and Greece but widened in Italy. Portugal is a singular case in SE, since the remarkably high female activity rates in this country go back to the 1960s when male-dominated massive emigration, male conscription for the Colonial War and industrial investments directed towards sectors intensively employing female labour created a high demand for female labour in both rural and urban areas (André 1996).

The erosion of the male-breadwinner/female-carer model of the family economy is testified by the decline of the percentage of couples with children under 6 years where the man is working full-time and the woman is inactive and the rise of the percentage of dual-earner couples (Table 8). Notwithstanding substantial progress towards the dual-earner family model since the 1980s in all SE countries, in the early 2000s the shares of working age couples with the man in full time employment and the woman in inactivity in Spain, Italy and Greece were the highest in the EU-15, pointing to the validity of the male-breadwinner/female-carer model among nearly half of the working age population in these countries (Table 9). On the contrary, the very high share of working age couples where both men and women were working full-time in Portugal (57 per cent) reveals that the dual-earner model of the family economy has become well-established in this country. Table 13 also demonstrates the high incidence of full-time and the low incidence of part-time employment among working women in all four SE countries, a feature typical of the SE employment regime.

As a result of women's increasing labour market participation, the SE care regime based on *informal care provided by women in the family* has been transformed. The SE care regime has been partly de-familialised through the expansion of the welfare state. This has occurred more in the field of childcare and much less in that of elderly care.

Public childcare services have developed over the last decades but still do not cope with social demand. Today the coverage of children between three years and school age by formal childcare services has reached 98 per cent in Spain and 93 per cent in Italy while in Portugal it

has attained 75 per cent (Plantenga & Remery 2005). In Greece formal childcare services for children of this age group have developed with considerable delay. The coverage rate in this country rises today to 60 per cent - equal to those of Poland and Lithuania - and is the lowest in the EU-25. The increase of coverage rates for children aged 3 to 6 years should be attributed to the extension of pre-school education. In Spain, childcare for both the 3-6 and the 0-3 year-olds was integrated into the educational system with the 2002 reform. However, the coverage of children aged less than three years by childcare services remains in this country below 10 per cent, like in Italy and Greece. Only in Portugal the coverage rate for this age group reached 19 per cent in 2003, which is an intermediate rate among EU countries (Plantenga & Remery 2005). Incompatibility of opening hours of nurseries and schools with the working hours of parents is an important policy issue for the reconciliation of work and family life and gender equality in employment. The issue was taken on board in Greece by the 1997 educational reform that established daylong kindergartens and schools and created classes with extended schedules within ordinary schools for children of working parents (Karamessini 2005). In 2002 a new calendar was established for kindergartens and their opening hours were extended by 2 hours in Portugal (Ferreira 2005). Flexibility of opening hours of childcare services is a major problem for working parents in Spain (Moltó 2005), while it is a problem only in the case of primary schools in Italy (Villa 2005).

A recent study measuring the adequacy of public childcare systems in the former EU-15 (De Henau et al. 2004) along a number of dimensions i.e. public spending, coverage, opening hours, net cost for parents, and quality of care services, has found that Ireland, Greece, Spain and Portugal belong to the group of former EU-15 countries with the least adequate systems while Italy to the group of former EU-15 countries whose childcare systems display a medium degree of adequacy. Italy has also a relatively long maternity (5 months) and parental leave (6 months maximum for each parent and 10 for both). The latter is paid at 30 per cent of the previous wage and not for the whole duration of the leave. In 2003 the maternity leave was extended in Portugal from 4 to 5 months but the benefit rate was reduced from 100 to 80 per cent of the previous wage. Beneficiaries can choose one of the two options. Moreover, the role of men as carers was encouraged by making paternity leave compulsory, by allowing the father to share with the mother part of the maternity leave and by offering the father an allowance for 15 days if he takes parental leave immediately after the paternity or maternity leave (Ferreira 2005). In Greece a fully paid parental leave of 9 months after the maternity leave was granted to mothers in the public sector in 1999 and will be made available (alternatively) to fathers with the application of the recently approved new Statute for Civil Servants. Since 2005 mothers working in the private sector can take a fully paid (transferable to the father) childcare leave of 4 months after the maternity leave but this is conditional on the employer's consent. Additionally all working parents have a non-transferable right to unpaid parental leave of 3.5 months in the private and 2 years in the public sector (Karamessini 2005).

Because of the insufficient coverage of children under 3 years by publicly funded services in all SE countries, grandparents – mostly grandmothers – get involved in looking after the children. This is the most usual care strategy adopted by working mothers in Spain and Greece who are not on leave with the next most usual strategy being hiring a nanny or child minder (Tobió 2001, Symeonidou et al. 2001). In Portugal the role of grandparents as informal carers is officially encouraged: a fully paid leave of 30 days is granted to the working grandfather or grandmother following the birth of grandchildren. Although informal networks of support are crucial for provision of childcare in this country, needy families with low educational levels and a less favourable class position have the lowest level of informal support over the course of married life (Wall et al. 2001). On the other hand, the most frequent strategy among the more wealthy and educated women in Portugal is to pay for a full-time domestic worker who provides both childcare and domestic help (Ferreira 2005). Informal support networks (typically

grandparents) play an essential role in assisting working mothers to combine work and family obligations in Italy as well (Sabbadini 1994 and 2002, cited by Villa 2005: 5).

The elderly care regime has also undergone important changes in all SE countries in recent decades. Elderly care has been traditionally provided in SE in the family by its female members through unpaid work. At the same time, social care has been residual and based on the principle of social-assistance or on charity. The rapid ageing of the population in recent decades and mass immigration in SE countries since the early 1990s has led to modifications of this elderly care regime. The widespread employment of female (often undocumented) migrants as carers of the elderly and mostly as live-in minders points to a transition from a 'family' to a 'migrant in the family' model of care (Bettio et al. 2006). This particular kind of marketisation of elderly care is still not affordable to low income families but tends to become generalized among upper and middle classes. Consequently, the transition to a new family-market mix in the provision of elderly care reproduces class and ethnic divisions among women in all SE countries.

There has been a limited expansion of public care services in the 1970s and 1980s and 1990s in all SE countries. But only in recent years there seems to be an increasing awareness that the costs of long-term care can no longer be left to the family but should be spread more evenly on society. In late 2005 a law was passed in Spain creating a national care system for dependent persons, which would come into operation from 2007 onward and whose cost will be financed by the State and Regions (two thirds) and the beneficiaries (one third). The system establishes a universal right of dependent persons to care in form of a benefit tied to care services that will be provided mainly by public or publicly-supported centres. The benefit and services will vary according to the degree of dependence. In Italy the introduction of a 'National Dependency Fund' is presently under discussion and on the agenda of the Ministry of the Family. In Greece, the SE country with the lowest public expenditure on elderly care, introduced in 1997 a pilot programme of home help to dependent persons organized by municipalities. The programme has been gradually extended to cover the whole national territory. In short, policy innovation in all SE countries in the 1990s and 2000s has led to the expansion of publicly-funded programmes, allowances and services. However, progress in welfare state delivery and expenditure has fallen short of the large and rapidly growing social demand for elderly care in a rapidly ageing society.

3.2.4 Delayed home-leaving, family support to young adults and low fertility

If the ageing of SE societies has increased the costs to families of elderly care, delayed home-leaving by young adults has increased the costs of having children.

Delayed home-leaving by young adults can be indirectly captured by coresidence rates. Becker et al. (2005) have provided official European data on coresidence with parents of young men aged 25 to 29 years. These data indicate that in 2002 Italy, Greece, Spain and Portugal - along with Finland - possessed the highest rates of coresidence in the EU-15. All SE countries had seen a net upward trend of these rates since the mid 1980s while in the remaining EU countries the rates had shown more stability. In the mid 1980s the rate of coresidence of men aged 25-29 with parents was around 50per cent in Italy, Greece and Spain, and 38 per cent Portugal, while in 2002 it had reached 73per cent in Italy, 70 per cent in Greece, 67per cent in Spain and 58 per cent in Portugal. Coresidence rates are lower for young women of the same age group since women tend to leave the parental home earlier than men to form their own family.

The literature has provided a number of explanations for the delayed emancipation of youth from the family in SE in recent decades. In all four SE countries the rise in youth unemployment and expectations for upward social mobility and self-fulfillment as well as the pursuit by young women of independence through paid work have raised the educational

attainment of younger generations, prolonged the time young people spend in education and raised the age of first labour market entry and family formation. Since young people in SE typically leave the parental home at marriage and they marry after having obtained a stable job, the difficult transition from education to work due to high youth unemployment and employment precariousness is added to longer years of schooling as an explanation for the protracted stay of young adults in the parental home. The lack of jobs and hence economic dependence is not the only reason for which youth in SE tend to stay long in their parents' home. For a large percentage of young people, living at home seems to be a short- or medium-term strategy which permits higher levels of consumption and an easier life, the possibility of saving and, above all, of developing well-aimed strategies in education, training and in patterns of entry into the labour market since they can afford to choose and to experiment with various solutions (Saraceno 2000b).

Delayed home-leaving by young adults translates itself into a higher cost of having children and the latter is a powerful determinant of the very low fertility rates in SE countries. As Bettio and Villa (1998: 159) put it '*the obvious implication for fertility is that the cost of having children may be particularly high in countries displaying the pattern of "prolonged adolescence", because the period of dependence is longer and the standard of living of children is kept as high as the family can afford. Cost is understood here to comprise monetary resources, time and emotional resources*'. The cost for parents from the protracted stay of children at home is amplified because most young people in the SE countries are not entitled to unemployment benefits since they are either primo-entrants or have an insufficient previous employment record. The high cost of having children leads to fewer births per woman in the currently fertile generations while high female unemployment rates induce women job seekers to postpone childbearing during job search and thus forgo some of their most fertile spells (Bettio and Villa 1998). On the other hand, investing in education and stabilizing themselves on the labour market so as to have more resources for negotiating a relationship of parity with men is a fundamental reason behind the postponement of marriage and childbirth by young women. Postponement of childbirth until their thirties by highly educated young women is an additional factor for lower total fertility.

The extremely low fertility rates in SE point to the fact that the aspirations of young women for gender equality and self-fulfillment and the disproportionate concentration of unemployment and employment insecurity on the shoulders of young people in SE labour markets undermine the sustainability of the SE social model by rendering increasingly difficult the formation of new families. To these overriding challenges to the sustainability of the SE social model one should also add broader changes in cultural values, namely the new lifestyles embraced by younger generations emphasizing individualization and professional success over family formation and child rearing (Moreno 2006).

4. Concluding remarks

In the last twenty years all the elements of the *employment and welfare model* of Italy, Spain, Portugal and Greece have undergone change, but since the beginning of the 1990s reforms have intensified. Institutional changes in the fields of industrial relations, wage-setting and employment protection have all aimed to increase wage and labour flexibility in order to boost profitability, provide employers with greater incentives for investment and hiring, and improve competitiveness in an open economy context.

Industrial relations have become more consensual in all countries but in Greece and Portugal the adversarial culture and practice remains strong. In contrast, Italian and Spanish unions have followed the road of compromise, moderation in wage claims and negotiated

flexibility. The country where labour market reforms have been least radical with respect to both wage and labour flexibility is Greece. Portugal has gone further down the path to labour flexibility being the first SE country to ease the use of fixed-term contracts and authorize the operation of temporary work agencies. However, during the 1990s real wages in this country were continuously increasing more than productivity pointing to wage rigidity. Spain is the SE country that has experimented most with both wage moderation and the extensive use of temporary employment as a means of combating youth unemployment. Italy has also since 1993 followed the path of wage restraint with the consent of trade unions, but has tried to improve employment opportunities through encouraging temporary employment and other atypical forms of work only in the last decade, during a long lasting economic crisis.

The high levels of *employment protection* remain one of the distinctive features of the employment model of all SE countries. Employment protection of employees under open-ended contracts has been amended only at the margin in all four SE countries while the regulation of temporary employment has initially become more lax and then more restrictive. Pronounced *labour market segmentation* also remains today a distinctive feature of the employment system of all SE countries, which is reproduced by the concentration of employment insecurity and irregular work on the young labour force participants and the migrants who have massively staffed the underground economy. Since 1994 different Spanish governments have tried to limit labour market segmentation by trading off restriction in the use of fixed-term contracts with the reduction of the employment protection associated with open-ended contracts. However, the reduction of such protection only for the members of specified vulnerable groups to be hired under open-ended contracts has officially reproduced labour market segmentation along new dividing lines.

Efforts to improve the *skills of their workforce* have been made in all four SE countries in recent decades but the intensity of effort and the privileged areas of policy intervention have varied a lot among them. Tertiary education has been opened up to increasing numbers of students in all countries except Italy where the growth in the number of students has been moderate. On the other hand, Italy - along with Greece - has greatly increased the rate of young people completing upper secondary education. The training systems of all countries have been substantially reformed in the 1990s but Spain and Portugal have recently introduced major institutional innovations in the field of continuing training and accreditation of training skills and qualifications.

Notwithstanding diversity in the patterns of change, today all four SE countries still display a comparative disadvantage in the EU-25 with respect to the skills of their workforce as measured by indicators of educational attainment and participation in lifelong learning of the working age population. All of them have higher than EU-25 average shares of working age population with low educational attainment and – with the exception of Spain - lower shares with high educational attainment. Moreover, all SE countries have much lower than EU-25 average participation rates of the working age population aged 25 years and over in lifelong learning.

The social protection and care systems have been areas of significant reform and change in recent decades in all SE countries. Even though *social protection against unemployment* has improved in all SE countries in the 1970s and 1980s, especially in Spain and Portugal, the coverage rates of the unemployed by unemployment benefits in these countries are the lowest in the former EU-15. Young first job seekers or those in unemployment after the termination of a temporary contract receive little or no compensation in all countries except Portugal. Undoubtedly, the great bulk of expenditure on unemployment benefits or equivalent allowances is concentrated among ‘male breadwinners’ temporarily or definitively laid off after having worked for many years mostly in large firms.

Changes in the pension systems of all four countries have aimed to reduce the generosity of benefits, increasing the actual retirement age and introducing innovations such as pension funds, capitalization principles in first-pillar pensions, and creation of reserve funds in order to prevent or contain current or future increases in public expenditure and social security contributions. At the same time general taxation has been used to finance the newly introduced non-contributory pension schemes and raise the lower contribution pensions to a minimum level. All four SE countries have made efforts to 'mend their social safety nets' by increasing expenditure on *social assistance schemes*. The *fragmentation of social security systems* – one of the distinctive features of the SE social model – has been reduced through the unification of insurance organisations while the gaps in the generosity of benefits and qualifying conditions between different schemes have narrowed. However, because the underground economy has thrived in recent decades in all SE countries as a result of mass immigration and youth unemployment the *gaps in social protection* still remain a distinctive feature of the SE social model.

As regards *healthcare*, the major trend in all countries is the growth of private as a percentage of total expenditure. Quite the opposite, in *childcare* the welfare state has increased its role since publicly funded care services for children over three years old have been expanded and improved during the last twenty years in all four countries, though to different extents. For children less than three years old informal care by mothers and grandmothers or paid domestic care by nannies remains the rule since publicly funded childcare services are in short supply. In elderly care, a transition is under way from informal care by family members to a mix of unpaid domestic care by family members with paid domestic care performed by migrant (live-in) workers. The sex of carers remains predominantly female while the family remains the main responsible for the organisation and funding of care for the elderly. Only Spain has recently recognized long-term care in case of dependency as a citizenship right, a logic that radically departs from the principle of family responsibility only or mainly.

The most important change in recent decades which affects the fundamentals of the SE social model is the erosion of the male-breadwinner/female-carer model of family economy as a result of the growth of female labour market participation. The latter has rendered women less economically dependent on men and enabled families to raise their living standards, finance the more and better education of their children as well as the protracted stay of the latter in the parental home. At the same time the increase in life expectancy has been a mixed blessing. On the one hand it has enabled dual-earner couples with young children to cope with their caring duties and the deficiencies of the care system by mobilizing able grandparents for childcare. On the other, it has reinforced the moral obligation of couples to look after their dependent elderly parents. This has put an extra burden on working women who are expected to assume their traditional role as carers.

The deficiencies of the social care system, the increase in life expectancy and the protracted coresidence of young adults with parents explain the reinforcement in recent decades of the main features of the 'strong' Mediterranean family i.e. its cohesiveness and solidarity, although other aspects of this model have been subject to a process of slow but constant transformation. However, the 'birth strike' of currently fertile generations along with changes in the perceptions of gender roles and in cultural values among young people put the viability of the Southern European social model in question by undermining its ideological underpinnings and organizing principles.

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Table 1: Main economic indicators 1961-2005

	1961-1973	1974-1985	1986-1990	1991-1995	1996-2000	2001-2005
EU-15						
GDP growth	4.7	2.1	3.3	1.6	2.8	1.6
Employment growth	0.3	0.1	1.6	-0.4	1.5	0.9
Real wages per head	4.9	1.4	1.5	1.1	1.1	0.7
Labour productivity growth	4.3	2.0	1.7	2.2	1.7	1.0
Unemployment rate				9.4	9.1	7.8
Italy						
GDP growth	5.4	2.8	3.1	1.3	1.9	0.6
Employment growth	-0.3	0.6	0.9	-0.7	1.0	1.1
Real wages per head	6.2	1.8	2.3	-0.3	0.0	0.5
Labour productivity growth	5.6	1.9	2.4	2.1	1.1	0.0
Unemployment rate	5.0	6.9	9.4	9.8	11.0	8.4
Greece						
GDP growth	8.5	1.7	1.2	1.2	3.4	4.4
Employment growth	-0.5	1.0	0.7	0.5	1.4	1.4
Real wages per head	6.4	2.7	-0.7	-1.5	2.3	3.7
Labour productivity growth	9.0	0.7	0.5	0.7	2.8	3.3
Unemployment rate	4.4	3.8	6.6	8.3	10.7	10.2
Spain						
GDP growth	7.2	1.8	4.5	1.5	4.1	3.2
Employment growth	0.7	-1.3	3.6	-0.3	3.9	3.2
Real wages per head	7.6	2.4	1.6	1.5	-0.1	0.0
Labour productivity growth	6.5	3.2	0.9	1.9	0.3	0.5
Unemployment rate	2.6	10.4	15.4	16.8	14.6	10.5
Portugal						
GDP growth	6.9	2.2	5.7	1.7	4.1	0.7
Employment growth	0,0	0.7	1.8	-0.4	1.8	0.4
Real wages per head	6.7	1.6	4.2	2.8	3.1	0.8
Labour productivity growth	6.6	2.6	4.6	2.3	2.2	0.3
Unemployment rate	2.5	7.0	6.4	5.7	5.5	5.9
Source: European Economy, Statistical Annex (autumn 2006).						

Table 2: OECD summary indicators of strictness of employment protection legislation (EPL)

	Regular employment			Temporary employment			Collective dismissals		Overall EPL				
	Late 1980s	Late 1990s	2003	Late 1980s	Late 1990s	2003	Late 1990s	2003	Version 1*			Version 2**	
									Late 1980s	Late 1990s	2003	Late 1990s	2003
Australia	1.0	1.5	1.5	0.9	0.9	0.9	2.9	2.9	0.9	1.2	1.2	1.5	1.5
Austria	2.9	2.9	2.4	1.5	1.5	1.5	3.3	3.3	2.2	2.2	1.9	2.4	2.2
Belgium	1.7	1.7	1.7	4.6	2.6	2.6	4.1	4.1	3.2	2.2	2.2	2.5	2.5
Canada	1.3	1.3	1.3	0.3	0.3	0.3	2.9	2.9	0.8	0.8	0.8	1.1	1.1
Czech Republic		3.3	3.3		0.5	0.5	2.1	2.1		1.9	1.9	1.9	1.9
Denmark	1.5	1.5	1.5	3.1	1.4	1.4	3.9	3.9	2.3	1.4	1.4	1.8	1.8
Finland	2.8	2.3	2.2	1.9	1.9	1.9	2.6	2.6	2.3	2.1	2.0	2.2	2.1
France	2.3	2.3	2.5	3.1	3.6	3.6	2.1	2.1	2.7	3.0	3.0	2.8	2.9
Germany	2.6	2.7	2.7	3.8	2.3	1.8	3.5	3.8	3.2	2.5	2.2	2.6	2.5
Greece	2.5	2.3	2.4	4.8	4.8	3.3	3.3	3.3	3.6	3.5	2.8	3.5	2.9
Hungary		1.9	1.9		0.6	1.1	2.9	2.9		1.3	1.5	1.5	1.7
Ireland	1.6	1.6	1.6	0.3	0.3	0.6	2.4	2.4	0.9	0.9	1.1	1.2	1.3
Italy	1.8	1.8	1.8	5.4	3.6	2.1	4.9	4.9	3.6	2.7	1.9	3.1	2.4
Japan	2.4	2.4	2.4	1.8	1.6	1.3	1.5	1.5	2.1	2.0	1.8	1.9	1.8
Korea		2.4	2.4		1.7	1.7	1.9	1.9		2.0	2.0	2.0	2.0
Mexico		2.3	2.3		4.0	4.0	3.8	3.8		3.1	f	3.2	3.2
Netherlands	3.1	3.1	3.1	2.4	1.2	1.2	3.0	3.0	2.7	2.1	2.1	2.3	2.3
New Zeland		1.4	1.7		0.4	1.3	0.4	0.4		0.9	1.5	0.8	1.3
Norway	2.3	2.3	2.3	3.5	3.1	2.9	2.9	2.9	2.9	2.7	2.6	2.7	2.6
Poland		2.2	2.2		0.8	1.3	4.1	4.1		1.5	1.7	1.9	2.1
Portugal	4.8	4.3	4.3	3.4	3.0	2.8	3.6	3.6	4.1	3.7	3.5	3.7	3.5
Slovak Republic		3.6	3.5		1.1	0.4	3.3	2.5		2.4	1.9	2.5	2.0
Spain	3.9	2.6	2.6	3.8	3.3	3.5	3.1	3.1	3.8	2.9	3.1	3.0	3.1
Sweden	2.9	2.9	2.9	4.1	1.6	1.6	4.5	4.5	3.5	2.2	2.2	2.6	2.6
Switzerland	1.2	1.2	1.2	1.1	1.1	1.1	3.9	3.9	1.1	1.1	1.1	1.6	1.6
Turkey		2.6	2.6		4.9	4.9	1.6	2.4		3.8	3.7	3.4	3.5
United Kingdom	0.9	0.9	1.1	0.3	0.3	0.4	2.9	2.9	0.6	0.6	0.7	1.0	1.1
United States	0.2	0.2	0.2	0.3	0.3	0.3	2.9	2.9	0.2	0.2	0.2	0.7	0.7

* Legislation for individual dismissals and use of temporary contracts. ** Legislation for individual and collective dismissals and use of temporary contracts.

Source: OECD (2004), p. 117.

Table 3: Temporary employment as percentage (%) of dependent employment

Year	1985	1990	1995	2000	2005
Countries	-	-	-	-	-
Austria	..	..	6,0	7,9	9,1
Belgium	6,9	5,3	5,3	9,0	9,1
Canada	..	..	..	12,5	13,2
Czech Republic	..	..	9,3	9,3	8,6
Denmark	12,3	10,8	12,1	10,2	9,9
Finland	..	..	..	16,5	16,6
France	4,7	10,5	12,3	15,5	12,4
Germany	10,0	10,5	10,4	12,7	13,8
Greece	21,1	16,5	10,2	13,1	12,1
Hungary	..	..	..	7,1	7,0
Iceland	..	..	12,7	12,2	..
Ireland	7,3	8,5	10,2	4,7	2,5
Italy	4,8	5,2	7,2	10,1	12,4
Japan	10,2	10,6	10,5	12,5	14,0
Luxembourg	4,7	3,4	..	3,4	5,3
Netherlands	7,5	7,6	10,9	14,0	15,2
Norway	..	..	..	9,3	9,5
Poland	..	..	..	..	25,7
Portugal	..	18,3	10,0	20,4	19,5
Slovak Republic	..	..	3,6	4,8	5,0
Spain	..	29,8	35,0	32,1	33,3
Sweden	..	..	..	15,2	15,8
Switzerland	..	..	13,1	11,7	13,0
United Kingdom	7,0	5,2	7,0	6,7	5,5
West Germany	..	..	..	12,7	..
United States	..	..	5,1	..	4,3
European Union-15	7,4	10,4	11,4	13,5	14,0
Europe	7,4	10,6	11,8	13,5	14,2
North America	..	..	7,7	17,8	5,3
OECD countries	8,3	10,6	9,9	13,9	11,3

Source: OECD database.

Table 4: Youth having completed at least upper secondary education

% of population aged 20 to 24

	1995	2000	2005
Greece	73.8	79.3	84.0
Spain	59.0	65.9	61.3
Italy	58.9	68.8	72.9
Portugal	45.1	42.8	48.4
EU 15	69.2	73.5	74.5

Source: Eurostat.

Table 5: Social protection benefits (as a percentage of GDP)

	EU-15	Greece	Spain	Italy	Portugal
1980	24.4*	12.2	18.1	19.4	14.7
1990	24.4	22.9	19.9	24.7	16.3
1993	27.5	21.2	23.4	25.2	18.5
2003	27.2	25.5	19.4	25.3	22.6
of which					
Old age and survivor	11.2	12.9	8.5	15.7	10.5
Sickness, health care	7.1	6.7	5.9	6.5	6.5
Disability	2.6	1.3	1.4	1.6	2.6
Unemployment	1.8	1.5	2.6	0.5	1.2
Family and children	2.6	1.9	0.6	1.0	1.5
Housing and social exclusion	0.9	1.2	0.4	0.0	0.3

* EU-12.

Source: ESSPROS.

Table 6: Public and private health expenditure in 2002

	Total expenditure	Government expenditure	Private expenditure
	% of GDP	% of total expenditure	% of total expenditure
Greece	9.5	53	47
Italy	8.5	76	24
Portugal	9.3	71	29
Spain	7.6	71	29

Source: WHO, The European Health Report 2005.

Table 7: Activity rates of women aged 25-54

	1983	1985	1990	1995	2000	2005	1983-2005*
Greece	43,8	47,8	51,5	55,0	61,7	68,2	24,4
Italy	45,8	47,9	53,9	53,4	57,9	63,6	17,8
Portugal	62,4	63,4	69,4	75,2	77,3	81,8	19,4
Spain	33,3	35,1	46,9	55,9	62,8	69,0	35,7
EU 15	54,3	57,9	63,9	68,7	72,1	75,3	21,0
* difference in percentage points.							

Source: OECD Labour Force database.

Table 8: Employment patterns in couple families with a child under 6
%

	Men full time/ women full time		Men full time/ women part-time		Men full time/ women inactive	
	1989	1999	1989	1999	1989	1999
Greece	34.5	41.4	4.9	4.2	55.7	47.3
Italy	33.9	42.6	4.7	9.5	53.7	47.5
Portugal	56.0	60.7	3.5	5.9	35.1	25.9
Spain	24.8	31.0	3.3	6.9	63.2	52.1

Source: OECD, *Employment Outlook 2001*, Table 4.2, p. 135.

Table 9: Dominant gender model(s) and working time arrangements of working age couples
% of all couples

	Men full time/ women full time	Men full time/ women part-time	Men full time/ women inactive
Greece	32	9	46
Spain	26	6	60
Italy	30	12	49
Portugal	57	7	27
Germany	26	26	36
Austria	36	21	33
France	38	19	31
Belgium	40	25	25
Ireland	25	21	45
United Kingdom	36	28	26
Sweden	43	27	17
Denmark	55	22	13
Finland	55	9	18
Netherlands	16	38	36

Source: Anxo & Boulin eds. (2002), Tables 1,3,5,7, p. 10,13,15,17.